Text of the Proposed Rule Change:1

NYSE Arca Inc.

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Trading of Option Contracts

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Rule 6. Rules Principally Applicable to Trading of Option Contracts

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Rule 6.87.

Obvious Errors and Catastrophic Errors

Unless otherwise stated, the provisions contained within this Rule are applicable to electronic transactions only.

(a) Trades Subject to Review. An OTP Holder or person associated with an OTP Holder may have a trade adjusted or nullified if, in addition to satisfying the procedural requirements of paragraph (b) below, the conditions in paragraph (a)(3), (a)(4), (a)(5), [or] (a)(6) or (a)(7) are satisfied.

(1) to (5) No Change

(6) No Bid Series: Electronic transactions in series where the NBBO bid is zero [quoted no bid on the Exchange] will be nullified provided:

(A) the bid in that series immediately preceding the execution was, and for five seconds prior to the execution remained, zero; and

(B) at least one strike price below (for calls) or above (for puts) in the same options class was quoted no bid at the time of execution.

For purposes of (A) and (B) above, bids and offers on the Exchange of the parties to the subject trade that are in any of the series in the same options class shall not be considered. In addition, each group of series in an options class with a non-standard deliverable will be treated as a separate options class.

1 New text is underscored and deleted text is in brackets.
(7) Complex Order Obvious Errors: Where one or more legs of a Complex Order is eligible to be adjusted or busted under section (a)(3) of this rule, the executed Complex Order will be handled in accordance with the following:

(A) If a Complex Order executes against another Complex Order in the Complex Order Book and one or more legs of the transaction is deemed eligible to be adjusted or busted, the entire trade (all legs) will be busted, unless both parties agree to adjust the transaction to a different price within thirty (30) minutes of being notified by the Exchange of the decision to bust. However, if the only leg(s) deemed eligible to be adjusted or busted is pursuant to (a)(6) above, then the entire trade (all legs) will stand.

(B) If a Complex Order executes against orders or quotes in the Consolidated Book, each leg will be reviewed and handled independently in accordance with the language of Rule 6.87.

(b) Procedures for Reviewing Transactions.

The Exchange shall adjust the execution price of a transaction that results from a Catastrophic Error as provided in this rule.

(1) Notification. If a Market Maker believes that it participated in a transaction that may be subject to adjustment or nullification pursuant to paragraphs (a)(3), (a)(4), (a)(5) or (a)(6) of this Rule, it must notify the Exchange within [five (5)] ten (10) minutes of the execution. If an OTP Holder not serving as a Market Maker believes that an order it executed may be subject to adjustment or nullification pursuant to paragraphs (a)(3), (a)(4), (a)(5), [or ](a)(6) or (a)(7) of this Rule, it must notify the Exchange within twenty (20) minutes of the execution, unless the OTP Holder is acting as agent on behalf of a Customer order in which case they shall have thirty (30) minutes. Except where noted in paragraphs (b)(2), (a)(3)(C) or (a)(3)(D) or absent unusual circumstances, the Exchange will not grant relief under this Rule unless notification is made within the prescribed time periods.

(2) & (3) No Change.

(c) to (d) No Change.

Commentary:

.01 - .06 No Change.

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