

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-67057; File No. SR-NYSEAmex-2012-31)

May 24, 2012

Self-Regulatory Organizations; NYSE Amex LLC; Notice of Filing of Proposed Rule Change Defining a Primary Specialist in Each Options Class and Modifying the Specialist Entitlement Accordingly

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)¹ and Rule 19b-4 thereunder,² notice is hereby given that on May 11, 2012, NYSE Amex LLC (the “Exchange” or “NYSE Amex”) filed with the Securities and Exchange Commission (“Commission”) the proposed rule change as described in Items I and II below, which Items have been prepared by the self-regulatory organization. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

I. Self-Regulatory Organization’s Statement of the Terms of Substance of the Proposed Rule Change

The Exchange proposes to define a Primary Specialist in each options class and modify the Specialist entitlement accordingly. The text of the proposed rule change is available at the Exchange, the Commission’s Public Reference Room, and www.nyse.com.

II. Self-Regulatory Organization’s Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, the self-regulatory organization included statements concerning the purpose of, and basis for, the proposed rule change and discussed any comments it received on the proposed rule change. The text of those

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

statements may be examined at the places specified in Item IV below. The Exchange has prepared summaries, set forth in sections A, B, and C below, of the most significant parts of such statements.

A. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

1. Purpose

The Exchange proposes to amend Rules 964NY and 964.2NY to define Primary Specialists, and to modify the order allocation entitlement amongst Specialist Pool participants so as to enhance competition between the Specialist and e-Specialists.

Rule 964NY sets forth the priority for the allocation of incoming orders to resting interest at a particular price in the NYSE Amex System. Under the rule, resting Customer orders have first priority. After that, Directed Order Market Makers have second priority, provided they satisfy the criteria to be eligible to receive a Directed Order. If an order is not allocated to a Directed Order Market Maker, the Specialist Pool has next priority. As currently provided in Rule 964NY(b)(2)(C) and Rule 964.2NY, the Specialist and e-Specialists in each class compete in the Specialist Pool on a size pro-rata basis, and do not compete at all for the allocation of non-Directed Orders of five contracts or fewer.³ For orders of five contracts or fewer, they are allocated on a rotating basis (i.e., a round robin) to a Specialist or e-Specialist in the Specialist Pool. After the Specialist Pool, non-Customer interest has next priority on a size pro-rata basis.

The Exchange proposes to enhance competition amongst the Specialist Pool participants by designating one of the participants to be the Primary Specialist. The

³ Under the rule, the Specialist's pro-rata allocation may receive additional weighting as determined by the Exchange.

Primary Specialist will be determined using objective evaluation of the relative quote performance of each Specialist and e-Specialist. The evaluation will be conducted on a quarterly basis and would include one or more of the following factors: time and size at the NBBO, average quote width, average quote size, and the relative share of electronic volume in a given class of options.⁴ The Exchange will issue a Regulatory Bulletin at least five business days prior to each evaluation period with the evaluation criteria, including the relative weighting of each factor.

The Exchange believes that providing for a Primary Specialist to be designated based on competitive quote performance will encourage tighter and more liquid markets, and thus provide better markets for all investors. The Exchange notes that the Primary Specialist, like all Specialists on the Exchange today, would continue to be eligible to receive Directed Orders under Rule 964NY(b)(2)(B), but would continue to be subject to the restrictions in that provision, including the limitation on receiving no more than 40% of a Directed Order. Moreover, as is currently the case today, if the Primary Specialist were to receive a Directed Order under Rule 964NY(b)(2)(B), the Specialist Pool, including the Primary Specialist, would be ineligible to receive an allocation from that order and the NYSE Amex System would move to the next step in the allocation process - size pro rata allocation pursuant to Rule 964NY(b)(2)(D).

