



Elizabeth King
Secretary & General
Counsel

New York Stock Exchange
11 Wall Street
New York, NY 10005
T +1 [REDACTED]
F +1 [REDACTED]

February 27, 2015

Kevin O'Neill
Deputy Secretary
U.S. Securities and Exchange Commission
100 F. Street N.E.
Washington, D.C. 205549-0609

RE: File No. SR-NYSEArca-2014-117

Dear Mr. O'Neill,

NYSE Arca, Inc. (the "Exchange") is submitting this comment letter to further supplement the basis for the above-referenced filing ("Proposal"),¹ which amends the manner in which the Exchange proposes to mitigate outbound quote traffic to the Options Price Reporting Authority ("OPRA"), as well as the Comment Letter submitted by the Exchange on January 8, 2015 ("Comment Letter").²

The Exchange has explained in both its Proposal and Comment Letter the basis for its belief that primarily relying on the Options Listings Procedures Plan ("OLPP") is consistent with the Securities Exchange Act of 1934 ("Act") and would sufficiently limit the number of options series listed on the Exchange. The Exchange believes it may be helpful to further expound upon its basis for relying on the OLPP.

As noted in its Proposal, the OLPP "applied uniform standards to the range of options series exercise (or strike) prices available for trading on the [Exchange] as a quote mitigation strategy."³ Prior to the OLPP, there were no uniform standards applied to the range of options series exercise (or strike) prices available for trading. Specifically, there was no restriction on the range of permissible strike prices based on the price of the underlying security. For example, prior to the OLPP, an options exchange could list options on stock trading at \$300 per share with strike prices

¹ See Securities and Exchange Release No. 73362 (October 15, 2014), 79 FR 62983, 62984 (October 21, 2014) (SR-NYSEArca-2014-117).

² See Letter from Elizabeth King, Secretary & General Counsel, Exchange, to Kevin O'Neill, Deputy Secretary, U.S. Securities and Exchange Commission, dated January 8, 2015, available at <http://www.sec.gov/comments/sr-nysearca-2014-117/nysearca2014117-1.pdf>.

³ See Securities Exchange Act Release No. 73362 (October 15, 2014), 79 FR 62983, 62983 (October 29, 2014) (noting that Rule 6.4A codified Amendment No. 3 to the OLPP); see also Securities and Exchange Release No. 60531 (August 19, 2009), 74 FR 43173 (File No. 4-443).

as low as \$5 and with no upward limit on the permissible strike prices. The OLPP imposes a restriction on the range of strike prices to 50% above or below the price of the underlying security for securities trading at more than \$20 per share. Thus, for that same security trading at \$300 per share, the OLPP restricts the range of available strike prices to between \$150 and \$450.

A real life illustration of the impact of OLPP was evidenced in 2000, when Rambus (RMBS) was subject to a 4-for-1 stock split and strike prices ranged from \$40 to \$500.⁴ After the 4-for-1 split, the stock never traded higher than \$100 per share (split adjusted). Despite that, various options exchanges were able to continue to add strike prices as high as \$300 because those strikes existed before the stock was reduced in price by a combination of the stock split and subsequent decline in the stock price. A strike price of \$300 is 200% above the price of an underlying stock trading at \$100 per share. If the OLPP had been in place in 2000, strike prices on RMBS (at \$300 per share) would have been subject to the restriction that strike prices for securities trading at more than \$20 per share be within 50% of the price of the underlying stock. Pursuant to the OLPP, the highest available strike price for RMBS would have been \$150 (50% above the price of the stock). The Exchange notes that if the OLPP had been in place in 2000, the uniform standards imposed by the OLPP would have prevented the addition of approximately new 30 strikes per month in RMBS (assuming puts and calls every \$10 increment) for all months that series were listed. Given that a stock generally has at least four months of listed options at any given time, the Exchange believes that in the case of RMBS, the OLPP would have prohibited the listing of up to 120 additional strikes. The Exchange notes that approximately 2,500 option issues trade on the Exchange on a daily basis. Thus, if even 3% of the option issues traded on the Exchange (*i.e.*, 75 options classes) experienced issues similar to RMBS (*i.e.*, up to 30 additional strikes per month could have been added absent the OLPP), the Exchange believes it is reasonable to estimate that the OLPP may have suppressed up to 9,000 strikes (*i.e.*, 75 options classes x 30 strikes per month x 4 expiration months = 9,000). While the Exchange acknowledges that RMBS is a single occurrence, the Exchange believes that this incident illustrates the impact of the OLPP and supports the Exchange's primary reliance on the OLPP as part of its proposed quote mitigation strategy.

For the above reasons and the reasons stated in its Proposal, the Exchange believes its Proposal is consistent with the Act and respectfully requests that the Commission approve the above-referenced Proposal without delay.

