

Proposed Rule Change by NYSE Arca
Pursuant to Rule 19b-4 under the Securities Exchange Act of 1934

Initial <input checked="" type="checkbox"/>	Amendment <input type="checkbox"/>	Withdrawal <input type="checkbox"/>	Section 19(b)(2) <input checked="" type="checkbox"/>	Section 19(b)(3)(A) <input type="checkbox"/>	Section 19(b)(3)(B) <input type="checkbox"/>
Pilot <input type="checkbox"/>			Rule		
Extension of Time Period for Commission Action <input type="checkbox"/>		Date Expires <input type="text"/>	<input type="checkbox"/> 19b-4(f)(1)	<input type="checkbox"/> 19b-4(f)(4)	<input type="checkbox"/> 19b-4(f)(5)
			<input type="checkbox"/> 19b-4(f)(2)	<input type="checkbox"/> 19b-4(f)(6)	
			<input type="checkbox"/> 19b-4(f)(3)		

Exhibit 2 Sent As Paper Document <input type="checkbox"/>	Exhibit 3 Sent As Paper Document <input type="checkbox"/>
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Description
Provide a brief description of the proposed rule change (limit 250 characters).

Contact Information
Provide the name, telephone number and e-mail address of the person on the staff of the self-regulatory organization prepared to respond to questions and comments on the proposed rule change.

First Name Last Name
 Title
 E-mail
 Telephone Fax

Signature
Pursuant to the requirements of the Securities Exchange Act of 1934,

has duly caused this filing to be signed on its behalf by the undersigned thereunto duly authorized.

Date
 By (Name)
 Director (Title)

NOTE: Clicking the button at right will digitally sign and lock this form. A digital signature is as legally binding as a physical signature, and once signed, this form cannot be changed.

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

For complete Form 19b-4 instructions please refer to the EFFF website.

Form 19b-4 Information

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The self-regulatory organization must provide all required information, presented in a clear and comprehensible manner, to enable the public to provide meaningful comment on the proposal and for the Commission to determine whether the proposal is consistent with the Act and applicable rules and regulations under the Act.

Exhibit 1 - Notice of Proposed Rule Change

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The Notice section of this Form 19b-4 must comply with the guidelines for publication in the Federal Register as well as any requirements for electronic filing as published by the Commission (if applicable). The Office of the Federal Register (OFR) offers guidance on Federal Register publication requirements in the Federal Register Document Drafting Handbook, October 1998 Revision. For example, all references to the federal securities laws must include the corresponding cite to the United States Code in a footnote. All references to SEC rules must include the corresponding cite to the Code of Federal Regulations in a footnote. All references to Securities Exchange Act Releases must include the release number, release date, Federal Register cite, Federal Register date, and corresponding file number (e.g., SR-[SRO]-xx-xx). A material failure to comply with these guidelines will result in the proposed rule change being deemed not properly filed. See also Rule 0-3 under the Act (17 CFR 240.0-3)

Exhibit 2 - Notices, Written Comments, Transcripts, Other Communications

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Exhibit Sent As Paper Document

Copies of notices, written comments, transcripts, other communications. If such documents cannot be filed electronically in accordance with Instruction F, they shall be filed in accordance with Instruction G.

Exhibit 3 - Form, Report, or Questionnaire

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Exhibit Sent As Paper Document

Copies of any form, report, or questionnaire that the self-regulatory organization proposes to use to help implement or operate the proposed rule change, or that is referred to by the proposed rule change.

Exhibit 4 - Marked Copies

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The full text shall be marked, in any convenient manner, to indicate additions to and deletions from the immediately preceding filing. The purpose of Exhibit 4 is to permit the staff to identify immediately the changes made from the text of the rule with which it has been working.

Exhibit 5 - Proposed Rule Text

Add Remove View

The self-regulatory organization may choose to attach as Exhibit 5 proposed changes to rule text in place of providing it in Item I and which may otherwise be more easily readable if provided separately from Form 19b-4. Exhibit 5 shall be considered part of the proposed rule change.

Partial Amendment

Add Remove View

If the self-regulatory organization is amending only part of the text of a lengthy proposed rule change, it may, with the Commission's permission, file only those portions of the text of the proposed rule change in which changes are being made if the filing (i.e. partial amendment) is clearly understandable on its face. Such partial amendment shall be clearly identified and marked to show deletions and additions.

ITEM 1. Text of the Proposed Rule Change

NYSE Arca, Inc. ("NYSE Arca" or the "Exchange") is proposing to make changes to its rules governing the use of telephones on the trading floor.

ITEM 2. Procedures of the Self-Regulatory Organization

(a) The proposed rule change is being submitted pursuant to the authority delegated to staff by the NYSE Arca Board of Directors.

