

Additions underlined
 Deletions [bracketed]

RULES OF THE NYSE ARCA, INC.

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RULE 4 CAPITAL REQUIREMENTS, FINANCIAL REPORTS, MARGINS

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Section 3. Margins

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Rule 4.16(d). Other Provisions

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(1) – (9) No change

(10) Binary Return DerivativesSM ("ByRDs").

(A) Margin Account. Except as provided below, no ByRDs option carried long in a customer's account shall be considered of any value for the purpose of computing the margin required in the account of such customer.

- (i) The initial and maintenance margin on any ByRDs option carried long in a customer's account is 100% of the purchase price of such ByRDs option.
- (ii) The initial and maintenance margin required on any ByRDs option carried short in a customer's account is the exercise settlement amount.
- (iii) Spreads. No margin is required on a Finish High ByRDs option (Finish Low) carried short in a customer's account that is offset by a long Finish High ByRDs option (Finish Low) for the same underlying security or instrument that expires at the same time and has an exercise price that is less than (greater than) the exercise price of the short Finish High (Finish Low). The long Finish High (Finish Low) must be paid for in full.
- (iv) Straddle/Combination. When a Finish High ByRDs option is carried short in a customer's account and there is also carried a short Finish Low ByRDs option for the same underlying security or instrument that expires at the same time and has an exercise price that is less than or equal to the exercise price of the short Finish High, the initial and maintenance margin required is the exercise settlement amount applicable to one contract.

(B) Cash Account. A ByRDs option carried short in a customer's account is deemed a covered position, and eligible for the cash account, provided any one of the following either is held in the account at the time the option is written or is received into the account promptly thereafter:

- (i) Cash or cash equivalents equal to 100% of the exercise settlement amount; or
- (ii) A long ByRDs option of the same type (Finish High or Finish Low) for the same underlying security or instrument that is paid for in full and expires at the same time, and has an exercise price that is less than the exercise price of the short in the case of a Finish High or greater than the exercise price of the short in the case of a Finish Low; or
- (iii) an escrow agreement

The escrow agreement must certify that the bank holds for the account of the customer as security for the agreement (A) cash, (B) cash equivalents, (C) one or more qualified equity securities, or (D) a combination thereof having an aggregate market value of not less than 100% of the exercise settlement amount and that the bank will promptly pay the member or member organization the exercise settlement amount in the event the account is assigned an exercise notice.

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RULE 5 OPTION CONTRACTS TRADED ON THE EXCHANGE

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Section 8. Binary Return Derivativessm

Rule 5.82. Applicability; Definitions Related to ByRDs

(a) Applicability. The Rules in this Section are applicable only to Binary Return Derivatives ("ByRDs"). Except to the extent that specific rules in this Section govern, or unless the context otherwise requires, Rule 6 series of rules shall be applicable to the trading of Binary Return DerivativesSM or ByRDs. SM Binary Return Derivatives are included within the definition of "security" or "securities" as such terms are used in the Rules of the Exchange. Binary Return DerivativesSM, ByRDsSM, Finish HighSM, and Finish LowSM are service marks of NYSE MKT LLC that are being used with permission of NYSE MKT LLC.

(b) Definitions. The following terms as used in the Rules, shall unless the context otherwise indicates, have the meanings herein specified.

- (1) **Binary Return Derivatives** - The term "Binary Return Derivatives" means an option contract having a fixed return in cash based on a set strike price. Binary Return Derivatives contracts may only be exercised at expiration pursuant to the

Rules of the Options Clearing Corporation. This "style" of option is known as a "European style" option.

(2) **Finish High** - The term "Finish High"SM means an option contract which returns \$100 if the underlying security closes above the strike price at expiration.

(3) **Finish Low** - The term "Finish Low"SM means an option contract which returns \$100 if the underlying security closes below the strike price at expiration.

(4) **Volume Weighted Average Price or VWAP** - The term "volume weighted average price" or "VWAP" for a given underlying security means the sum of the dollar value of trades reported to the Consolidated Tape (price multiplied by number of shares traded) divided by the total number of shares traded during the entire last day of trading on the business day of their expiration, or, in the case of an option contract expiring on a day that is not a business day, on the business day prior to expiration.

