

Text of the Proposed Rule Change:¹

Rules of NYSE Arca Options

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Rule 6.1. Applicability, Definitions and References

(a)-(d) No Change

(e) *Applicability of Other Exchange Rules.* The following Rules apply to transactions on the Exchange in option contracts issued or subject to issuance by the Options Clearing Corporation: Rules 4.15-4.19, 5.1, 9.21-9.28 and 11.6 [and 11.15]. The following Rules do not apply to transactions on the Exchange in option contracts: Rule 1.1. All other Exchange rules are applicable to transactions on the Exchange in option contracts unless the context clearly indicates otherwise. In applying the Rules of the Exchange to transactions on the Exchange in option contracts, "security" or "securities" includes option contracts, "specialist" means Market Maker on the Options Trading Floor.

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Rule 6.2 Admission to and Conduct on the Options Trading Floor

(a)-(g) No change.

(h) *Telephones on the Options Floor.*

(1) *Registration.* OTP Holders and OTP Firms must register, prior to use, any new telephone to be used on the Options Floor by submitting an e-mail to the NYSE Arca Options Operations Department. [Registration forms are available from the Control Room. Each phone registered with the Exchange must be registered by category of user (Market Maker, Floor Broker, Clerk or Manager). If there is a change in the category of any user, the phone must be re-registered with the Exchange.] At the time of registration, OTP Holder and OTP Firm representatives must [sign a statement] attest that they are aware of and understand the rules governing the use of telephones on the Trading Floor. No OTP Holder, [or] OTP Firm, or employee thereof, may employ any alternative communication device, [including but not limited to e-mail,] (other than telephones as described herein) on the Trading Floor without the prior approval of the Exchange.

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New text is underscored; deleted text is in brackets.

(2) [*Capacity and*] *Functionality*. [No wireless telephone used on the Trading Floor may have an output greater than one watt.] No person on the Trading Floor may use any device for the purpose of maintaining an open line of continuous communication whereby a person not located in the trading crowd may continuously monitor the activities in the trading crowd. This prohibition covers intercoms, walkie-talkies and any similar devices. Speed-dialing features are permitted on any OTP Holder or OTP Firm phone.

(3) *Requirements and Conditions*. The following requirements and conditions shall apply to use of telephoning services at the option posts:

(A) Only those quotations that have been publicly disseminated pursuant to Rule 6.73 may be provided over telephones at the post.

(B) Orders transmitted by registered Exchange Market Makers may be entered directly to the trading posts. All other orders may be entered directly to the trading posts only during outgoing telephone calls that are initiated [at] from the option posts. Pursuant to Rule 6.67(c), all such orders must be immediately recorded into the EOC or the Electronic Tablet unless the exception set forth in Rule 6.67(d)(1)(A) applies, in which case the EOC/Electronic Tablet Contingency Reporting Procedures will be in effect in accordance with Rule 6.67(d)(2).

(C) The Exchange may provide for the taping of any telephone line into the trading posts or may require OTP Holders or OTP Firms to provide for the tape recording of a dedicated line at the posts at any time. OTP Holders and OTP Firms and their [clerks] employees using the telephones consent to the Exchange tape recording any telephone or line.

(4) Telephone Use By OTP Holders and Employees of OTP Firms [*Market Makers and LMMs.*]

[(A) Market Makers and LMMs may use their own cellular and cordless phones to place calls to any person at any location (whether on or off the Trading Floor).

(B) Only LMMs may use the LMM telephones located at the trading posts and only for the purpose of marketing option issues, responding to customer inquiries, or otherwise conducting Exchange business.

(5) *Floor Brokers.*]

(A) [Floor Brokers] OTP Holders and employees of OTP Firms may use their own cellular and cordless phones, to place calls to any person at any location (whether on or off the Trading Floor).

(B) [Floor Brokers] OTP Holders and employees of OTP Firms may receive orders over their phones subject to the provisions of Rule 6.2(h)(3)(B). Any telephonic order entered from off the Trading Floor must be placed with a person located in an OTP Holder or OTP Firm booth.

(C) *EOC or Electronic Tablet [Ticket to Follow] Procedures Pursuant to Rule 6.67(d)(1)(A)*. A Floor Broker in a trading crowd who receives a telephonic order from an OTP Holder or OTP Firm representative located on the Trading Floor may represent that order immediately in the trading crowd, provided [(a) that an order ticket for the order must be prepared and timestamped in the OTP Holder or OTP Firm booth before the order is transmitted telephonically to the Floor Broker and represented in the trading crowd; and (b) that the written, timestamped order ticket for the order must be taken to the Floor Broker in the trading crowd immediately after it has been prepared.] all such orders must be immediately recorded into the EOC or the Electronic Tablet unless the exception set forth in Rule 6.67 (d)(1) applies, in which case the EOC/Electronic Tablet Contingency Reporting Procedures will be in effect in accordance with Rule 6.67 (d)(2).

