

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-60554; File No. SR-NYSEAmex-2009-42)

August 21, 2009

Self-Regulatory Organizations; NYSE Amex LLC; Notice of Filing of Amendment No. 1 and Order Granting Accelerated Approval of a Proposed Rule Change, as Modified by Amendment No. 1, Relating to the Electronic Trading of Complex Orders

I. Introduction

On July 9, 2009, NYSE Amex LLC (“NYSE Amex” or “Exchange”) 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 proposal to adopt rules relating to the electronic trading of complex orders. The proposed rule change was published for comment in the Federal Register on July 20, 2009.³ NYSE Amex filed Amendment No. 1 to the proposal on August 19, 2009.⁴ The Commission received no comments regarding the proposed rule change. This order provides notice of filing of Amendment No. 1 to the proposed rule change and grants accelerated approval to the proposed rule change, as modified by Amendment No. 1.

II. Description of the Proposal

NYSE Amex proposes to adopt NYSE Amex Rule 980NY, “Electronic Complex Order Trading,” to describe the trading of Electronic Complex Orders on NYSE Amex. Electronic

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ See Securities Exchange Act Release No. 60297 (July 13, 2009), 74 FR 35223.

⁴ Amendment No. 1 modifies the text of the proposed rule to add to NYSE Amex Rule 980NY(c)(i) a reference to “quotes” that was omitted erroneously, and to replace an incorrect cross-reference in NYSE Amex Rule 980NY(c)(ii) with a reference to executions “against such new order(s) or quote(s)” to describe the execution of resting Electronic Complex Orders. The revision to NYSE Amex Rule 980NY(c)(ii) harmonizes the rule text with the description provided in the purpose section of the proposal.

Complex Orders include any Complex Order, as defined in NYSE Amex Rule 900.3NY(e), and any Stock/option Order, as defined in NYSE Amex Rule 9003.NY(h), that is entered into the NYSE Amex system.⁵ The definition of Complex Order is consistent with the definition of complex trade used for purposes of the Plan For the Purpose of Creating and Operating an Intermarket Option Linkage (“Linkage Plan”) in connection with the Linkage Plan’s exemption from trade-through liability for complex trades. Accordingly, the individual legs of an Electronic Complex Order may be executed at prices outside the National Best Bid or Offer, although no leg of an Electronic Complex Order will be executed at a price outside of the NYSE Amex best bid or offer for that leg.⁶

An Electronic Complex Order entered into the NYSE Amex system is routed to the Complex Matching Engine (“CME”) for possible execution against other Electronic Complex Orders or against individual quotes and orders in the Consolidated Book.⁷ Electronic Complex Orders that are not executed immediately by the CME are routed to the Consolidated Book.⁸ Electronic Complex Orders in the Consolidated Book are ranked in price/time priority based on

⁵ See NYSE Amex Rule 980NY. NYSE Amex Rule 900.3NY(e) defines a Complex Order as “any order involving the simultaneous purchase and/or sale of two or more different option series in the same underlying security, for the same account, in a ratio that is equal to or greater than one-to-three (.333) and less than or equal to three-to-one (3.00) and for the purpose of executing a particular investment strategy.” NYSE Rule 900.3NY(h) defines a Stock/option Order as “an order to buy or sell a stated number of units of an underlying stock or a security convertible into the underlying stock (“convertible security”) coupled with the purchase or sale of option contract(s) on the opposite side of the market representing either (A) the same number of units of the underlying stock or convertible security, or (B) the number of units of the underlying stock necessary to create a delta neutral position, but in no case in a ratio greater than 8 option contracts per unit of trading of the underlying stock or convertible security established for that series by the Clearing Corporation.”

⁶ See NYSE Amex Rule 980NY(c).

⁷ See NYSE Amex Rule 980NY(a).