(5) **Settlement Price** - The term "settlement price" means the "all-day" VWAP of the composite prices of the security underlying the Binary Return Derivatives during regular trading hours on the business day of their expiration, or, in the case of an option contract expiring on a day that is not a business day, on the last trading day prior to expiration.

(6) **Settlement Amount** - The term "settlement amount" as used with reference to Binary Return Derivatives means the amount in cash that a holder will receive upon automatic exercise of the contract.

Rule 5.83. Binary Return Derivative Contracts to be Traded

The Exchange may from time to time approve for listing and trading on the Exchange Binary Return Derivatives contracts in respect of underlying securities which have been selected in accordance with Rule 5.3 Only Binary Return Derivatives contracts approved by the Exchange and currently open for trading on the Exchange may be purchased or sold on the Exchange. All such Binary Return Derivatives contracts shall be designated as to expiration date, strike price, exercise settlement amount and underlying security.

Rule 5.84. Rights and Obligations of Holders and Sellers of ByRDs

(a) Subject to the provisions of Rules 6.7 and 6.11, the rights and obligations of holders and sellers of Binary Return Derivatives dealt in on the Exchange shall be as set forth in the By-Laws and Rules of The Options Clearing Corporation.

(b) The Exchange shall have no liability for damages, claims, losses or expenses caused by any errors, omissions or delays in calculating or disseminating any settlement price and/or index value resulting from any negligent act or omission by the Exchange or any act, condition or cause beyond the reasonable control of the Exchange, including, but not

limited to, an act of God; fire; flood; extraordinary weather conditions; war; insurrection; riot; strike; accident; action of government; communications or power failure; equipment or software malfunction; any error, omission or delay in the reports of transactions in one or more underlying securities.

Rule 5.85. Series of ByRDs Open for Trading

(a) After a particular class of Binary Return Derivatives (Finish High contracts or Finish Low contracts relating to a specific underlying security) has been approved for listing and trading on the Exchange, the Exchange shall from time to time open for trading series of options therein. Prior to the opening of trading in any series of options, the Exchange shall fix the expiration date, and strike price of option contracts included in each such series. Except for Consecutive Week Expiration Series, at the commencement of trading on the Exchange of a particular class of Binary Return Derivatives, the Exchange shall open a minimum of one expiration month for each class of Binary Return Derivatives open for trading on the Exchange.

(b) Consecutive Week Expiration Series: The Exchange will list Binary Return Derivatives having five (5) consecutive weekly expiration series available at one time. Each expiration series will expire at the end of the week, normally a Friday, with consecutive week expirations covering the next five (5) calendar weeks. New expiration week series will be added for trading on Thursday each week, unless Thursday or Friday is an Exchange holiday in which case new expiration series would be added for trading on Wednesday.

(c) The interval between strike prices for Binary Return Derivatives contracts will be \$1 for strike prices between \$3 and \$200. The interval between strike prices for Binary Return Derivatives contracts will be \$5 for strike prices over \$200.

(1) Initial and Additional Series. The Exchange will initially list series that are no more than 30% away from the price of the underlying security. The Exchange may list additional series if the furthest out of the money strike is less than 10% out of the money. At such time, the Exchange will list additional series that are not more than 30% away from the price of the underlying security.

(2) Delisting. At the time the Exchange is adding additional series, it may proactively delist any existing series without open interest.

Rule 5.86. Position Limits for ByRDs

(a) Unless otherwise provided in this Rule, position limits relating to Binary Return Derivatives should be governed by the provisions of Rules 6.8 and 5.15. Binary Return Derivatives on each underlying security shall have a position limit of 25,000 contracts on the same side of the market.

(b) In determining compliance with the position limits set forth in paragraph (a), Binary Return Derivatives shall not be aggregated with options contracts on the same or similar underlying security.

... *Commentary* -----

.01 For purposes of the position limits established under this Rule, long positions in "Finish Low" and short positions in "Finish High" Binary Return Derivatives shall be considered to be on the same side of the market; and short positions in "Finish Low" and long positions in "Finish High" Binary Return Derivatives shall be considered to be on the same side of the market.

