

with an RROT may submit quotations as an RROT, ROT, or specialist in an option class in which the affiliate RROT is assigned. Furthermore, RROT's would be required to maintain information barriers that are reasonably designed to prevent the misuse of material, non-public information with any affiliates that may conduct a brokerage business in option classes assigned to an RROT, or that may act as a market maker in any security underlying options assigned to an RROT. The proposal further requires RROT's to comply with Rule 193 regarding the misuse of material non-public information between the affiliate and the specialist member organization. The purpose of this provision is to prevent numerous affiliated parties from quoting electronically in the same option classes and receiving multiple automatic allocations for the same or affiliated beneficial account owners.

iv. *900—ANTE*. Rule 900—ANTE currently sets forth the applicability, definitions and references on ANTE. The Exchange proposes to include the definition of an RROT in 900—ANTE. An RROT is defined as a ROT that is a member or member organization so designated by the Exchange that would be awarded remote quoting rights to enter bids and offers electronically from locations other than the trading crowd where the applicable options class is traded on the Exchange's physical trading floor. Furthermore, an RROT would be subject to the obligations set forth under proposed Rule 994—ANTE. Exchange rules applicable to ROT's would not apply to RROT's unless specified.

The Exchange also proposes to amend the term "ANTE Participant" to include an RROT assigned to trade a specific options class on the ANTE System.

v. *918—ANTE*. Rule 918—ANTE currently sets forth the automated opening, reopening and closing rotation procedures, trading halts and the supervision of such procedures. The Exchange proposes to amend Commentary .01 to Rule 918—ANTE to include paragraph (c), which provides that RROT's may not submit market orders prior to the opening. RROT's may, however, submit quotes or limit orders prior to the opening.

vi. *935—ANTE*. Rule 935—ANTE currently provides for the allocation of all contracts executed through the ANTE System. The Exchange proposes to amend to Rule 935—ANTE to include RROT's. Under the Exchange's proposal, the ANTE System will allocate executed contracts to non-broker-dealer customers, broker-dealers, competing market makers, specialists, ROT's and

RROT's in accordance with the provisions therein.

vii. *936—ANTE and 936C—ANTE*. Rule 936—ANTE and Rule 936C—ANTE govern the cancellation and adjustment of equity options transactions and the cancellation and adjustment of index option transactions, respectively.⁸ The Exchange proposes to amend Rule 936—ANTE and Rule 936C—ANTE to include RROT transactions in those that may be cancelled or adjusted. The proposal further modifies the notification requirement to allow Trading Officials and/or the Obvious Error Panel reviewing the transactions to either orally or electronically notify the members involved in the transaction of their determination. The purpose of the proposed electronic notification requirement is to provide notice to RROT's engaging in transactions off the Exchange's physical trading floor.

viii. *950—ANTE*. Rule 950—ANTE (b) currently provides rules for priority and parity at the opening. Paragraph (b)(i) specifically provides that after the opening, an options specialist acting as principal may only retain priority over, or be on parity with, orders for the accounts of broker-dealers, but may not retain priority over, or be on parity with, off-floor orders for the accounts of public customers. The Exchange proposes to amend 950—ANTE (b)(i) to identify RROT's as broker-dealers. Commentary .01 of paragraph (c) currently provides that after the opening, an options specialist acting as principal, may only retain priority over or be on parity with orders for the accounts of broker-dealers but may not retain priority over or be on parity with off-floor orders for the accounts of public customers. Commentary .02 of paragraph (c) provides that options orders for the accounts of broker-dealers may only retain priority over or be on parity with orders for the accounts of broker-dealers but may not retain priority over or be on parity with off-floor orders for the accounts of public customers. The proposed amendments to Commentaries .01 and .02 of paragraph (c) also categorize an RROT as a broker-dealer. Finally, the proposed amendment to Commentary .02 of paragraph (l) will require RROT's to compete with one another to improve the quoted markets in all series of option classes in which they trade.

ix. *951—ANTE*. Rule 951—ANTE currently governs the bids and offers of options contracts. Commentary .01 to Rule 951—ANTE provides that if the bid

or offer of a specialist or ROT, locks or crosses the ABBO, the ANTE System will revise the bid by one or more minimum price variations lower than the bid submitted, or revise the offer by one or more minimum price variations higher than the offer submitted, so that the bid or offer submitted does not lock or cross the ABBO provided.⁹ The Exchange proposes to amend Commentary .01 to Rule 951—ANTE to apply to RROT's.

x. *958—ANTE*. Rule 958—ANTE governs ANTE options transactions of registered options traders. Pursuant to 958—ANTE (a), ROT's are assigned classes of options in accordance with the existing procedures set forth in Commentary .05. Rule 958—ANTE (a) also provides that any option transactions initiated by a ROT on the Floor and through the facilities of the Exchange for any account in which the ROT has an interest would be in such assigned classes. Paragraph (b) of Rule 958—ANTE provides that transactions of a ROT must be reasonably calculated to contribute to the maintenance of a fair and orderly market, and no ROT should enter into transactions or make bids or offers that are inconsistent with such a course of dealings. Paragraph (c) of Rule 958—ANTE provides that whenever ROT's participate in the trading of options in other than a floor brokerage capacity, or are called upon by a floor official or floor broker acting in an agency capacity, they would be required to make competitive bids and offers necessary, in a market making capacity, to contribute to the maintenance of a fair and orderly market. The Exchange proposes to apply paragraphs (a), (b) and (c) of 958—ANTE to RROT's as they currently apply to ROT's.

Paragraph (h) currently provides that ROT's may choose to use an Exchange provided or proprietary automated quote system to calculate and disseminate quotes, or join the specialist's disseminated quotation in some or all of his assigned classes or series. Paragraph (h) further provides that ROT's must be physically present at the specialist's post on the floor of the Exchange where that options class is traded.

⁹ The ANTE System collects all of the quotes being calculated by the specialist and each ROT, and determines the best bid and best offer for dissemination pursuant to the firm quote rule, as the Amex Best Bid and Offer ("ABBO"). The ANTE System never allows a locked or crossed market to occur in the ABBO. If a quote is submitted that would lock or cross the ABBO, the ANTE System will revise the bid or the offer by the minimum price variant(s) so that the ABBO is not locked or crossed.

⁸ See Securities Exchange Act Release No. 51246 (February 24, 2005), 70 FR 10425 (March 3, 2005).