

SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34-54759; File No. SR-NYSEArca-2006-80)

November 15, 2006

Self-Regulatory Organizations; NYSE Arca, Inc.; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change Relating to the Procedures for Executing Complex Options Orders in Open Outcry

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on November 3, 2006, NYSE Arca, Inc. (“NYSE Arca” or “Exchange”) filed with the Securities and Exchange Commission (“Commission”) the proposed rule change as described in Items I, II, and III below, which Items have been prepared by the Exchange. The Exchange has filed the proposal as one effecting a change in an existing order-entry or trading system pursuant to Section 19(b)(3)(A)(iii) of the Act<sup>3</sup> and Rule 19b-4(f)(5) thereunder,<sup>4</sup> which renders the proposed rule change effective upon filing with the Commission. 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 amend NYSE Arca Rule 6.75 concerning the procedures for executing complex options orders in open outcry. The text of the proposed rule change is available on the Exchange’s Web site at [www.nysearca.com](http://www.nysearca.com), at the Exchange’s Office of the Secretary, and at the Commission’s Public Reference Room.

---

<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 17 CFR 240.19b-4.

<sup>3</sup> 15 U.S.C. 78s(b)(3)(A)(iii).

<sup>4</sup> 17 CFR 240.19b-4(f)(5).

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 Exchange 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 these 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 aspects of such statements.

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

1. Purpose

NYSE Arca Rule 6.75 sets forth the priority and order allocation procedures with respect to orders executed by open outcry. Commentary .01 to NYSE Arca Rule 6.75 sets forth the procedures for executing combination, spread, ratio, and straddle orders (otherwise known as “complex orders”) in open outcry. When the Exchange introduced its new electronic trading platform for options, the OX Trading System (“OX”), the Exchange did not amend the open outcry procedures for complex orders.<sup>5</sup> The Exchange is providing clarifying rule amendments to NYSE Arca Rule 6.75 and Commentary .01 to NYSE Arca Rule 6.75 so that the procedures reflect references to the current systems on the floor now that OX is fully implemented.

Specifically, the Exchange wishes to clarify that the “Book” referenced in NYSE Arca Rule 6.75(h)(4) and Commentary .01(b) – (d) to NYSE Arca Rule 6.75 has been phased out and has been replaced by the Consolidated Book of OX.<sup>6</sup> In the past, the “Book” had contained only

---

<sup>5</sup> See Securities Exchange Act Release No. 54238 (July 28, 2006), 71 FR 44758 (August 7, 2006) (SR-NYSEArca-2006-13) (approving establishment of OX platform).

<sup>6</sup> See NYSE Arca Rule 6.1(b)(37). The term “Consolidated Book” means the Exchange’s electronic book of limit orders for the accounts of Public Customers and broker-dealers, and Quotes with Size. The term “Quote with Size” means a quotation to buy or sell a

customer limit orders and was maintained by the floor's Order Book Official. Today, the floor utilizes the Consolidated Book of OX, and, importantly, the Consolidated Book contains not only customer limit orders but also broker-dealer and firm limit orders. Given this more comprehensive representation of orders in the Consolidated Book, the Exchange wishes to clarify how OTP Holders<sup>7</sup> and OTP Firms<sup>8</sup> are to interact with the Consolidated Book when representing a complex order.

When executing a complex order at a net debit or credit, which can be satisfied at the electronically disseminated bids and offers of the series involved in the order, the Floor Broker must determine if there are customer orders in the Consolidated Book at the best price in each series.<sup>9</sup> The Floor Broker will consult the Trading Official at the post to make the determination.<sup>10</sup> The Trading Official will check the system to see if there are customer orders on any or all sides of the transaction and inform the broker but will disclose neither the size of the customer order(s) nor the ranking of the customer order(s). In the event that there is any customer order priced at the best price in the corresponding series in the Consolidated Book, all orders at that price, customer and non-customer, will be deemed to have priority and will have to

---

specific number of option contracts at a specific price that a Market Maker has entered into PCX Plus through an electronic interface. NYSE Arca Rule 6.1(b)(33).

<sup>7</sup> See NYSE Arca Rule 1.1(q).

<sup>8</sup> See NYSE Arca Rule 1.1(r).

<sup>9</sup> See NYSE Arca Rule 6.43(a). A "Floor Broker" is an individual (either an OTP Holder or OTP Firm or a nominee of an OTP Holder or OTP Firm) who is registered with the Exchange for the purpose, while on the Exchange Floor, of accepting and executing option orders received from OTP Holders and OTP Firms.

<sup>10</sup> See NYSE Arca Rule 6.1(b)(34). A "Trading Official" is an Exchange employee or officer, who is designated by the Chief Executive Officer (or its designee) or by the Chief Regulatory Officer (or its designee) of the Exchange. Trading Officials have the ability to recommend and enforce rules and regulations relating to trading access, order, decorum, health, safety, and welfare on the Exchange.

be satisfied prior to executing the complex orders. For each execution of a complex order that takes priority over non-customer bids and offers displayed in the Consolidated Book, the Trading Official at the post shall record the transaction by completing an Unusual Activity Report. A log of such reports will be maintained by the Floor Surveillance Unit.

## 2. Statutory Basis

The Exchange believes the proposed rule change is consistent with Section 6(b) of the Act<sup>11</sup> in general and furthers the objectives of Section 6(b)(5)<sup>12</sup> in particular in that it is designed to promote just and equitable principles of trade, to prevent fraudulent and manipulative acts, to 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.

### 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

Written comments on the proposed change were neither solicited nor received.

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

The foregoing proposed rule change has become effective upon filing pursuant to Section 19(b)(3)(A)(iii) of the Act<sup>13</sup> and Rule 19b-4(f)(5)<sup>14</sup> thereunder because it effects a change in an existing order-entry or trading system of a self-regulatory organization that (i) does not significantly affect the protection of investors or the public interest; (ii) does not impose any

---

<sup>11</sup> 15 U.S.C. 78f(b).

<sup>12</sup> 15 U.S.C. 78f(b)(4).

<sup>13</sup> 15 U.S.C. 78s(b)(3)(A)(iii).

<sup>14</sup> 17 CFR 19b-4(f)(5).

significant burden on competition; and (iii) does not have the effect of limiting the access to or availability of the system. At any time within 60 days of the filing of the proposed rule change, the Commission may summarily abrogate such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act.

#### 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](mailto:rule-comments@sec.gov). Please include File Number SR-NYSEArca-2006-80 on the subject line.

##### Paper comments:

- Send paper comments in triplicate to Nancy M. Morris, Secretary, Securities and Exchange Commission, Station Place, 100 F Street NE, Washington, DC 20549-1090.

All submissions should refer to File Number SR-NYSEArca-2006-80. 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 Web site (<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 inspection and copying in the Commission's Public Reference Room. Copies of such filing also will be available for inspection and copying at the principal offices 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-NYSEArca-2006-80 and should be submitted on or before [insert date 21 days from publication in the Federal Register].

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.<sup>15</sup>

Nancy M. Morris  
Secretary

---

<sup>15</sup> 17 CFR 200.30-3(a)(12).