SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-67684; File No. SR-NYSEMKT-2012-14)

August 17, 2012

Self-Regulatory Organizations; NYSE MKT LLC; Order Granting Approval of Proposed Rule Change Adopting Rules Governing the Listing and Trading of New Products Known as DIVS, OWLS, and RISKS

I. Introduction

On June 19, 2012, NYSE MKT LLC ("Exchange" or "NYSE MKT"), on behalf of NYSE Amex Options LLC, filed with the Securities and Exchange Commission ("Commission"), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act")[1] and Rule 19b-4 thereunder,[2] a proposed rule change to adopt rules governing the listing and trading of new products known as DIVS, OWLS, and RISKS (collectively, "DORS"). The proposed rule change was published for comment in the Federal Register on July 6, 2012.[3] The Commission received no comments on the proposed rule change. This order approves the proposed rule change.

II. Description of the Proposed Rule Change

The Exchange proposes to adopt rules governing the listing and trading of new products known as DIVS, OWLS, and RISKS. Each product has a different risk/reward profile and may be bought or sold separately to achieve a specific investment goal. The three products, when combined appropriately (i.e., long a DIVS, OWLS, and RISKS on the same underlying security, having the same expiration, where the OWLS and RISKS have identical strike prices), are expected to generate total returns that replicate that of a long stock position held for the same duration. The Exchange

1 15 U.S.C. 78s(b)(1).

2 17 CFR 240.19b-4.

3 See Securities Exchange Act Release No. 67315 (June 12, 2012), 77 FR 130 ("Notice").

believes that the structure of the product will enable investors to hedge or obtain exposure to discrete portions of the total return of a security.

DIVS. The phrase “Dividend Value of Stock” or “DIVS” refers to an option contract that returns to the investor a stream of periodic cash flows equivalent to the dividends paid by the underlying stock. An investor that holds a long DIVS contract will receive cash payments equal to the dividend paid by the underlying security. Such payment will occur on the “ex-dividend” date for the underlying security. The investor will continue to have the right to earn such dividend-equivalent cash payments as long as the investor remains long the DIVS contract until expiration. DIVS contracts will be European-style and cannot be exercised prior to expiration.

OWLS. The phrase “Options with Limited Stock” or “OWLS” refers to an option contract that returns to the investor at expiration shares of the underlying security equal in value to the lesser of (1) the current value of the underlying security or (2) the strike price of the option contract. At expiration, regardless of how high the stock closes above the strike price of an OWLS contract, the holders of the contract will never receive more than shares of stock equivalent in value to the strike price of the OWLS contract. The risk/reward of a long OWLS position is similar to a buy/write or covered call position, less the dividends, if any. A long OWLS position offers investors some limited downside protection in exchange for limiting their upside participation to the strike price of the OWLS contract. OWLS contracts will be European-style and cannot be exercised prior to expiration.

RISKS. The phrase “Residual Interest in Stock” or “RISKS” refers to an option contract that returns to the investor at expiration shares of the underlying security equal in value to the difference between the value of the underlying security at expiration and the strike price of the contract. At expiration, holders of RISKS will receive nothing if the stock closes at or below the strike price of the RISKS contract. A position consisting of a long RISKS contract has a risk/reward similar to that of a long call position. A long RISKS position offers an investor all of the upside price appreciation above the strike price of the RISKS contract while limiting the investor's capital at risk to the premium paid to acquire the RISKS contract. RISKS contracts will be European-style and cannot be exercised prior to expiration.

Listing Standards. Any security eligible for listed options pursuant to NYSE MKT Rule 915 will be eligible for the listing of DORS. The Exchange has stated that it will generally avoid listing DORS on securities that meet the criteria in Rule 915 but do not in fact have regular put and call options listed for trading.

Series Open for Trading. DIVS, OWLS, and RISKS will be listed with expirations of up to six years from the listing date. The Exchange intends to list five consecutive-year expiration series at any one time, with the expiration date set to coincide with regular options expiration on the third Friday of January in each expiration year.

At the initial time of listing, the Exchange will seek to list both OWLS and RISKS with strike prices that are slightly in or out of the money. Periodically the Exchange will introduce new strikes as necessary to ensure that both OWLS and RISKS that are slightly in or out of the money will be available for trading. The listing of a new OWLS series will result in the listing of a RISKS contract with the same terms, and vice versa. Standard strike price intervals will apply to series of both OWLS and RISKS. DIVS, however, will always have one strike available for trading for a given expiration series. DIVS will always be listed with a strike price of $0.01.

Settlement. All DORS components will be automatically exercised, and settled in accordance with the policies and procedures of the Options Clearing Corporation ("OCC"). Settlement of OWLS and RISKS will be made via a combination of shares of the underlying security plus cash in lieu of any fractional shares of the underlying security, except that RISKS may expire worthless and convey nothing at expiration upon assignment. At expiration, holders of OWLS will receive shares of the underlying security plus cash in lieu of fractional shares equal to the lesser of the composite closing price of the stock or the strike price of the OWLS contract. RISKS contracts will settle for shares of stock equal to the value (if any) between the difference of the composite closing price of the stock at expiration and the strike price of the RISKS contract. Though all DIVS contracts will be limited to strike prices of $0.01, settlement will not require delivery (receipt) of $1 per contract assigned (exercised) because there is no value attached to the strike price; the only amount due will be potentially a cash amount equal to any dividend amount that the underlying security is "ex" on expiration Friday.

Additional information relating to DORS, including listing standards, exercise and settlement, symbology, margin rules, and position limits can be found in the Notice.

III. Discussion

The Commission finds that the proposed rule change is consistent with the requirements of the Act and the rules and regulations thereunder applicable to a national securities exchange.[4] In particular, the Commission finds that the proposed rule change is consistent with the requirements of Section 6(b)(5) of the Act,[5] which requires, among other things, that the Exchange's rules be designed promote just and equitable principles of trade, to remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general, to protect investors and the public interest. The Commission believes that the proposal appropriately balances, on the one hand, the Exchange's desire to offer new

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4 In approving this proposed rule change, the Commission notes that it has considered the proposed rule's impact on efficiency, competition, and capital formation. See 15 U.S.C. 78c(f).

5 15 U.S.C. 78f(b)(5).

products to investors with, on the other hand, the necessity of having appropriate rules for listing, trading, capital, and margin, among other considerations relevant under the Act.

IV. Conclusion

IT IS THEREFORE ORDERED, pursuant to Section 19(b)(2) of the Act,[6] that the proposed rule change (SR–NYSEMKT–2012–14) be, and hereby is, approved.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.[7]

Elizabeth M. Murphy
Secretary

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[6] 15 U.S.C. 78s(b)(2).

[7] 17 CFR 200.30-3(a)(12).