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SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-78267; File No. SR-NYSEArca-2016-93)

July 8, 2016

Self-Regulatory Organizations; NYSE Arca, Inc.; Notice of Filing and Immediate Effectiveness of Proposed Rule Change Amending Rule 6.87 Regarding Transactions that Qualify as a Catastrophic Error as it Relates to Binary Return Derivatives Contracts

Pursuant to Section 19(b)(1)[1] of the Securities Exchange Act of 1934 (the "Act"),[2] and Rule 19b-4 thereunder,[3] notice is hereby given that on July 1, 2016, NYSE Arca, Inc. (the "Exchange" or "NYSE Arca") filed with the Securities and Exchange Commission (the "Commission") the proposed rule change as described in Items I and II below, which Items have been prepared by the self-regulatory organization. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

I. Self-Regulatory Organization's Statement of the Terms of the Substance of the Proposed Rule Change

The Exchange proposes to amend Rule 6.87 regarding transactions that qualify as a Catastrophic Error as it relates to Binary Return Derivatives contracts. The proposed rule change is available on the Exchange's website at www.nyse.com, at the principal office of the Exchange, and at the Commission's Public Reference Room.

II. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, the self-regulatory organization included statements concerning the purpose of, and basis for, the proposed rule change and discussed any comments it received on the proposed rule change. The text of those statements may be examined at the

1 15 U.S.C.78s(b)(1).

2 15 U.S.C. 78a.

3 17 CFR 240.19b-4.

places specified in Item IV below. The Exchange has prepared summaries, set forth in sections A, B, and C below, of the most significant parts of such statements.

A. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

1. Purpose

The Exchange is proposing to amend Rule 6.87 (Nullification and Adjustment of Options Transactions including Obvious Errors) regarding transactions that qualify modify [sic] a Catastrophic Error as it relates to ByRDs.

The Exchange recently amended its rules to list and trade ByRDs, and modified portions of Rule 6.87 regarding when a ByRDs transaction may qualify as a Catastrophic Error.[4] In the ByRDs filing, the Exchange clarified that any transactions in ByRDs qualifying as a Catastrophic Error "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."[5] This change was designed to ensure that ByRDs trades that are deemed Catastrophic Errors are never adjusted to a price above $1.02.

In connection with this modification, the Exchange proposes to amend Rule 6.87(d)(3)(A) to explicitly provide that any ByRDs transaction occurring at a price greater than $1.02 is presumptively a Catastrophic Error. Specifically, the current rule does not appropriately capture as Catastrophic Errors those transactions in ByRDs occurring at prices greater than $1.02 but not more than $0.50 away from the Theoretical Price.

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4 See Securities Exchange Act Release No. 77044 (February 3, 2016), 81 FR 6908 (February 9, 2016) (SR-NYSEArca-2016-16) (the "ByRDs filing").

5 See Rule 6.87(d)(3)(A). This change was made to ensure consistency with obvious errors in ByRDs, which likewise caps any adjustment to ByRDs at a price no higher than $1.02. See Rule 6.87(c)(6).

ByRDs are binary options and, as such, differ from traditional options traded on U.S. options exchanges by providing a discontinuous or non-linear payout. An in-the-money ByRD will pay a fixed sum at expiration regardless of the magnitude of the difference between the option's exercise price and the settlement price. Specifically, at expiration, a ByRDs contract will be worth $0 or $1.00; it will never have a value greater than $1.00. Any transaction in ByRDs for over $1.00 would result in an automatic loss. Consistent with the Exchange adjusting a Catastrophic Error in a ByRDs trade to a price no greater than $1.02 as provided for in Rule 6.87(d)(3)(A), the Exchange believes that no trade in ByRDs greater than $1.02 should stand, but should instead be adjusted to $1.02.[6] Thus, the Exchange believes the proposed change would ensure that ByRDs trades that are $1.02 or more are deemed a Catastrophic Error, in addition to being appropriately adjusted.[7]

Finally, the Exchange proposes to correct the reference to "ByRDS" in Rule 6.87(d)(3)(A) to "ByRDs," which would make the reference consistent with other Exchange rules.

2. Statutory Basis

The Exchange believes the proposed rule change is consistent with Section 6(b)[8] of the

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6 See proposed 6.87(d)(3)(A) (providing that any transaction in ByRDs that is "(1) higher or lower than the Theoretical Price by $.50 or more or (2) at a price greater than $1.02 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").

