

**Text of the Proposed Rule Change:<sup>1</sup>**

**Rules of NYSE Arca, Inc.**

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**RULE 6 OPTIONS TRADING**

**Rules Principally Applicable to Trading of Option Contracts**

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**Rule 6.72.**

**Trading Differentials**

(a) The following minimum quoting increments shall apply to options traded on the Exchange:

(1) - (2)        No Change

(3) for options contract traded pursuant to the penny [pilot] trading program as described in Commentary .02:

(A) one cent (\$0.01) for all options contracts in QQQ (PowerShares QQQ TrustSM, Series 1), SPY (SPDR S&P 500 ETF) and IWM (iShares Russell 2000 Index Fund);

(B) one cent (\$0.01) for all other options contracts included in a penny [pilot] trading program that are trading at less than \$3;

(C) five cents (\$0.05) for all other option contracts included in a penny [pilot] trading program that are trading at or above \$3.

(b) - (c)        No Change

***Commentary :***

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

**.01 No Change**

**.02** Options on certain issues are subject to a penny [pilot] trading program (“Program”) [which will expire on December 31, 2013]. The [pilot] issues will be announced to the Exchange's membership via [Regulatory] Trader Update [B]bulletin and published by the Exchange on its website.

Effective the monthly expiration three months following [insert date of approval], and on the first business day after January expiration in 2014 and every year thereafter, the Program will apply only to the 150 most actively traded multiply listed options classes, based on trading activity in the previous six full calendar months, that are either already in the Program or, if not yet in the program, priced below \$200 per share. Once an issue is in the Program, it will remain in the Program until it is no longer among the 200 most actively traded issues. Upon falling below the 200 most actively traded issues, an issue will be removed. Following the annual review, issues to be added to the Program will begin quoting in \$0.01 and \$0.05 increments on the first business day after January expiration. Issues that are removed from the Program after the initial reduction following [insert date of approval] and after the annual review, will be subject to the minimum trading increment as described in sub-paragraphs (a)(1) and (a)(2) above, effective on the first business day following the third monthly expiration following [insert date of approval] and the first business day after April expiration in subsequent years, and the Exchange will announce via Trader Update bulletin if orders in the Consolidated Book will be cancelled or if they will be converted to Price Improving Orders as described in Rule 6.62(s).

The Exchange may replace any options classes participating in the [penny pilot] Program [issues] that have been delisted, or are identified by OCC as ineligible for opening Customer transactions, with the next most actively traded multiply listed options classes that are not yet included in the [penny pilot] Program, based on trading activity in the previous six full calendar months. Any series in the class overlying the issues that are being replaced, because of the class being delisted or because of no longer being eligible for opening transactions, will continue to trade under the Program until they expire. The replacement issues may be added to the [penny pilot] Program on the first business day following the first monthly expiration of each calendar quarter [second trading day following July 1, 2013].

The [penny pilot] Program will provide for such designated options contracts to be quoted in \$0.01 or \$0.05 increments. The Program will also apply to any option classes that are selected by other securities exchanges that employ a similar program that provides for quoting and trading in penny increments under their respective rules.

**.03 No Change**