Rule 5.87. Reporting of ByRDs Positions

200 Contract Reporting Requirement. Positions in Binary Return Derivatives shall be reported pursuant to Rule 6.6 except that the minimum position in an account which must be reported shall be 200 or more Binary Return Derivatives. In computing reportable Binary Return Derivatives positions under Rule 6.6, Binary Return Derivatives on underlying securities shall not be aggregated with non-Binary Return Derivatives option contracts.

Rule 5.88. Other Restrictions on Binary Return Derivatives

Rule 6.11 shall be applicable to Binary Return Derivatives.

Rule 5.89. Determination of the Settlement Price of ByRDs

(a) Binary Return Derivatives that are "in-the-money" are a function of the settlement price of the underlying security. The Exchange will use the "composite price" VWAP during regular trading hours for the entire business day of their expiration, or, in the case of an option contract expiring on a day that is not a business day, the entire business day immediately preceding the expiration date as reported by industry price vendors.

... *Commentary* -----

.01 If an underlying security does not trade or is unavailable during regular trading hours on expiration, then pursuant to the rules of The Options Clearing Corporation, a settlement price may be fixed on such basis as The Options Clearing Corporation believes appropriate under the circumstances. This authority includes using the last sale price during regular trading hours on the most recent trading day for which a last sale price is available.

.02 The Settlement Price will be calculated such that it will always round up \$.01 in those instances where the Settlement Price matches an existing strike price. For example; if there are expiring Finish High and Finish Low Binary Return Derivatives with a strike price of \$20.00, should the Settlement Price calculation result in a value of \$20.00, it will

be rounded to \$20.01 so that the Finish High options will pay off to avert a situation where neither the Finish High nor the Finish Low Binary Return Derivatives contract pays off at expiration.

Rule 5.90. Criteria for Underlying Securities Applicable to ByRDs

The criteria for underlying securities set forth in Rule 5.3 and related Commentaries shall be applicable to ByRDs.

. . . *Commentary* -----

.01 To be eligible for an initial listing in connection with Binary Return Derivatives, individual stocks must also meet the following criteria: (i) a minimum market capitalization of at least \$40 billion, (ii) a minimum trading volume (in all markets in which the underlying security is traded) of at least 1 billion shares in the preceding twelve (12) months, (iii) a minimum average daily trading volume of 4 million shares, (iv) a minimum average daily trading value of at least \$200 million during the prior six (6) months and (v) an underlying market price per share of at least \$10 over the previous five (5) consecutive business days preceding the date on which the Exchange submits a certificate to the Options Clearing Corporation for listing and trading, as measured by the closing price reported in the primary listed market in which the underlying security is traded.

.02 To be eligible for an initial listing in connection with Binary Return Derivatives, Exchange-Traded Fund Shares and Index-Linked Securities, pursuant to Rule 5.3(g) and (j), must also meet the criteria for individual stocks set forth in Commentary .01 above except for the minimum market capitalization requirement in Commentary .01(i).

Rule 5.91. Withdrawal of Approval of Underlying Securities Applicable to ByRDs

The requirements for the continuance of approval of underlying securities for option contracts set forth in Rule 5.4 and related Commentaries shall be applicable to Binary Return Derivatives.

. . . *Commentary* -----

.01 To be eligible for the listing and trading of additional series of Binary Return Derivatives, individual stocks must continue to meet the following criteria: (i) a minimum market capitalization of at least \$30 billion, (ii) a minimum trading volume (in all markets in which the underlying security is traded) of at least 1 billion shares in the preceding twelve (12) months, (iii) a minimum average daily trading volume of 4 million shares, (iv) a minimum average daily trading value of at least \$125 million during the last six (6) months and (v) an underlying market price per share of at least \$5 at the time such additional series are authorized for trading.

.02 For purposes of this Rule, the market price of an underlying security is (i) for intra-day series additions, the last reported trade in the primary listed market in which the underlying security trades at the time the Exchange determines to add these additional series; and (ii) for next-day and expiration series additions, the closing price reported in the primary listed market in which the underlying security traded on the last trading day before the series are added.

.03 To be eligible for the listing and trading of additional series of Binary Return Derivatives on Exchange-Traded Fund Shares and Index-Linked Securities, pursuant to Rule 5.3(g) and (j), must also meet the continued criteria for individual stocks set forth in Commentary .01 above except for the minimum market capitalization requirement in Commentary .01(i).