[(D) Floor Brokers may not use the LMM telephones under any circumstances.

(6) *Clerks*.

(A) Floor Broker Clerks are subject to the same terms and conditions on telephone use as Floor Brokers.

(B) Stock Execution Clerks are subject to the same terms and conditions on telephone use as Floor Brokers.

(C) Market Maker Clerks are subject to the same terms and conditions on telephone use as Market Makers.

(D) The Exchange reserves the right to prohibit clerks from using cellular or cordless phones on the floor at any time that it is necessary due to electronic interference problems or capacity problems resulting from the number of such phones then in use on the Trading Floor. In such circumstances, the Exchange will first consider restricting the use of such phones by Market Maker Clerks, then by Stock Execution Clerks, and then finally, by Floor Broker Clerks.

(7) *Floor Managers*. OTP Firm Floor Managers may use any telephone, including any cellular or cordless phones, for any business purpose relating to their management responsibilities (except that they may not use the LMM phones).

(8) *General Access Phones*. The general access phones located outside of the trading post areas may be used by any OTP Holder or OTP Firm, Clerk or OTP Holder or OTP Firm Floor Manager to communicate with persons located on the Trading Floor.]

([9]5) *[Telephone] Records.* OTP Holders and OTP Firms must maintain [their cellular or cordless telephone records,] records of the use of telephones and all other approved alternative communication devices, including logs of calls placed, for a period of not less than [one] three years, the first two years in an accessible place. The Exchange reserves the right to inspect such telephone records pursuant to Rule 10.2 (Investigations).

(6) Revocation of Registration. The Exchange may deny, limit or revoke registration of any telephone used on the Trading Floor whenever it determines that use of such device is inconsistent with the public interest, the protection of investors, or just and equitable principles of trade, or such device has been or is being used to facilitate any violation of the Securities Exchange Act of 1934, as amended, or rules thereunder, or the Exchange rules. Such Exchange determinations are reviewable pursuant to Rule 10.14.

([10]7) *Exchange Liability.* The Exchange assumes no liability to OTP Holders or OTP Firms due to conflicts between phones in use on the Trading Floor or due to electronic interference problems resulting from the use of telephones on the trading floor.

Commentary:

.01-.04 No Change.

Rule 10.12. Minor Rule Plan

(a)-(g) No Change

(h) Minor Rule Plan: Options Floor Decorum and Minor Trading Rule Violations

(1)-(12) No Change

(13) OTP Holder or OTP Firm established or maintained a telephonic [or electronic] communication between the Floor and another location, or between locations on the Floor, without [the] prior [approval] registration with [of] the Exchange (Rule[s] 11.15 and] 6.2(h)); an OTP Holder, OTP Firm, or an employee thereof, established or maintained an alternative communication device on the Trading Floor, without the prior approval of the Exchange (Rule 6.2(h)).

(14)-(45) No Change

(i)-(j) No Change

(k) Minor Rule Plan: Recommended Fine Schedule

The following fine schedule sets forth the amount of the fine(s) to be imposed. Except as noted below, the amount of the fine(s) shall be imposed at the First Level pursuant to the

chart below. If another Minor Rule Plan Fine has been issued to the same OTP Holder, OTP Firm, or associated person for the same or similar conduct violating the same rule (regardless of when paid) within 24 months from the date of occurrence of the violation(s) set forth in the current Notice of Minor Rule Plan Fine, then the fine(s) shall be imposed at the Second Level. If two or more separate Notices of Minor Rule Plan Fine have previously been issued to the same OTP Holder, OTP Firm, or associated person for the same or similar conduct violating the same rule within 24 months from the date of occurrence of the violation(s) set forth in the current Notice of Minor Rule Plan Fine, then the fine(s) shall be imposed at the Third Level.

These fines are intended to apply to minor violations. For more serious violations, other disciplinary action may be sought.

(i) Options Floor Decorum and Minor Trading Rule Violations	<i>Fine Levels</i>		
	1st Level	2nd Level	3rd Level

(1)-(12) No Change.

(13) OTP Holder or OTP Firm established or maintained a telephonic [or electronic] communication between the Floor and another location, or between locations on the Floor, without [the] prior [approval of] <u>registration with the Exchange (Rule[s] 11.15 and] 6.2(h)); an OTP Holder, OTP Firm, or an employee thereof, established or maintained an alternative communication device on the Trading Floor, without the prior approval of the Exchange (Rule 6.2(h)).</u>	\$500.00	\$1,000.00	\$2,500.00
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Rule 11.15. Reserved. [Communications to and on the Floor

No OTP Holder or OTP Firm may establish or maintain any telephonic or electronic communication between the Floor and any other location, or between locations on the Floor, without prior approval of the Exchange.]
