SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-70817; File No. SR-NYSEArca-2013-115)

November 6, 2013

Self-Regulatory Organizations; NYSE Arca, Inc.; Notice of Filing of Proposed Rule Change, as Modified by Amendment No. 1 Thereto, to Adopt Commentary .03 to Rule 6.91 to Limit the Volume of Complex Orders by a Single OTP Holder or OTP Firm During the Trading Day

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act")[1] and Rule 19b-4 thereunder,[2] notice is hereby given that on October 28, 2013, NYSE Arca, Inc. (the "Exchange" or "NYSE Arca") filed with the Securities and Exchange Commission ("Commission") the proposed rule change as described in Items I, II, and III below, which Items have been prepared by the Exchange. On November 5, 2013, the Exchange filed Amendment No. 1 to the proposal.[3] The Commission is publishing this notice to solicit comments on the proposed rule change, as modified by Amendment No. 1 thereto, from interested persons.

I. Self-Regulatory Organization's Statement of the Terms of the Substance of the Proposed Rule Change

The Exchange is proposing to adopt as Commentary .03 to Rule 6.91, which was reserved, a Complex Order Table Cap, to limit the volume of complex orders by a single OTP Holder or OTP Firm during the trading day. The text of the proposed rule change is available on the Exchange's website at www.nyse.com, at the principal office of the Exchange, and at the Commission's Public Reference Room.

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1 15 U.S.C. 78s(b)(1).

2 17 CFR 240.19b-4.

3 In Amendment No. 1, the Exchange proposed to delete the phrase "at any given time" located on page six of the Form 19b-4 and in the second full paragraph on page 14 of the Exhibit 1 to the Form 19b-4.

II. Self-Regulatory Organization's Statement of the Purpose of, and the Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, the self-regulatory organization included statements concerning the purpose of, and basis for, the proposed rule change and discussed any comments it received on the proposed rule change. The text of those statements may be examined at the places specified in Item IV below. The Exchange has prepared summaries, set forth in sections A, B, and C below, of the most significant parts of such statements.

A. Self-Regulatory Organization's Statement of the Purpose of, and the Statutory Basis for, the Proposed Rule Change

1. Purpose

The Exchange is proposing to adopt as Commentary .03 to Rule 6.91, which was reserved, a Complex Order Table Cap, to limit the volume of complex orders entered by a single OTP Holder or OTP Firm (collectively, "OTPs") during the trading day. The Exchange believes that the Complex Order Table Cap would help maintain a fair and orderly market because it is a system protection tool designed to assist the Exchange in preventing any single OTP from utilizing more than a specified percentage of the complex order table during the trading day.

Rule 6.91 governs trading of "Complex Orders"[4] on the NYSE Arca System ("Electronic Complex Orders"). Rule 6.91(a)(2)(i) currently provides that Electronic Complex Orders accepted in the Exchange's Complex Matching Engine ("CME")[5] are executed automatically

4 NYSE Arca Options Rule 6.62(e) defines an Complex Order as "any order involving the simultaneous purchase and/or sale of two or more different option series in the same underlying security, for the same account, in a ratio that is equal to or greater than one-to-three (.333) and less than or equal to three-to-one (3.00) and for the purpose of executing a particular investment strategy."

5 NYSE Arca Options Rule 6.91(a) defines the CME as "the mechanism in which Electronic Complex Orders are executed against each other or against individual quotes and orders in the Consolidated Book."

against other Electronic Complex Orders in the Consolidated Book,[6] unless individual orders or quotes in the Consolidated Book can execute against incoming Electronic Complex Orders, subject to specified conditions, in which case such individual orders and quotes have priority. Rule 6.91(a)(2)(ii) currently provides that Electronic Complex Orders in the CME that are not marketable against other Electronic Complex Orders automatically execute against individual quotes or orders in the Consolidated Book, provided that the Electronic Complex Orders can be executed in full or in a permissible ratio by the individual quotes or orders.

Rule 6.91(a)(2)(iv) currently provides that OTPs have the ability to view the Electronic Complex Orders in the Consolidated Book via an electronic interface and may submit orders to the CME to trade against orders in the Consolidated Book. [7] Current Rule 6.91 does not impose any cap on the volume of Electronic Complex Orders entered by OTPs.

