

**VIA E-MAIL AND FEDERAL EXPRESS**

September 26, 2012

Ms. Elizabeth M. Murphy  
Secretary  
Securities and Exchange Commission  
100 F Street, N.E.  
Washington, DC 20549-1090

Re: Response to Comment Letter on File Number SR-NYSEArca-2012-64 ("Rule Proposal")

Dear Ms. Murphy:

NYSE Arca, Inc. ("NYSE Arca" or "Exchange") appreciates the opportunity to respond to the comment letter submitted by BOX Options Exchange LLC ("BOX") on September 24, 2012 regarding the Rule Proposal, which the Exchange filed with the Securities and Exchange Commission ("Commission") on June 27, 2012. In that filing, NYSE Arca proposes to list and trade option contracts overlying 10 shares of a security ("mini-options contracts").

The BOX letter raises three issues: First, BOX asks for clarification that the mini-options overlay the same underlying equity security as a standard contract. Second, BOX requests confirmation on full "cross margining" at OCC between mini option positions and standard option positions. And lastly, BOX requests assurance of price protection between mini options and standard options.

**Same Deliverable**

With respect to the first issue raised by BOX, the Exchange notes that it has proposed that mini-options contracts be included in the OCC symbology convention for contracts of the same security but with a differing delivery quantity. Accordingly, as noted in the Rule Proposal, the symbols for the mini-options contracts will be the standard security symbol appended with the numeral "8". The Exchange understands that the OCC instructions upon assignment will be to deliver the same security to the National Securities Clearing Corporation (NSCC), regardless of whether it is a mini-options contract or a standard contract.

**"Cross" Margining**

Regarding "margining" of mini-options contracts versus standard contracts, the Exchange understands that the OCC's portfolio margining process is already set to have positions in a standard contract and a mini-options contract set against each other. Consistent with NYSE Arca Rule 4.16(d), a "long" position of 10 mini-option calls and a "short" position of 1 standard call, both with the same strike price and expiry, would offset each other.

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### Price Protection

BOX also raises the question of price protection for orders in a standard contract versus orders in a corresponding mini-options contract. The Exchange notes that the price protection concern raised by BOX is one of the reasons why the Exchange has proposed to introduce mini-options contracts in just five securities, which are not only high-priced options contracts, but also have significant options liquidity and customer demand and overlay highly liquid, high-priced, and actively traded ETFs and equities. More specifically, these issues are notable for having a very high average daily volume (over 45,000 contracts per day). The Exchange believes that because of the liquidity in the issues, existing market forces should keep the prices between standard contracts and mini-options contracts consistent.

With respect to the related arbitrage issue that BOX raises, the Exchange notes that, as discussed above, cross margining will be available between standard contracts and mini-options contracts. Accordingly, the Exchange believes that the availability of mini-options contracts is likely to result in more efficient pricing through arbitrage with standard contracts.

Finally, with respect to the issue concerning fees for mini-options contracts, the Exchange notes that while it has not yet determined the fee structure for mini-options contracts, its current transaction fees will not apply to mini options contracts, and that the Exchange will not commence trading of mini-option contracts until specific fees for mini-options contracts trading have been filed with the Commission.

### Conclusion

For the reasons stated above, as well as those set forth in the related filing, the Exchange respectfully requests that the Commission approve the Rule Proposal.

Sincerely,

A handwritten signature in blue ink that reads "Janet McHinnery". The signature is written in a cursive, flowing style.

cc: Heather Seidel  
Richard Holley  
John Roeser