

SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34-58174; File No. SR-NYSEArca-2008-54)

July 16, 2008

Self-Regulatory Organizations; NYSE Arca, Inc.; Order Granting Approval to a Proposed Rule Change, as Modified by Amendment No. 1 Thereto, to Amend Rules 6.62 and 6.91 Describing Complex Orders, Complex Order Priority, and Complex Order Execution

I. Introduction

On May 23, 2008, NYSE Arca, Inc. (“NYSE Arca” or “Exchange”) filed with the Securities and Exchange Commission (“Commission”), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”),<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> a proposed rule change to amend NYSE Arca Rules 6.62 and 6.91 describing complex orders, complex order priority, and complex order execution. On June 5, 2008, the Exchange filed Amendment No. 1 to the proposed rule change. The proposal, as modified by Amendment No. 1, was published for comment in the Federal Register on June 11, 2008.<sup>3</sup> The Commission received no comments on the proposal. This order approves the proposed rule change, as amended.

II. Description of the Proposal

The Exchange proposes to amend NYSE Arca Rules 6.62 and 6.91 describing complex orders, complex order priority, and complex order execution. Proposed NYSE Arca Rule 6.62 eliminates specific definitions for a number of complex order types and adopts a generic definition for Complex Orders that is consistent with the definition for Complex Orders approved for use for exemption from Trade Through Liability by the Options Linkage Authority as described in the

---

<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 17 CFR 240.19b-4.

<sup>3</sup> See Securities Exchange Act Release No. 57927 (June 5, 2008), 73 FR 33131.

Plan For The Purpose Of Creating And Operating An Intermarket Option Linkage (“Linkage Plan”).

Proposed NYSE Arca Rule 6.91 describes the entry of Complex Orders in the Consolidated Book and the operation of the mechanism, called the Complex Order Matching Engine, in which Complex Orders will be executed against each other or against individual quotes and orders in the Consolidated Book. Complex Orders will be ranked in the Consolidated Book in price-time priority based on the strategy and the total or net debit or credit. OTP Holders and OTP Firms will have the ability to view Complex Orders in the Consolidated Book via an electronic interface and to submit orders to the Complex Matching Engine to trade against such orders.

Complex Orders eligible for execution in the Complex Matching Engine are defined to be consistent with the Linkage Plan Trade Through exemption. Therefore execution prices for the individual legs of a Complex Order that are outside of the National Best Bid or Offer may be reported. The Complex Matching Engine will never, however, execute any of the legs of a Complex Order at a price outside of the NYSE Arca best bid or offer (“NYSE Arca BBO”) for that leg.

Under proposed NYSE Arca Rule 6.91, Complex Orders submitted to NYSE Arca will attempt to execute against other Complex Orders in the Consolidated Book before attempting to execute against the individual leg markets in the Consolidated Book, provided that if individual orders or quotes residing in the Consolidated Book can execute against the incoming Complex Order in full (or in a permissible ratio) at the same total or net debit or credit as a Complex Order in the Consolidated Book, the individual orders or quotes will have priority. Complex Orders that are not executable when submitted to NYSE Arca will be entered into the Consolidated Book. The Complex Matching Engine then will monitor individual quotes and orders in the leg markets.

If a new order(s) or quote(s) enters the Consolidated Book so that the Complex Order becomes executable in full (or in a permissible ratio), the Complex Order will be executed against the individual quotes and orders.

The Exchange also proposes that Lead Market Makers not be afforded any guaranteed allocation either (a) in the execution of a complex strategy or (b) if present at the NYSE Arca BBO, when a Complex Order executes against the individual leg markets since.

### III. Discussion and Commission Findings

After careful review of the proposal, the Commission finds that the proposed rule change is consistent with the requirements of the Act and the rules and regulations thereunder applicable to a national securities exchange.<sup>4</sup> In particular, the Commission finds that the proposal is consistent with Section 6(b)(5) of the Act,<sup>5</sup> which requires, among other things, that the rules of an exchange be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general, to protect investors and the public interest.

The Commission believes that adopting a generic definition for Complex Orders that is consistent with the definition for Complex Orders approved for use for exemption from the Linkage Plan's Trade-Through Liability is consistent with the Act. The Commission notes that a generic definition for Complex Orders would provide increased flexibility in the use of orders that

---

<sup>4</sup> In approving this proposed rule change, the Commission has considered the proposed rule's impact on efficiency, competition, and capital formation. See 15 U.S.C. 78c(f).

<sup>5</sup> 15 U.S.C. 78f(b)(5).

represent investment strategies designed to limit risk or unwind an already established position in a portfolio.

The Commission also believes that the Complex Matching Engine should increase the transparency of Complex Orders and could facilitate the execution of Complex Orders. The Commission notes that the priority of the individual leg markets will continue to be maintained. In this regard, if individual orders or quotes residing in the Consolidated Book can execute against the incoming Complex Order in full (or in a permissible ratio) at the same or better total or net debit or credit as a Complex Order in the Consolidated Book, the individual orders or quotes in the leg markets will have priority. Finally, the Commission believes that the Exchange's proposal not to provide a guaranteed allocation to LMMs with respect to Complex Orders executed in the Complex Matching Engine is reasonable and consistent with the Act, because LMMs do not have any quoting obligations for complex strategies.

IV. Conclusion

IT IS THEREFORE ORDERED, pursuant to Section 19(b)(2) of the Act,<sup>6</sup> that the proposed rule change (SR-NYSEArca-2008-54), as modified by Amendment No. 1, be, and hereby is, approved.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>7</sup>

Florence E. Harmon  
Acting Secretary

---

<sup>6</sup> 15 U.S.C. 78s(b)(2).

<sup>7</sup> 17 CFR 200.30-3(a)(12).