



RULE
ADOPTION
NOTICE

RAN-06-47
November 7, 2006

TO: All OTP Holders and OTP Firms

FROM: Department of Regulatory Policy

SUBJECT: Complex Order Trading
(File No. SR-NYSEArca-2006-81)

On November 3, 2006, NYSE Arca, Inc. (“Exchange”) filed with the Securities and Exchange Commission (“Commission”) a proposal to amend NYSE Arca Rule 6.91, Complex Order Trading. Specifically, changes have been in order to allow the pricing and trading of complex orders in one cent increments. With this filing the Exchange also eliminated certain obsolete rules related to the PCX Plus Complex Trading Engine. 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.

Complex Order[s] Trading [on the PCX Plus System]

RULE 6.91

(a) Definition: A complex order is any order for the same account as defined below:

- (1) Spread Order: A spread order is as defined in Rule 6.62(d)
- (2) Straddle Order: A straddle order is as defined in Rule 6.62(g).

¹

New text is underscored and deleted text is in brackets.

(3) **Strangle Order:** A strangle order is an order to buy (sell) a number of call option contracts and the same number of put option contracts in the same underlying security, which contracts have the same expiration date (e.g., an order to buy two XYZ June 35 calls and to buy two XYZ June 40 puts).

(4) **Combination Order:** A combination order is as defined in Rule 6.62(h).

(5) **Ratio Order:** A ratio order is as defined in Rule 6.62(k)

(6) **Butterfly Spread Order:** A butterfly spread order is an order involving three series of either put or call options all having the same underlying security and time of expiration and, based on the same current underlying value, where the interval between the exercise price of each series is equal, which orders are structured as either (i) a “long butterfly spread” in which two short options in the same series offset by one long option with a higher exercise price and one long option with a lower exercise price or (ii) a “short” butterfly spread” in which two long options in the same series are offset by one short option with a higher exercise price and one short option with a lower exercise price.

(7) **Box/Roll Spread Order:** Box spread means an aggregation of positions in a long call option and short put option with the same exercise price ("buy side") coupled with a long put option and short call option with the same exercise price ("sell side") all of which have the same aggregate current underlying value, and are structured as either: A) a "long box spread" in which the sell side exercise price exceeds the buy side exercise price or B) a "short box spread" in which the buy side exercise price exceeds the sell side exercise price

(8) **Collar Orders and Risk Reversals:** A collar order (risk reversal) is an order involving the sale (purchase) of a call (put) option coupled with the purchase (sale) of a put (call) option in equivalent units of the same underlying security having a lower (higher) exercise price than, and same expiration date as, the sold (purchased) call (put) option.

(9) **Conversions and Reversals:** A conversion (reversal) order is an order involving the purchase (sale) of a put option and the sale (purchase) of a call option in equivalent units with the same strike price and expiration in the same underlying security, and the purchase (sale) of the related instrument.

(10) **Combination orders:** One or more legs of a combination order may be used to purchase or sell a stated number of units of another security. Types of combination orders are defined in Rule 6.62(j)

(b) **Types of Complex Orders:** Complex orders may be entered as fill-or-kill, immediate or cancel, day orders and good-til-cancelled. Complex orders may be entered as “all or none orders”.

[(c) Complex Trading Engine

(1) Routing of Complex Orders: Complex orders on PCX Plus will route either to the Electronic Order Capture system (“EOC”) or the Complex Trading Engine (“CTE”). Order types eligible for routing to the CTE will be determined by the Exchange. All pronouncements regarding routing procedures will be announced to OTP Holders and OTP Firms via Regulatory Bulletin. Both public customers and registered broker-dealer orders are eligible to be routed to the CTE.

(2) Priority of Complex Orders in the CTE: Orders from public customers have priority over orders from non-public customers. Multiple public customer complex orders at the same price are accorded priority based on time.

(3) Execution of Complex Orders in the CTE: Complex orders resting in the CTE may be executed without consideration to prices of the same complex order that might be available on other exchanges. Complex orders resting in the CTE may trade in the following way:

(i) Orders in the Consolidated Book: A complex order in the CTE will automatically execute against individual orders or quotes residing in the Consolidated Book provided the complex order can be executed in full (or in a permissible ratio) by the orders in the Consolidated Book.

(ii) Orders in CTE: Complex orders in the CTE that are marketable against each other will automatically execute.

(iii) OTP Holders or OTP Firms will have the ability to view orders in the CTE via an electronic interface and may submit orders to trade against orders in the CTE. The allocation of complex trades among OTP Holders and OTP Firms shall be done pursuant to PCX Rule 6.76.

(4) Only those complex orders with no more than four legs are eligible for placement into the CTE. Only those orders having a ratio of one-to-three or lower are eligible for placement in the CTE.]

Commentary:

[.01 Conversions and reversals are not eligible for routing to the Complex Trading Engine. Changes to this policy will be submitted to the Securities and Exchange Commission via a rule filing pursuant to section 19(b)(3)(A) of the Exchange Act.]

.01 Bid and offers on Complex Orders may be expressed in any decimal price, and the legs(s) of a complex order may be executed in one cent increments regardless of the minimum price variation (“MPV”) otherwise applicable to the individual legs of the order.

.02 Complex Order Priority; Not withstanding Commentary .01 above, when executing a complex order the price of at least one leg of the order must trade at a price that is better than the corresponding price of the all customer bids or offers in the Consolidated Book for the same series, by at least one standard trading increment as defined in Rule 6.72.