Rule 5.92. Premium Bids and Offers for ByRDs

The minimum quoting and trading increment for Binary Return Derivatives contracts traded on the Exchange will be one cent (\$0.01) for all series.

Rule 5.93. Maximum Bid-Ask Differentials for ByRDs

A Market Maker is expected to bid and offer so as to create differences of no more than \$0.25 between the bid and the offer for each Binary Return Derivatives contract except during the business day of their expiration, or, in the case of an option contract expiring on a day that is not a business day, during the business day prior to expiration where the maximum permissible price differential for Binary Return Derivatives may be \$0.50.

... *Commentary* -----

.01 The Exchange may establish permissible price differences other than those noted above for one or more series or classes of Binary Return Derivatives as warranted by market conditions.

Rule 5.94. Automatic Exercise of Binary Return Derivatives

Binary Return Derivatives will be automatically exercised at expiration if the Settlement Price of the underlying security is greater than the strike price of a Finish High or less than the strike price in the case of a Finish Low.

Rule 5.95. Trading Halts and Suspensions of Binary Return Derivatives

The Exchange will halt or suspend trading for a Binary Return Derivatives contract to the same extent that it halts or suspends trading under Rule 6.65 in an option contract on the same underlying security.

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RULE 6 OPTIONS TRADING**Rules Principally Applicable to Trading of Option Contracts**

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Rule 6.87. Nullification and Adjustment of Options Transactions including Obvious Errors

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(a) – (b) No change

(c) *Obvious Errors.*

(1) – (5) No change

(6) Binary Return Derivatives: Notwithstanding subsection (c)(1) of this rule, any transaction in a Binary Return Derivatives contract that is higher or lower than the Theoretical Price by \$.25 or more shall be deemed an Obvious Error, subject to the adjustment procedures of paragraph (c)(4) unless such adjustment would result in a price higher than \$1.02, in which case the adjustment price shall be \$1.02.

(d) *Catastrophic Errors.*

(1) *Definition.* For purposes of this Rule, a Catastrophic Error will be deemed to have occurred when the execution price of a transaction is higher or lower than the Theoretical Price for the series by an amount equal to at least the amount shown below:

Theoretical Price	Minimum Amount
Below \$2.00	\$0.50
\$2.00 to \$5.00	\$1.00
Above \$5.00 to \$10.00	\$1.50
Above \$10.00 to \$20.00	\$2.00
Above \$20.00 to \$50.00	\$2.50
Above \$50.00 to \$100.00	\$3.00
Above \$100.00	\$4.00

(2) No Change.

(3) *Adjust or Bust*. If it is determined that a Catastrophic Error has occurred, the Exchange shall take action as set forth below. Upon taking final action, the Exchange shall promptly notify both parties to the trade electronically or via telephone. In the event of a Catastrophic Error, the execution price of the transaction will be adjusted by the Official pursuant to the table below, except for Binary Return Derivatives, which shall be adjusted in accordance with (d)(3)(A). Any Customer order subject to this sub-paragraph will be nullified if the adjustment would result in an execution price higher (for buy transactions) or lower (for sell transactions) than the Customer's limit price.

Theoretical Price (TP)	Buy Transaction Adjustment - TP Plus	Sell Transaction Adjustment - TP Minus
Below \$2.00	\$0.50	\$0.50
\$2.00 to \$5.00	\$1.00	\$1.00
Above \$5.00 to \$10.00	\$1.50	\$1.50
Above \$10.00 to \$20.00	\$2.00	\$2.00
Above \$20.00 to \$50.00	\$2.50	\$2.50
Above \$50.00 to \$100.00	\$3.00	\$3.00
Above \$100.00	\$4.00	\$4.00

(A) Binary Return Derivatives Adjustments. Upon proper notification as described in section (d)(2) of this Rule, any transaction in ByRDS that is higher or lower than the Theoretical Price by \$.50 or more shall be deemed a Catastrophic Error, subject to the adjustment procedures of paragraph (d)(3) unless such adjustment would result in a price higher than \$1.02, in which case the adjustment price shall be \$1.02.

(e) – (k) No change

Commentary: No change

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