Under the proposed rule change, the Primary Specialist (instead of the Specialist) would receive any additional weighting in the size pro rata allocation amongst Specialist

⁴ Notwithstanding the quarterly evaluation timeframe noted above, the first evaluation period may be longer or shorter than a calendar quarter, depending on the approval date of this filing. As noted above, the Exchange will announce the evaluation criteria and relative weighting of each factor at least 5 business days prior to that period and subsequent quarterly periods.

Pool participants. This additional weighting would be determined by the Exchange, as is currently the case now. Additionally, under the proposal, rather than a round robin allocation of non-Directed Orders for five contracts or fewer, all such orders would be allocated to the Primary Specialist after any allocation to Customers, not to exceed the size of their quote, provided the Primary Specialist is quoting at the NBBO.⁵ If the Primary Specialist's quote size is less than the order of five contracts or fewer, any remaining contracts after the Primary Specialist receives its allocation will be allocated in accordance with Rule 964NY(b)(2)(D) (i.e., size pro rata).

In addition, as is the case under the current rule for the Specialist Pool, if the Primary Specialist is not quoting at the NBBO at the time the order for five or fewer contracts arrives, then the order will be executed in accordance with the provision of Rule 964NY(b)(2)(D).

Finally, the Exchange proposes to correct a typographical error in Rule 964.2NY(b)(3)(A) by changing the word "on" to "one".

NYSE Amex will not implement this rule change until such time that ATP Holders have been notified via Regulatory Bulletin.

Compliance Date

The Exchange plans to issue a notice announcing the compliance date of the rule change within 90 days from the effective date of the rule change.

⁵ The Exchange proposes to eliminate the round robin for such orders.

2. Statutory Basis

The Exchange believes that this proposed rule change is consistent with Section 6(b) of the Securities Exchange Act of 1934 (“Act”)⁶, in general, and furthers the objectives of Section 6(b)(5) of the Act⁷ in particular, in that it is designed to prevent fraudulent and manipulative acts and practices, promote just and equitable principles of trade, 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. In particular, the proposed rule change seeks to enhance quote competition amongst Specialist Pool participants. Increasing quote competition should lead to narrower spreads and more liquid markets and thus benefit investors. Narrower spreads and more liquid markets should attract more order flow to the Exchange, enhancing price discovery and generally benefiting all participants on the Exchange. The Exchange further believes that the proposed rule change would be not be unfairly discriminatory in allocating orders of 5 contracts or fewer to the Primary Specialist because it uses objective standards to determine the Primary Specialist, and re-evaluates Specialist performance on a quarterly basis. In this respect, all Specialists compete on a quarterly basis to be designated the Primary Specialist based on objective standards that are published prior to each quarter in which Specialist performance is measured, and accordingly, all Specialists have the opportunity to be designated the Primary Specialist.

⁶ 15 U.S.C. 78f(b).

⁷ 15 U.S.C. 78f(b)(5).

B. Self-Regulatory Organization's Statement on Burden on Competition

The Exchange does not believe that the proposed rule change will impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act.

C. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received from Members, Participants, or Others

No written comments were solicited or received with respect to the proposed rule change.

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

Within 45 days of the date of publication of this notice in the Federal Register or within such longer period (i) as the Commission may designate up to 90 days of such date if it finds such longer period to be appropriate and publishes its reasons for so finding or (ii) as to which the self-regulatory organization consents, the Commission will:

(A) by order approve or disapprove the proposed rule change, or

(B) institute proceedings to determine whether the proposed rule change should be disapproved.

IV. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether the proposed rule change 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-2012-31 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.

All submissions should refer to File Number SR-NYSEAmex-2012-31. 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 website (<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 website viewing and printing in the Commission's Public Reference Room, 100 F Street, NE, Washington, D.C. 20549, on official business days between the hours of 10:00 a.m. and 3:00 p.m. The text of the proposed rule change is available on the Commission's website at <http://www.sec.gov>. Copies of such 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-2012-31 and should be submitted on or before [insert date 21 days from publication in the Federal Register].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.⁸

Kevin M. O'Neill
Deputy Secretary

⁸ 17 CFR 200.30-3(a)(12).