⁸ Id.

the total net debit or credit price for the order and the time of order entry, provided that customer Electronic Complex Orders are ranked ahead of non-customer Complex Orders at the same price.⁹

The CME will automatically execute an incoming marketable Electronic Complex Order against an Electronic Complex Order in the Consolidated Book or, if the incoming order is not marketable against another Electronic Complex Order, against individual orders or quotes in the Consolidated Book that can fill the incoming order in full or in a permissible ratio.¹⁰

Notwithstanding the foregoing, individual Customer orders in the Consolidated Book that could fill an incoming Electronic Complex Order in full, or in a permissible ratio, would have priority over an Electronic Complex Order in the Consolidated Book at the same price.¹¹

Non-marketable Electronic Complex Orders will rest in the Consolidated Book. The CME will monitor interest in the leg markets, and will execute a resting Electronic Complex Order against new order(s) or quote(s) entered into the Consolidated Book if the new order(s) or quote(s) can execute the resting Electronic Complex Order in full or in a permissible ratio.¹²

NYSE Amex market participants will be able to view Electronic Complex Orders in the Consolidated Book via an electronic interface and may submit Electronic Complex Orders to the CME to trade against orders in the Consolidated Book.¹³ A Specialist will not have a guaranteed

⁹ See NYSE Amex Rule 980NY(b).

¹⁰ See NYSE Amex Rule 980NY(c)(i).

¹¹ Id.

¹² See NYSE Amex Rule 980NY(c)(ii).

¹³ See NYSE Amex Rule 980NY(c)(iii).

allocation when an Electronic Complex Order executes against either the Specialist's Electronic Complex Order or its interest in the leg market.¹⁴

Electronic Complex Orders may be executed in one-cent increments regardless of the minimum price variation otherwise applicable to the individual legs of the order.¹⁵ In addition, the price of at least one leg of an Electronic Complex Order must trade at a price that is better than the corresponding price of all customer bids or offers in the Consolidated Book for the same series by at least one standard trading increment, as defined in NYSE Amex Rule 960NY.¹⁶

Stock/option Orders with one options leg that are submitted to the CME will trade in the following sequence: (1) against other Stock/option Orders in the Consolidated Book, using public customer priority and then time priority; (2) against individual orders or quotes, provided that the Stock/option Order can be executed in full or in a permissible ratio; and (3) against orders or quotes submitted by market participants.¹⁷ Notwithstanding these priority provisions, the option leg of a Stock/option Order will not be executed at NYSE Amex's best bid or offer in that series if one or more public customer orders are resting at that price unless the options leg trades with such public customer order(s).¹⁸ A Stock/option Order with more than one options leg will be handled in the same manner as a Stock/option Order with a single option leg, except that the requirement to trade with existing public customer interest at NYSE Amex's best bid or

¹⁴ See NYSE Amex Rules 980NY(c)(i) and (iii).

¹⁵ See NYSE Amex Rule 980NY, Commentary .01.

¹⁶ See NYSE Amex Rule 980NY, Commentary .02.

¹⁷ See NYSE Amex Rule 980NY, Commentary .03(c).

¹⁸ See NYSE Amex Rule 980NY, Commentary .03(b).

offer will apply only if there are public customer orders at NYSE Amex's best bid or offer for each of the legs of the order.¹⁹

III. Discussion

After careful review, the Commission finds that the proposed rule change, as amended, is consistent with the requirements of the Act and the rules and regulations thereunder applicable to a national securities exchange.²⁰ In particular, the Commission finds that the proposal, as amended, is consistent with Section 6(b)(5) of the Act,²¹ which requires, in part, that the rules of a national securities exchange be designed to prevent fraudulent and manipulative acts and practices, to 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.

As discussed above, all NYSE Amex market participants will be able to view Electronic Complex Orders in the Consolidated Book and submit Electronic Complex Orders to the CME to trade against orders in the Consolidated Book. Accordingly, the Commission believes that the proposal could increase the transparency of Electronic Complex Orders and facilitate their execution.

The proposal provides customer Electronic Complex Orders with priority over non-customer Electronic Complex Orders at the same price,²² and also preserves the priority of customer orders in the individual leg markets. In this regard, if individual customer orders in the Consolidated Book can execute an incoming Electronic Complex Order in full, or in a

¹⁹ See NYSE Amex Rule 980NY, Commentary .03(d).

²⁰ In approving the proposed rule change, the Commission has considered the proposed rule's impact on efficiency, competition, and capital formation. See 15 U.S.C. 78c(f).

²¹ 15 U.S.C. 78f(b)(5).

