

Text of the Proposed Rule Change:¹

Rules of The NYSE Arca, Inc.

**RULE 6
OPTIONS TRADING**

Rule 6.47.

"Crossing" Orders — OX

- (a) *Non-Facilitation (Regular Way) Crosses.* A Floor Broker who holds orders to buy and sell the same option contract may cross such orders, provided that the Floor Broker proceeds in the following manner:
- (1) The Floor Broker must request final bids and offers for the option series involved and make the trading crowd and the Trading Official aware [of] that the request for a market is for a cross via open outcry.
 - (2) After providing an opportunity for such final bids and offers to be made, the Floor Broker must bid above the highest bid in the crowd, or offer below the lowest offer in the crowd by at least the MPV. Once the Floor Broker has revealed the price and size at which he intends to cross the orders, Market Makers, and Floor Brokers holding discretionary orders, may not improve upon their previously vocalized bids and offers.
 - (3) If such higher bid or lower offer is not [taken] at the final quote price given by members of the trading crowd, the Floor Broker may cross the orders (or any part remaining unexecuted) at such higher bid or lower offer by announcing by open outcry that he is crossing the orders and giving the quantity and price; if such higher bid or lower offer is at the final quote price given, the Floor Broker must trade with the provider(s) of the final quote, and then may cross the balance of the orders; provided, however that (A) the execution price must be equal to or better than the NBBO, and (B) the Floor Broker may not trade through any bids or offers on the Book that are priced equal to or better than the proposed execution price. If there are bids or offers on the Book at or better than the proposed execution price, the Floor Broker must trade against such bids or offers in the Book. Once bids or offers in the Book are satisfied, the Floor Broker may cross

¹ New text is underscored; deleted text is in brackets.

the balance of the orders, if any, to be crossed. The orders will be cancelled or posted in the Book if an execution would take place at a price that is inferior to the NBBO.

(b) – (d) No Change

Commentary:

.01 Under paragraph (a) above, OTP Holders may enter contra orders that are solicited prior to transmission to the Trading floor. OTP Holders may not use the procedures describe in paragraph (a) above to circumvent Rule 6.47A limiting principal transactions. This may include, but is not limited to OTP Holders entering contra orders from (1) affiliated broker-dealers, or (2) broker dealers, customers, or other persons with which the OTP Holder has an arrangement that allow the OTP Holder to realize similar economic benefits from the transaction as it would achieve by executing the agency order in whole or in part as principal. Additionally, any solicited contra orders represented by an OTP Holder to trade against agency orders may not be for the account of an NYSE Arca Market Maker that is assigned to the options class.

.02 It will be a violation of an OTP Holder's duty of best execution to its customer if it were to cancel an agency order to avoid execution of the order at a better price. The availability of the procedures in paragraph (a) does not alter an OTP Holder's best execution duty to get the best price for its customer. Accordingly, while agency orders can be cancelled prior to a trading crowd providing quotes in response to a request for a market, if an OTP Holder were to cancel an agency order when there was a superior price available on the Exchange and subsequently re-enter the agency order at the same price after the better price was no longer available without attempting to obtain that better price for its customer, there would be a presumption that the OTP Holder did so to avoid execution of its agency order in whole or in part by other brokers at the better price.