The Exchange ranks and tracks Electronic Complex Orders in the Consolidated Book in a "complex order table." The complex order table has sufficient capacity (i.e., the maximum allowable Electronic Complex Orders during the trading day) to accept all Complex Orders submitted by all OTPs under normal operating conditions. However, that capacity is not unlimited.[8] Thus, if an OTP were to experience a systems malfunction that led to the entry of an inordinate number of Electronic Complex Orders, the entire capacity of the complex order table

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6 NYSE Arca Options Rule 6.1(b)(37) defines the Consolidated Book as "the Exchange's electronic book of limit orders for the accounts of Public Customers and broker-dealers, and Quotes with Size. All orders and Quotes with Size that are entered into the Book will be ranked and maintained in accordance with the rules of priority as provided in Rule 6.76. There is no limit to the size of orders or quotes that may be entered into the Consolidated Book."

7 Under Rules 6.91(a)(2)(i), (a)(2)(ii) and (a)(2)(iv), incoming orders or quotes, or those residing in the Consolidated Book, that execute against Electronic Complex Orders are allocated pursuant to Rule 6.76A.

8 The complex order table currently has the capacity to hold Electronic Complex Orders containing up to14 million legs throughout the trading day.

could potentially be utilized solely by that one OTP. If this were to happen, the Exchange would have to reject all subsequent Electronic Complex Orders – from all OTPs – exceeding the total capacity of the complex order table on that trading day. Under current Rule 6.91, there is no limitation to the number of Electronic Complex Orders that a single OTP may submit, which, as explained above, could result in a single OTP utilizing the entire capacity of the complex order table. Thus, the Exchange is proposing to adopt as Commentary .03 to Rule 6.91 a cap to prevent an OTP from utilizing more than a specified percentage of the complex order table during the trading day (the "Complex Order Table Cap" or "Cap").

Pursuant to proposed Commentary .03 to Rule 6.91, if an OTP exceeds the Complex Order Table Cap by submitting orders that comprise more than "n%" of the capacity of the complex order table, the Exchange would reject that OTP's Electronic Complex Orders for the remainder of the trading day. Prior to breaching the Complex Order Table Cap, the OTP would receive a warning to signal a potential breach. Specifically, when an OTP utilizes more than "n% - x" of the complex order table, the OTP's Electronic Complex Orders would be rejected until such time that the OTP has notified the Exchange to re-enable the submission of Electronic Complex Orders. If, however, the Complex Order Table Cap is breached (i.e., the OTP submits orders in excess of "n%" of the complex order table), all Electronic Complex Orders submitted by that OTP would be rejected for the remainder of the trading day. The Exchange would not reject any Electronic Complex Orders until after an OTP had breached either the warning threshold (i.e., "n%-x") or the Cap. Thus, for example, if an OTP submits an Electronic Complex Order that, once accepted, breaches the Cap, the Exchange would accept that order in its entirety and then would reject all subsequent Electronic Complex Orders from that OTP for the remainder of the trading day. Unless determined otherwise by the Exchange and announced to OTPs via Trader Update, the specified percentage (i.e., “n% [sic]) would be no less than 60%, and “n%-x” would be no less than 40%.[9]

While the Exchange does not currently anticipate having to adjust the proposed Cap, the Exchange recognizes that under certain market conditions (e.g., extreme volatility) or in unforeseen circumstances (e.g., unusual influx of market participants) the specified percentages prescribed by the Exchange may be overly restrictive at times and there could be situations where the Exchange may need to temporarily reduce the percentages applicable to the Cap to accommodate these situations. Thus, the Exchange proposes that in the interest of a fair and orderly market, the applicable percentages may be temporarily modified by a Trading Official to a percentage lower than prescribed. The Trading Officials are presently authorized to make similar determinations regarding such matters as position limits[10] and quote-width differentials.[11] Permitting a Trading Official to temporarily modify the percentages applicable to the Cap is consistent with their ability to recommend and enforce rules and regulations relating to trading, access, order, decorum, health, safety and welfare on the Exchange which contributes to the Exchange’s obligation to maintain a fair and orderly market. If a Trading Official were to temporarily modify the percentages applicable to the Cap, the Exchange would contemporaneously announce the new settings to all OTPs via Trader Update. Temporary modifications to the percentages applicable to the Cap would be completed at the Exchange level. OTPs will not have to make any adjustments to proprietary systems to accommodate such modifications.

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9 Trader Updates are disseminated electronically to all OTP Holders and OTP Firms.

10 See Exchange Rule 6.8.04.

11 See Exchange Rule 6.37.

At present, the Exchange estimates that, on average, during the trading day, the volume of orders populating the complex order table from all OTPs combined is less than 40%. Because under normal operating conditions all OTPs combined utilize less than 40% of the complex order table, the Exchange believes that setting the Cap for a single OTP at 60% would ensure that 40% of the complex order table – which is typically sufficient to accommodate all OTP's orders – would remain accessible to the balance of OTPs and would not unfairly deny these OTPs access to the market. Moreover, the Exchange believes that a single OTP would only exceed the Cap (or receive a warning of a near breach) in the event of a bona fide problem (e.g., a system error or malfeasance).

