

Text of the Proposed Rule Change:¹

Rules of the NYSE Arca, INC.

Rule 5.17. Exemptions from Position Limits

(a) through (b) - No Change

(c) Exemptions Granted by Another Options Exchange. An OTP Holder or OTP Firm may rely upon any valid exemption from applicable position limits granted from time to time by another options exchange for any options contract traded on the Exchange provided that such OTP Holder or OTP Firm;

- (i) provides the Exchange with a copy of any written exemption issued by another options exchange or a written description of any exemption issued by another options exchange other than in writing containing sufficient detail for the Exchange to verify the validity of that exemption with the issuing exchange, and
- (ii) fulfills all conditions precedent for such exemption and complies at all times with the requirements of such exemption with respect to trading on NYSE Arca.

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Rule 6.8. Position Limits

Except with the prior written approval of the Exchange in each instance, no OTP Holder or OTP Firm shall effect, for any account in which such OTP Holder or OTP Firm has an interest or for the account of any partner, officer, director or employee thereof or for the account of any customer, an opening transaction in an option contract (i) of any class of options dealt in on the Exchange or (ii) of any class of options dealt in on another exchange (if the OTP Holder or OTP Firm is not a member of that other exchange) if the OTP Holder or OTP Firm has reason to believe that as a result of such transaction the OTP Holder or OTP Firm or partner, officer, director or employee thereof or customer would, acting alone or in concert with others, directly or indirectly, hold or control or be obligated in respect of:

(1) through (4) – No Change

Commentary: .01 through .06 – No Change

.07 Exemptions from Position Limits

¹ New text is underscored; deleted text is in brackets.

(i) Equity Hedge Exemption. The following qualified hedging transactions and positions are exempt from the established position and exercise limits prescribed under Commentary .06 above. However, for back-to-back options or where one of the option components of a qualified hedge consists of an over-the-counter ("OTC") option, then the hedge exemption is limited to five times the established position limit. For purposes of this Rule, qualified hedge strategies or positions are defined as follows:

(a) through (i) – No Change

[.08] (ii) Firm Facilitation Exemption. To the extent that the following procedures and criteria are satisfied, an OTP Holder or OTP Firm may receive and maintain for its proprietary account an exemption ("facilitation exemption") from the applicable standard position limit in non-multiply-listed Exchange options for the purpose of facilitating, pursuant to the provisions of Rule 6.47(b), (a) orders for its own customer (one that will have the resulting position carried with the firm) or (b) orders received from or on behalf of a customer for execution only against the OTP Holder or OTP Firm's proprietary account.

(a) through (h) - No Change

[.09] (iii) Delta Based Equity Hedge Exemption. The Delta-Based Equity Hedge Exemption is in addition to the standard limit and other exemptions available under Exchange rules, commentaries and policies. An equity option position of an OTP Holder or OTP Firm (or affiliate thereof) that is delta neutral shall be exempt from established position limits as prescribed under Commentary .05-.06 above, subject to the following:

(a) through (g) - No Change.

(iv) Exemptions Granted by Another Options Exchange. An OTP Holder may rely upon any valid exemption from applicable position limits granted from time to time by another options exchange for any options contract traded on the Exchange provided that such OTP Holder

- (i) provides the Exchange with a copy of any written exemption issued by another options exchange or a written description of any exemption issued by another options exchange other than in writing containing sufficient detail for the Exchange staff to verify the validity of that exemption with the issuing exchange, and
- (ii) fulfills all conditions precedent for such exemption and complies at all times with the requirements of such exemption with respect to trading on the NYSE Arca.