



**RULE
ADOPTION
NOTICE**

**RAN-07-15
July 18, 2007**

TO: All OTP Holders and OTP Firms

FROM: Office of the General Counsel – Regulatory Policy

**SUBJECT: Non-LMM Issues and InterMarket Linkage Market Makers
(File No. SR-NYSEArca-2007-34)**

On April 3, 2007, NYSE Arca, Inc. (“Exchange”) filed with the U.S. Securities and Exchange Commission (“Commission”) a proposal to allow the Exchange to trade classes of options without designating a Lead Market Maker (“non-LMM issue”). On May 2, 2007 the Exchange filed Amendment No. 1 to the proposal. The Commission approved the filing, as amended, on July 2, 2007.

For each non-LMM issue, the Exchange will designate an NYSE Arca Market Maker who will be responsible for settling Principal Acting as Agent (“P/A”) and Satisfaction orders that may be sent to away markets through the InterMarket Linkage (an “InterMarket Linkage Market Maker” or “IMM”). The Exchange will be distributing an informational bulletin to all OTP Holders, outlining the IMM program, prior to designating a class of options as a non-LMM issue.

The following is the text of the approved rule change. A complete copy of SR-NYSEArca-2007-34 is available on the web-site @ www.nyse.com. Questions regarding this bulletin may be directed to Peter Armstrong at (415)-393-4232 or Glenn Gsell at (415) 835-4805.

EXHIBIT 5
Text of the Proposed Rule Change:¹

**Rules of the
NYSE Arca, Inc.**

Rule 6

Rule 6.35 Appointment of Market Makers

- (a) Unchanged
- (b) The Exchange [will] may appoint one LMM per option class. The Exchange may appoint an unlimited number of Market Makers in each class[es] unless the number of Market Makers appointed to a particular option class should be limited whenever, in the Exchange's judgment, quotation system capacity in an option class or classes is not sufficient to support additional Market Makers in such class or classes. The Exchange will not restrict access in any particular option class until such time as the Exchange has submitted objective standards for restricting access to the SEC for its review and approval.
- (c) - (j) Unchanged

Commentary :

.01 Unchanged

.02 In option classes in which the Exchange has not appointed an LMM, the OX Routing Broker, as defined in Rule 6.1A(a)(15) will be the principal means of routing a customer order to another Market Center for execution. The decision for use of a routing broker is generally determined by the OX system using a proprietary algorithm; for classes with no LMM the preference will be set to use Routing Broker, and the InterMarket Linkage will only be used if Routing Broker is not available.

.03 In option classes in which the Exchange has not appointed an LMM, a Market Maker on the Exchange will be designated as responsible for settling Principal Acting As Agent (“P/A”) orders that may be sent to away markets through the InterMarket Linkage pursuant to Rules 6.92 and 6.93 (“Intermarket Linkage Market Maker” or “IMM”). The IMM must submit to the Exchange prior written

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New text is underscored; deleted text is in brackets.

instructions for the routing of any P/A orders the IMM may send through the Exchange to the Intermarket Linkage. NYSE Arca will route P/A orders on the basis of these written instructions.

.04 In classes with no LMM, the Exchange will determine the first IMM from amongst the pool of appointed market makers through a random method. Thereafter, the IMM will be determined on a rotating basis, with a new Intermarket Linkage market maker designated at the beginning of each week.

Rule 6.92.

Definitions

(a) The following terms have the meaning specified in this Rule solely for the purposes of Rules 6.92—6.95.

(1) – (11) No Change

(12) "Linkage Order" means an order routed through the Linkage as permitted under the Plan. There are three types of Linkage Orders:

(i) "Principal Acting as Agent ("P/A") Order," which is an order for the principal account of a Lead Market Maker or an Intermarket Linkage Market Maker ("IMM") (or equivalent entity on another Participant Exchange that is authorized to represent Customer orders), reflecting the terms of a related unexecuted Customer order for which the Lead Market Maker or the IMM is acting as agent;

(ii)-(iii) No Change

(13)- (21) No Change

Rule 6.93.

Operation of the Linkage

By subscribing to the Plan, the Exchange has agreed to comply with, and enforce compliance by its OTP Holders and OTP Firms with the Plan. In this regard, the following will apply:

(a) Unchanged

(b) *P/A Orders.*

(1) *Sending of P/A Orders for Sizes No Larger than the Firm Customer Quote Size.* A Lead Market Maker or IMM may send through the Linkage a P/A Order that is equal to or less than the size of the Firm Customer Quote Size for automatic execution, if available.

(2) *Sending of P/A Orders Larger than the Firm Customer Quote Size.* If the size of a P/A Order is larger than the Firm Customer Quote Size, a Lead Market Maker or IMM may send through the Linkage such P/A Order in one of two ways:

- (i) The Lead Market Maker or IMM may send a P/A Order representing the entire Public Customer order. If a receiving Participant Exchange's disseminated quotation is equal to or better than the Reference Price when the P/A Order arrives at that market, that exchange will execute the P/A Order at its disseminated quotation for at least the Firm Customer Quote Size (an automatic execution is not required if the P/A Order is larger than the Firm Customer Quote Size). Within 15 seconds of receipt of such order, the receiving Participant Exchange will inform the Lead Market Maker or IMM of the amount of the order executed and the amount, if any, that was canceled.
- (ii) Alternatively, the Lead Market Maker or IMM may send an initial P/A Order for the Firm Customer Quote Size pursuant to subparagraph (b)(1) above. If one of more of the Participant Exchanges that executed the P/A Order continues to disseminate the same quotation at the NBBO after reporting the execution of the initial P/A Order, the Lead Market Maker or IMM may send an additional P/A Order to such Participant Exchanges. If sent, such additional P/A Order must be for at least the lesser of:
- the size of the disseminated quotation;
 - 100 contracts; or
 - the entire remainder of the Public Customer order.

If the sending Participant Exchange initially sent P/A Orders to more than one Participant Exchange for up to the Firm Customer Quote Size, the sending Participant Exchange may send additional P/A Orders to the same Participant Exchanges as long as such orders are, in the aggregate, for at least the lesser of 100 contracts or the entire remainder of the Customer Order; provided that the sending Participant Exchange may limit the size of any single additional P/A Order to the size of the Participant Exchange's currently-disseminated quotation.

In any situation where a receiving Participant Exchange does not execute a P/A Order in full, such exchange will be required to move its quotation to a price inferior to the Reference Price of the P/A Order.

(c)-(d) Unchanged

(e) *Receipt of Linkage Orders.* The Exchange will provide for the execution of P/A Orders and Principal Orders if its disseminated quotation is (i) equal to or better than the Reference Price, and (ii) equal to the then-current NBBO. Subject to paragraph (c), above, if the size of a P/A Order or Principal Order is not larger than the Firm Customer Quote Size or Firm Principal Quote size, respectively, the Exchange will provide for the execution of the entire order, and will execute such order in its automatic execution system if that system is available. If the size of a P/A Order or Principal Order is larger than the Firm Customer Quote Size or Firm Principal Quote Size, respectively, the [Lead Market Maker] Exchange [must] will address the order within 15 seconds to provide an execution for at least the Firm Customer Quote Size or Firm Principal Quote Size, respectively. If the order is not executed in full, the Exchange will move its disseminated quotation to a price inferior to the Reference Price.