7 The Exchange notes that, although ByRDs were not listed on the Exchange at the time, ByRDs contracts (which were listed on NYSE MKT) were outside of the scope of the industry wide effort to harmonize Obvious and Catastrophic Error rules, and the proposed change therefore does not impact the harmonization effort. See Securities Exchange Act Release No. 74920 (May 8, 2015), 80 FR 27816, 27822 (May 14, 2015) (SR-NYSEMKT-2015-39).

8 15 U.S.C. 78f(b).

Securities Exchange Act of 1934 (the "Act"), in general, and furthers the objectives of Section 6(b)(5),[9] in particular, in that it is designed to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in facilitating transactions in securities, and to remove impediments to and perfect the mechanism of a free and open market and a national market system.

Specifically, the proposed change is designed to promote just and equitable principles of trade, and to remove impediments to and perfect the mechanism of a free and open market and a national market system, as the proposed change would ensure that ByRDs trades resulting from Catastrophic Errors are appropriately characterized as such and, in turn, appropriately adjusted. In addition, the proposed change would ensure that the Exchange would not be prevented from adjusting a trade in ByRDs that is the result of a Catastrophic Error, which would protect investors and the public interest.

B. Self-Regulatory Organization's Statement on Burden on Competition

The Exchange does not believe that the proposed rule change will impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. The Exchange believes that the proposed rule change will serve to promote regulatory clarity and consistency, thereby reducing burdens on the marketplace and facilitating investor protection.

C. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received from Members, Participants, or Others

No written comments were solicited or received with respect to the proposed rule change.

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

Because the foregoing proposed rule change does not: (i) significantly affect the protection of investors or the public interest; (ii) impose any significant burden on competition;

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[9] 15 U.S.C. 78f(b)(5).

and (iii) become operative for 30 days from the date on which it was filed, or such shorter time as the Commission may designate, it has become effective pursuant to Section 19(b)(3)(A) of the Act and Rule 19b-4(f)(6) thereunder.[10]

A proposed rule change filed pursuant to Rule 19b-4(f)(6) under the Act[11] normally does not become operative for 30 days after the date of its filing. However, Rule 19b-4(f)(6)(iii)[12] permits the Commission to designate a shorter time if such action is consistent with the protection of investors and the public interest. The Exchange has asked the Commission to waive the 30-day operative delay so that the proposal may become operative immediately upon filing. The Exchange stated that the proposed rule change would ensure that the manner by which the Exchange determines whether a Catastrophic Error in a ByRDs trade has occurred is consistent with the standards by which the Exchange would adjust a ByRDs trade as provided for in Rule 6.87(d)(3). The Exchange further stated that waiver of the operative delay is consistent with the protection of investors and the public interest because it would promote regulatory clarity and consistency, thereby reducing burdens on the marketplace and facilitating investor protection. The Commission believes that waiving the 30-day operative delay is consistent with the protection of investors and the public interest. Therefore, the Commission hereby waives the operative delay and designates the proposed rule change operative upon filing.[13]

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[10] 17 CFR 240.19b-4(f)(6). As required under Rule 19b-4(f)(6)(iii), the Exchange provided the Commission with written notice of its intent to file the proposed rule change, along with a brief description and the text of the proposed rule change, at least five business days prior to the date of filing of the proposed rule change, or such shorter time as designated by the Commission.

[11] 17 CFR 240.19b-4(f)(6).

[12] 17 CFR 240.19b-4(f)(6)(iii).

[13] For purposes only of waiving the 30-day operative delay, the Commission has considered the proposed rule's impact on efficiency, competition, and capital formation. See 15 U.S.C. 78c(f).

At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act. If the Commission takes such action, the Commission shall institute proceedings to determine whether the proposed rule should be approved or disapproved.

IV. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act. Comments may be submitted by any of the following methods:

Electronic comments:

- Use the Commission's Internet comment form (http://www.sec.gov/rules/sro.shtml); or
- Send an e-mail to rule-comments@sec.gov. Please include File Number SR-NYSEArca-2016-93 on the subject line.

Paper comments:

- Send paper comments in triplicate to Brent J. Fields, Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549-1090.

All submissions should refer to File Number SR-NYSEArca-2016-93. This file number should be included on the subject line if e-mail is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet website (http://www.sec.gov/rules/sro.shtml). Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for website viewing and printing in the Commission's Public Reference Room, 100 F Street, NE, Washington, DC 20549 on official business days between the hours of 10:00 a.m. and 3:00 p.m. Copies of such filing also will be available for inspection and copying at the principal office of the Exchange. All comments received will be posted without change; the Commission does not edit personal identifying information from submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR-NYSEArca-2016-93, and should be submitted on or before [insert date 21 days from publication in the Federal Register].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.[14]

Jill M. Peterson
Assistant Secretary

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[14] 17 CFR 200.30-3(a)(12).