

Text of the Proposed Rule Change:¹

Rules of NYSE Amex LLC

Rule 934.3NY

Solicitation

No Change

Commentary:

.01 Rule 995NY(c) does not prohibit a member or member organization from buying or selling a stock, security futures or futures position following receipt of an option order, including a complex order, but prior to announcing such order to the trading crowd, provided that:

(a) the option order is in a class designated as eligible for "tied hedge" transactions (as described below) as determined by the Exchange and is within the designated tied hedge eligibility size parameters, which parameters shall be determined by the Exchange and may not be smaller than 500 contracts per order (there shall be no aggregation of multiple orders to satisfy the size parameter);

(b) such member or member organization shall create an electronic record that it is engaging in a tied hedge transaction in a form and manner prescribed by the Exchange;

(c) such hedging position is:

(i) comprised of a position designated as eligible for a tied hedge transaction as determined by the Exchange and may include the same underlying stock applicable to the option order, a security future overlying the same stock applicable to the option order or, in reference to an index or Fund Shares, a related instrument. A "related instrument" means, in reference to an index option, securities comprising ten percent or more of the component securities in the index or a futures contract on any economically equivalent index applicable to the option order. A "related instrument" means, in reference to a Fund Share option, a futures contract on any economically equivalent index applicable to the Fund Shares underlying the option order;

¹ New text is underscored and deleted text is in brackets.

(ii) brought without undue delay to the trading crowd and announced concurrently with the option order;

(iii) offered to the trading crowd in its entirety; and

(iv) offered, at the execution price received by the member or member organization introducing the option, to any in-crowd market participant who has established parity or priority for the related options;

(d) the hedging position does not exceed the option order on a delta basis;

(e) all tied hedge transactions (regardless of whether the option order is a simple or complex order) are treated the same as complex orders for purposes of the Exchange's open outcry allocation and reporting procedures. Tied hedge transactions are subject to the existing NBBO trade-through requirements for options and stock, as applicable, and may qualify for various exceptions; however, when the option order is a simple order, the execution of the option leg of a tied hedge transaction does not qualify for the NBBO trade-through exception for a Complex Trade (defined in Rule 991NY(b)(7));

(f) in-crowd market participants that participate in the option transaction must also participate in the hedging position and may not prevent the option transaction from occurring by giving a competing bid or offer for one component of such order; and

(g) in the event the conditions in the non-options market prevents the execution of the non-option leg(s) at the agreed prices, the trade representing the options leg(s) may be cancelled; and

(h) prior to entering tied hedge orders on behalf of customers, the member or member organization must deliver to the customer a written notification informing the customer that his order may be executed using the Exchange's tied hedge procedures. The written notification must disclose the terms and conditions contained in this Commentary and be in a form approved by the Exchange.

A combination option and hedging position offered in reliance on this Commentary .01 shall be referred to as "tied hedge" orders.