²² See NYSE Amex Rule 980NY(b).

permissible ratio, at the same total net debit or credit as an Electronic Complex Order in the Consolidated Book, the individual customer orders will have priority.²³ Further, when an Electronic Complex Order is executed, the price of at least one leg of the order must trade at a price that is better than the corresponding price of all customer bids or offers in the Consolidated Book for that series by at least one standard trading increment.²⁴

The Commission believes that it is reasonable and consistent with the Act for NYSE Amex not to provide a guaranteed allocation to Specialists, as described above, because Specialists do not have quoting obligations for complex strategies.

Finally, the Commission believes that the proposal could facilitate the execution of stock-option orders on the Amex by providing for the electronic handling and execution of these orders, which currently must be handled manually. The Commission notes that proposal provides for the execution of stock-option orders submitted to the CME in a manner that is consistent with the Amex's existing priority rules for stock-option orders, which provide the options leg of a stock-option order with priority over bids (offers) in the trading crowd at the same price, but not over public customer orders in the Consolidated Book.²⁵ Accordingly, the

²³ See NYSE Amex Rule 980NY(c)(i).

²⁴ See NYSE Amex Rule 980NY, Commentary .02.

²⁵ See NYSE Amex Rule 963NY(d). The Commission notes that the proposed rules governing the handling of Stock/option Orders are substantially similar to rules adopted by the Chicago Board Options Exchange, Incorporated, which the Commission reviewed previously. See CBOE Rule 6.53C, Commentary .06. See also Securities Exchange Act Release Nos. 56903 (December 5, 2007), 72 FR 70356 (December 11, 2007) (File No. SR-CBOE-2007-68) (order approving rules relating to the electronic handling and execution of stock-option orders); and 59585 (March 17, 2009), 74 FR 12416 (March 24, 2009) (File No. SR-CBOE-2009-017) (notice of filing and immediate effectiveness of rules allowing conversions and reversals to be routed to the electronic complex order book).

Commission finds that the NYSE Amex rules concerning the execution of Stock/option Orders submitted to the CME are consistent with the Act.

IV. Accelerated Approval of Proposed Rule Change, as Modified by Amendment No. 1

The Commission finds good cause to approve the proposed rule change, as modified by Amendment No. 1, prior to the thirtieth day after publication for comment in the Federal Register. Amendment No. 1, which inserts a reference to “quotes” that was omitted erroneously and replaces an incorrect cross-reference in the proposed rule text, help to clarify the proposed rule change and do not differ materially from the proposal as published in the Federal Register on July 19, 2009. Accordingly, the Commission finds good cause, consistent with Section 19(b)(2) of the Act,²⁶ to approve the proposed rule change, as modified by Amendment No. 1, on an accelerated basis.

V. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning Amendment No. 1, including whether Amendment No. 1 is consistent with the Act. Comments may be submitted by any of the following methods:

Electronic comments:

- Use the Commission’s Internet comment form (<http://www.sec.gov/rules/sro.shtml>); or
- Send an e-mail to rule-comments@sec.gov. Please include File Number SR-NYSEAmex-2009-42 on the subject line.

Paper comments:

- Send paper comments in triplicate to Elizabeth M. Murphy, Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549-1090.

²⁶ 15 U.S.C. 78s(b)(2).

All submissions should refer to File Number SR-NYSEAmex-2009-42. This file number should be included on the subject line if e-mail is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet Web site (<http://www.sec.gov/rules/sro.shtml>). Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for inspection and copying in the Commission's Public Reference Room, 100 F Street, NE, Washington, DC 20549, on official business days between the hours of 10:00 a.m. and 3:00 p.m. Copies of the filing also will be available for inspection and copying at the principal office of the Exchange. All comments received will be posted without change; the Commission does not edit personal identifying information from submissions. You should submit only information that you wish to make available publicly.

All submissions should refer to File Number SR-NYSEAmex-2009-42 and should be submitted on or before [insert date 21 days from publication in the Federal Register].

VI. Conclusion

IT IS THEREFORE ORDERED, pursuant to Section 19(b)(2) of the Act,²⁷ that the proposed rule change (SR-NYSEAmex-2009-42), as modified by Amendment No. 1, is approved on an accelerated basis.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.²⁸

Florence E. Harmon
Deputy Secretary

²⁷ 15 U.S.C. 78s(b)(2).

²⁸ 17 CFR 200.30-3(a)(12).