



RULE
ADOPTION
NOTICE

RAN-06-46
November 3, 2006

TO: All OTP Holders and OTP Firms

FROM: Department of Regulatory Policy

**SUBJECT: Priority and Order Allocation Procedures
(File No. SR-NYSEArca-2006-80)**

On November 3, 2006, NYSE Arca, Inc. (“Exchange”) filed with the Securities and Exchange Commission (“Commission”) a proposal to amend NYSE Arca Rule 6.75, Priority and Order Allocation Procedures. Specifically, changes have been made regarding priority on split price transactions executed in open outcry and priority on complex order transactions executed in open outcry. The rule change was effective upon filing with the Commission. A complete copy of the rule filing is available at www.tradearca.com. The amended rule text is included below.

Questions regarding this bulletin may be directed to Peter Armstrong at (415)-393-4232 or Glenn Gsell at (415)-835-4805.

Text of the Proposed Rule Change:¹

Rules of The NYSE Arca, Inc.

Rule 6
Options Trading

Rule 6.75 Priority and Order Allocation Procedures – Open Outcry

Except as provided by Rule 6.76 below, the following rules of priority shall be observed with respect to orders executed by open outcry:

(a) – (g) – No change.

(h) Priority on Split Price Transactions Occurring in Open Outcry.

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

(1) – (3) – No change.

(4) Except for the provisions set forth in Rule 6.75(h)(2), the priority afforded by this rule is effective only insofar as it does not conflict with customer limit orders represented in [on] the Consolidated B[b]ook [of the Order Book Official as provided in Rule 6.75]. Such orders [on the book of the Order Book Official] have precedence over OTP Holders and OTP Firms' orders at a particular price; customer limit orders in [on] the Consolidated B[b]ook also have precedence over OTP Holder or OTP Firms' orders that are not superior in price by at least the MPV.

(5) – No change.

Commentary:

.01 *Combination, Spread, Ratio, and Straddle Orders.* Following are the proper trading procedures for combination, spread, ratio, and straddle orders:

(a) – No change.

(b) Customer Limit Orders on All Sides of the Consolidated [If the] Book[']s Market is on Both Sides of the Order. First, an OTP Holder or OTP Firm entering a crowd must always [check to] determine [see] if customer limit orders in the Consolidated Book represent [has] the best market in either series [and if the order can be executed against any bids and/or offers at the OTP Holder or OTP Firm's limit in both series in the Book]. If customer limit orders represent the best market in the Consolidated Book [the order may be executed by a combination of transactions with the Book] in [both] all series [on a one-for-one basis], the OTP Holder or OTP Firm must trade all orders (customer and non-customer) in the Consolidated Book at that price before proceeding with the order [the lesser number of contracts shown by the Book in both series].

(c) Customer Limit Orders [If the Book's Market is] on One Side of the Order. If a customer limit order in the Consolidated Book is on just one side of the order, the executing OTP Holder or OTP Firm must determine who responds first to the request for a market and how that response is vocalized. If a bid or offer for one series in the order is vocalized first, the executed OTP Holder or OTP Firm must trade with the responding member, and the Consolidated Book in the other series, for at least the same number of contracts as remain at the customer limit order price in the Consolidated Book. If a response at the total or net debit/credit is vocalized first, then the responding OTP Holder or OTP Firm has priority over the Book and the existing markets on a one-for-one basis provided that at least one leg of the complex order trades at a price that is better than the corresponding customer limit order represented in the Consolidated Book by at least one standard MPV as defined in Rule 6.72.

(d) If the Consolidated Book Has No Customer Limit Orders [Markets] for the Order. The following rule of priority applies when there are no customer limit orders [markets] in the Consolidated Book against which the order can be executed. After the executing broker requests a market, the broker must trade with the first response vocalized at or within the broker's limits. If this response is in the form of a bid or offer for the net debit/credit, then that member has priority on a one-for-one basis. If the first response is for one series only, the executing broker must trade on the other side of the order against the existing market in the crowd. If the executing broker cannot trade the other side of the order in the crowd, priority reverts to the member willing to trade both sides of the order on a one-for-one basis.

(e) – (g) – No change.

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