Sincerely,



APPENDIX A



The Options Clearing Corporation

#15614

Back to Infomemo Search

DATE: JUNE 14, 2000

SUBJECT: RAMBUS INC - 4 FOR 1 STOCK SPLIT
OPTION SYMBOL: RMBS/BNQ/BYQ/BWR/BUJ/WWO/YUX/YOW/
YWR/YUJ/2BNQ14/2BNQ15/2BNQ16
EX-DATE: JUNE 15, 2000

The Chicago Board Options Exchange ("CBOE"), The American Stock Exchange ("AMEX"), and The Pacific Exchange ("PCX") have advised The Options Clearing Corporation ("OCC") that the Common Shares of Rambus Inc ("RMBS/BNQ") will split 4 for 1. The Ex-distribution Date is Thursday, June 15, 2000. The Payable Date is Wednesday, June 14, 2000. The Record Date is May 24, 2000.

Pursuant to Article VI, Section 11, of the Options Clearing Corporation's By-Laws, all Rambus Inc options will be adjusted as follows:

Effective Date: Effective with exercises of June 15, 2000 and thereafter

Option Symbol: Unchanged

Number of Contracts: Quadrupled

Multiplier: 100 (e.g., for premium or strike dollar extensions 1.00 will equal \$100)

New Deliverable Per Contract: 100 Rambus Inc Common Shares

CUSIP: 750917106

Strike Prices/Tickers:	<u>OLD STRIKE</u>	<u>NEW STRIKE</u>	<u>SERIES TICKER</u>
BNQ	40	10	B
	45	11 1/4	J

	<u>OLD STRIKE</u>	<u>NEW STRIKE</u>	<u>SERIES TICKER</u>
BNQ	50	12 1/2	V
	60	15	C
	65	16 1/4	L
	70	17 1/2	W
	75	18 3/4	M
	80	20	D
	85	21 1/4	N
	90	22 1/2	X
	95	23 3/4	O
	100	25	E
	105	26 1/4	P
	110	27 1/2	Y
	115	28 3/4	Q
	120	30	F
	125	31 1/4	R
	130	32 1/2	Z
	135	33 3/4	S
	140	35	G
	145	36 1/4	T
	150	37 1/2	U
BYQ	155	38 3/4	A
	160	40	H
	165	41 1/4	P
	170	42 1/2	Q
	175	43 3/4	R
	180	45	I
	185	46 1/4	S
	190	47 1/2	W
	195	48 3/4	T
	200	50	J
	210	52 1/2	X
	220	55	K
	230	57 1/2	Y
	240	60	L
	250	62 1/2	Z
	260	65	M
	270	67 1/2	U

	<u>OLD STRIKE</u>	<u>NEW STRIKE</u>	<u>SERIES TICKER</u>
BYQ	280	70	N
	290	72 1/2	V
	300	75	O
BWR	310	77 1/2	G
	320	80	P
	330	82 1/2	X
	340	85	Q
	350	87 1/2	Y
	360	90	R
	370	92 1/2	Z
	380	95	S
	390	97 1/2	U
	400	100	T
	410	102 1/2	V
	420	105	A
	430	107 1/2	W
	440	110	B
BUJ	450	112 1/2	X
	460	115	C
	470	117 1/2	Y
	480	120	D
	490	122 1/2	Z
	500	125	E
WVO	50	12 1/2	V
	60	15	C
	70	17 1/2	W
	80	20	D
	90	22 1/2	X
	100	25	E
	110	27 1/2	Y
	120	30	F
	130	32 1/2	Z
YUX	140	35	G
	150	37 1/2	U
	160	40	H

	<u>OLD STRIKE</u>	<u>NEW STRIKE</u>	<u>SERIES TICKER</u>
	170	42 1/2	Q
	180	45	I
	190	47 1/2	W
	200	50	J
	210	52 1/2	X
	220	55	K
	230	57 1/2	Y
YOW	240	60	L
	250	62 1/2	Z
	260	65	M
	270	67 1/2	U
	280	70	N
	290	72 1/2	V
	300	75	O
	310	77 1/2	G
	320	80	P
	330	82 1/2	X
YWR	340	85	Q
	350	87 1/2	Y
	360	90	R
	370	92 1/2	Z
	380	95	S
	390	97 1/2	U
	400	100	T
	410	102 1/2	V
	420	105	A
	430	107 1/2	W
	440	110	B
YUJ	450	112 1/2	X
	460	115	C
	470	117 1/2	Y
	480	120	D
	490	122 1/2	Z

On the ex-date, OCC will delete from the unmatched transfer pending file any Rambus Inc items which remain unmatched from the prior activity date. On the Ex-date, Clearing Members will be required to re-submit transfer of account instructions for post split series in

members will be required to re-submit transfer or account instructions for post split order in order to effect transfers.

ALL CLEARING MEMBERS ARE REQUESTED TO IMMEDIATELY ADVISE ALL

CATEGORY: CONTRACT ADJUSTMENTS

SUB-CATEGORY:STOCK SPLIT