

**Text of the Proposed Rule Change:<sup>1</sup>****Rules of NYSE Arca, Inc.**

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**Rule 6.47****"Crossing" Orders — OX**

(a) -(d) No Change

**Commentary:**

.01 Rule 6.49(b) does not prohibit an OTP Holder or OTP Firm from buying or selling a stock, security futures or futures position following receipt of an option order, including a complex order, but prior to announcing such order to the Trading Crowd, provided that:

(a) the option order is in a class designated as eligible for "tied hedge" transactions (as described below) as determined by the Exchange and is within the designated tied hedge eligibility size parameters, which parameters shall be determined by the Exchange and may not be smaller than 500 contracts per order (there shall be no aggregation of multiple orders to satisfy the size parameter) (for Complex Orders involved in a tied hedge transaction at least one leg must meet the minimum size requirement);

(b) such OTP Holder or OTP Firm shall create an electronic record that it is engaging in a tied hedge transaction in a form and manner prescribed by the Exchange;

(c) such hedging position is:

(i) comprised of a position designated as eligible for a tied hedge transaction as determined by the Exchange and may include the same underlying stock applicable to the option order, a security future overlying the same stock applicable to the option order or, in reference to an index or Exchange-Traded Fund Shares ("ETF"), a related instrument. A "related instrument" means, in reference to an index option, securities comprising ten percent or more of the component securities in the index or a futures contract on any economically equivalent index applicable to the option order. A "related instrument" means, in reference to an ETF

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<sup>1</sup> New text is underscored and deleted text is in brackets.

option, a futures contract on any economically equivalent index applicable to the ETF underlying the option order;

(ii) brought without undue delay to the Trading Crowd and announced concurrently with the option order;

(iii) offered to the Trading Crowd in its entirety; and

(iv) offered, at the execution price received by the OTP Holder or OTP Firm introducing the option, to any in-crowd market participant who has established parity or priority for the related options;

(d) the hedging position does not exceed the option order on a delta basis;

(e) all tied hedge transactions (regardless of whether the option order is a simple or complex order) are treated the same as complex orders for purposes of the Exchange's open outcry allocation and reporting procedures. Tied hedge transactions are subject to the existing NBBO trade-through requirements for options and stock, as applicable, and may qualify for various exceptions; however, when the option order is a simple order, the execution of the option leg of a tied hedge transaction does not qualify for the NBBO trade-through exception for a Complex Trade (defined in Rule 6.94(b)(7));

(f) in-crowd market participants that participate in the option transaction must also participate in the hedging position and may not prevent the option transaction from occurring by giving a competing bid or offer for one component of such order;

(g) in the event the conditions in the non-options market prevents the execution of the non-option leg(s) at the agreed prices, the trade representing the options leg(s) may be cancelled; and

(h) prior to entering tied hedge orders on behalf of customers, the OTP Holder or OTP Firm must deliver to the customer a written notification informing the customer that his order may be executed using the Exchange's tied hedge procedures. The written notification must disclose the terms and conditions contained in this Commentary and be in a form approved by the Exchange.

A combination option and hedging position offered in reliance on this Commentary .01 shall be referred to as "tied hedge" orders.

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