The Exchange believes that the Complex Order Table Cap would improve the efficiency of the Electronic Complex Order process and help maintain a fair and orderly market because it is designed as a system protection tool that will enable the Exchange to prevent any single OTP from utilizing more than a specified percentage of the complex order table during the trading day.

Implementation

The Exchange will announce the implementation date of the proposed rule change by Trader Update to be published no later than 60 days following approval. The implementation date will be no later than 60 days following the issuance of the Trader Update.

2. Statutory Basis

The Exchange believes that the proposal is consistent with Section 6(b) of the Act,[12] in general, and furthers the objectives of Section 6(b)(5),[13] in particular, in that it is designed to promote just and equitable principles of trade, to remove impediments to, and perfect the

12 15 U.S.C. § 78f(b).

13 15 U.S.C. § 78f(b)(5).

mechanism of a free and open market and, in general, to protect investors and the public interest. The Exchange believes that providing the Complex Order Table Cap removes impediments to, and perfects the mechanism of a free and open market because it would provide the Exchange with a system protection tool designed to assist in addressing the risk that a single OTP could – either intentionally or inadvertently and erroneously – utilize the entire complex order table, effectively shutting out from the market for the remainder of the trading day all other OTPs' Electronic Complex Orders. By rejecting an OTP's Electronic Complex Orders when that OTP's orders encroach upon or exceed the Cap, the Exchange would ensure that the complex order table could fairly accommodate Electronic Complex Orders from all OTPs. The Cap would provide the ancillary benefit of reducing the risk that options orders submitted in error or otherwise by a single OTP could clog the complex order table, potentially foreclosing the execution of valid orders. Thus, the Exchange believes that the Complex Order Table Cap would protect investors and the public interests because the Cap would ensure the optimal functioning of the complex order table by disabling the submission of Electronic Complex Orders of a single OTP that has exceeded the Cap, thereby allowing the Exchange to accommodate Electronic Complex Orders from all other OTPs.

In addition, the Exchange believes that the implementation of the Cap would not unfairly deny any OTP access to the market. Under normal operating conditions, the Electronic Complex Orders of all OTPs combined does not exceed 40% of the complex order table. Therefore, the Exchange believes that setting the Cap for a single OTP at 60% would ensure that 40% of the complex order table – which is typically sufficient to accommodate all OTP's orders – would remain accessible to the balance of OTPs and would not unfairly deny these OTPs access to the market. Moreover, the Exchange believes that a single OTP would only exceed the Cap (or receive a warning of a near breach) in the event of a bono [sic] fide problem (e.g., a system error or malfeasance).

B. Self-Regulatory Organization's Statement on Burden on Competition

The Exchange does not believe that the proposed rule change will impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. The Exchange believes the proposal will provide market participants with additional protection from erroneous executions. Thus, the Exchange does not believe the proposal creates any significant impact on competition.

C. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received from Members, Participants, or Others

No written comments were solicited or received with respect to the proposed rule change.

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

Within 45 days of the date of publication of this notice in the Federal Register or within such longer period (i) as the Commission may designate up to 90 days of such date if it finds such longer period to be appropriate and publishes its reasons for so finding or (ii) as to which the self-regulatory organization consents, the Commission will:

(A) by order approve or disapprove the proposed rule change, or

(B) institute proceedings to determine whether the proposed rule change should be disapproved.

IV. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act. Comments may be submitted by any of the following methods:

Electronic comments:

- Use the Commission's Internet comment form (http://www.sec.gov/rules/sro.shtml); or
- Send an e-mail to rule-comments@sec.gov. Please include File Number SR-NYSEArca-2013-115 on the subject line.

Paper comments:

- Send paper comments in triplicate to Elizabeth M. Murphy, Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549-1090.

All submissions should refer to File Number SR-NYSEArca-2013-115. This file number should be included on the subject line if e-mail is used.

To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet website (http://www.sec.gov/rules/sro.shtml). Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for website viewing and printing in the Commission's Public Reference Room on official business days between the hours of 10:00 a.m. and 3:00 p.m. Copies of such filing also will be available for inspection and copying at the principal offices of the Exchange. All comments received will be posted without change; the Commission does not edit personal identifying information from submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR-NYSEArca-2013-115, and should be submitted on or before [insert date 21 days from publication in the Federal Register].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.[14]

Kevin M. O'Neill
Deputy Secretary

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[14] 17 CFR 200.30-3(a)(12).