

NYSE ALTERNEXT

The Premier Market for Small and Micro Cap Companies

NYSE Alternext Coming 4Q08

NYSE Euronext completed its acquisition of the American Stock Exchange (Amex) in October 2008. Post merger, the Amex has been renamed NYSE Alternext US and the equities business has been rebranded NYSE Alternext.

NYSE Alternext is positioned to be the premiere market for listing and trading of small- and micro-cap companies. There are significant changes associated with the relocation of equity trading from the legacy Amex facilities at 86 Trinity Place to NYSE facilities at 11 Wall Street, both in New York.

Market Structure

NYSE Alternext would run on NYSE Next-Generation Model, which offers a balanced combination of high-tech for fast, automated and anonymous order execution and high-touch for price discovery and improvement while dampening volatility and market dislocation. Under the new model customers get more flexibility in managing their order flow through use of dark order types in addition to existing transparent orders. Designated Market Makers (DMM) replace specialists as the primary liquidity providers, trading on parity and retaining affirmative obligations. NYSE Alternext DMMs will be subject to the Exchange's quantitative depth and continuity guidelines (Amex specialists did not have similar guidelines), which is expected to enhance market quality. Floor Brokers better represent their customers through enhanced tools such as Algos and BlockTalk in addition to e-Quotes and d-Quotes. Customers that are looking to participate in the NYSE Crossing Session I and II will be supported.

Positioning and Pricing

Initially, NYSE Alternext will focus on trading of its listed operating companies, closed-end funds, rights, warrants and preferred stock. The Exchange is overhauling its pricing model to become effective with the move into NYSE facilities in December 2008.

Technology

With the move from Amex's AEMI system and its supporting infrastructure to NYSE Display Book and supporting infrastructure, NYSE Alternext intends to have robust technology that is reliable, resilient, fast, and has capacity to support its marketplace.

Connectivity and Private Linkage

NYSE Alternext will support Common Customer Gateway (CCG) and NYSE FIX 4.2 protocols for routing orders into the Exchange. Firms that already have connectivity into NYSE SuperDOT® via these two protocols will be able to access NYSE Alternext with minimal system changes.

NYSE Alternext will in-source outbound routing from its third party vendor to its affiliate Archipelago Securities LLC, and anticipates routing cost savings for its customers. Archipelago Securities is the approved outbound routing facility of NYSE and NYSE Arca. NYSE Alternext will also have backup routing arrangements with a third party provider to ensure the resilience and reliability of its outbound routing capability. This arrangement will enable NYSE Alternext comply with Regulation NMS Order Protection Rule more efficiently.

Archipelago Securities will support the NYSE Arca Primary Only (PO and PO+) order types when routing orders to NYSE Alternext. PO and PO+ orders allow NYSE Arca members to direct market and limit orders to the primary listing market for an issue.

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Enhanced Transparency

Once NYSE Alternext has started operating on NYSE infrastructure and systems, the Amex depth of book will be modified to mirror the NYSE OpenBook products (OpenBook Real-Time and OpenBook Ultra). NYSE Alternext depth of book information will be published and disseminated in the same way that NYSE OpenBook Real-time and Ultra are. These products and other reference data available through the suite of NYSE proprietary data products will provide more transparency into the trading of Amex equity issues than ever before.

Renewed Focus on Opening Auctions

NYSE Alternext will provide world class opening rotations by providing DMMs with the ability to use algorithms through the specialist application programming interface (SAPI) to automatically open a security on a trade. This is in addition to opening automatically on a quote when there is no opening trade. The combined use of algorithms and manual openings where appropriate, allows DMMs to focus their attention on those securities that require their expertise to facilitate price discovery and cushion volatility due to news or order imbalance. DMMs continue to maintain their obligations under Exchange rules (depth and continuity, mandatory indications, Floor official approval for 1 and 2 point price movements, etc) even with automated openings. This new arrangement allows for more robust and timely openings to the ultimate benefit of customers.

Rule Set

NYSE Alternext would have substantially the same rules as NYSE Rules 1-1004, which are applicable to transactions conducted on NYSE systems and facilities and governing the off-floor conduct of members and member organizations. Former Amex members will now be subject to the NYSE's broader regulatory requirements, including the need to become Limited Purpose FINRA members. Because NYSE Alternext will be located at 11 Wall Street, it is able to allow reciprocity between NYSE and NYSE Alternext members. They will only need one license to enable them trade both NYSE Alternext and NYSE listed equities, although they need to become members of both SROs separately. With this regulatory streamlining: Broker-Dealers can more efficiently service their clients in both the NYSE and NYSE Alternext market centers; Floor Brokers can now service their clients in both SRO's from the floor at the same time; and Issuers and Investors can anticipate improved market quality in the trading of these securities. Issuers can also expect continuity in the trading of their equity securities, as in most cases they will maintain the same DMM post merger.

Contact

For more information on how to participate in the NYSE Alternext market, please contact your NYSE relationship manager or Oscar Onyema at 212-656-4555.