(b) Questions and comments regarding the proposed rule change may be directed to the following:

James Draddy
Acting Chief Regulatory Officer
NYSE Arca
100 South Wacker Drive Chicago, IL 60606
Phone: (312) 442-7930

ITEM 3. Self-Regulatory Organization's Statement of the Purpose of, and the Statutory Basis for, the Proposed Rule ChangePurpose

The purpose of this filing is to make changes to rules related to telephone usage on the NYSE Arca Options Floor. Specifically, the Exchange proposes a rule change that will allow Floor Brokers to receive orders directly in the trading posts from incoming phone calls over approved phone lines. The Exchange also proposes changes that will eliminate certain obsolete and outdated rules regarding phone usage.

The Exchange proposes removing the restriction that prohibits Floor Brokers from receiving orders directly at the trading posts via incoming phone calls. The ability for brokers to receive orders directly into posts from incoming calls will expedite order flow

and provide for faster executions on open outcry orders. All orders phoned directly into the posts must meet all requirements of Rule 6.67 as they pertain to order entry and price reporting procedures. Any phone located at a trading post, which is used by a Floor Broker to receive orders via incoming phone calls must be registered with the Exchange and approved by the Options Surveillance Department (“OSD”) specifically for that purpose. Any phone used by a Floor Broker the purpose for accepting orders via incoming phones calls must “hard-wired”; cell phones will not be approved for this purpose. As a condition of approval, the OSD will require, among other things, that the registrant provide for the tape recording of the phone line at the post (in accordance with Rule 6.2(h)(3)(C)). Further, as a condition of approval, the registrant must agree to provide the Exchange with complete records showing all incoming and outgoing call activity associated with the phone located at the trading post. Audiotapes and/or telephone records specific to the approved Floor Broker telephone located at the trading post must be made available to the Exchange upon demand.

The Exchange also proposes to amend Rule 6.2(h) in order to eliminate certain obsolete provisions. Currently Rule 6.2(h)(1) requires OTP Holders and OTP Firms to register, by user type, any telephone to be used on the trading floor. Due to a reduction in the amount of personnel working on the trading floor, registration by user type is no longer needed. The proposed rule change will eliminate the designation of a user type while still requiring all phones to be registered with the Exchange. Specific rules governing Market Makers, Clerks and Floor Managers are being eliminated also as they will now be subject to rules governing OTP Holders and Employees of OTP Firms contained in Rule 6.2(h)(4). All references to LMM phones are being eliminated. LMM

phones were Exchange provided phones for the exclusive use of LMMs. The Exchange no longer supports these phones.

Rule 6.2(h)(2) prohibited the use of wireless telephones with an output of greater than one watt. At the time the rule was first implemented there were concerns regarding bandwidth availability on the trading floor. This provision will be eliminated, as those concerns are no longer valid. Rule 6.82 (h)(8) governing General Access Phones will also be eliminated, as these phones are no longer in operation.

The Exchange also proposes to amend Rule 6.2(h)(9), Telephone Records. Presently this provision requires OTP Holders and OTP Firms to maintain their cellular and cordless telephone records for a period of one year. The Exchange proposes to eliminate the specific reference to cellular and cordless phones and will now require all phone records to be maintained. The Exchange further proposes to increase the retention period from one year to three years, the first two years in an accessible place.

Basis

The basis under the Securities Exchange Act of 1934 (the "Exchange Act") for this proposed rule change is the requirement under Section 6(b)(5) that an exchange have rules that are designed to foster cooperation and coordination with persons engaged in regulating, clearing, settling, processing information with respect to, and facilitating transaction in securities, to remove impediments to and perfect the mechanism for a free and open market and a national market system, and, in general, to protect investors and the public interest. In particular, changes proposed related to phone usage on the NYSE Arca Options Floor should expedite order flow and provide for more efficient execution of open outcry orders.

ITEM 4. Self-Regulatory Organization's Statement on Burden on Competition

This proposed rule change does not impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Exchange Act.

ITEM 5. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received from Members, Participants or Others

The Exchange has not solicited, and does not intend to solicit, comments on this proposed rule change. The Exchange has not received any unsolicited written comments from members or other interested parties.

ITEM 6. Extension of Time Period for Commission Action

The Exchange does not consent to an extension of the time period specified in Section 19(b)(2) of the Exchange Act.

ITEM 7. Basis for Summary Effectiveness Pursuant to Section 19(b)(3) or for Accelerated Effectiveness Pursuant to Section 19(b)(2)

Not applicable.

ITEM 8. Proposed Rule change Based on Rules of Another Self-Regulatory Organization or of the Commission

Not applicable

ITEM 9. Exhibits

Exhibit 1

Exhibit 5

EXHIBIT 1

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34- ; File No. SR-NYSEArca-2006-40)

Self-Regulatory Organizations; Notice of Filing of Proposed Rule Change by NYSE Arca Exchange, Inc. Amending Rules Regarding Telephone Usage on the Trading Floor

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)¹ and Rule 19b-4 thereunder,² notice is hereby given that on July 25, 2006, NYSE Arca, Inc. (“NYSE Arca” or “Exchange”) filed with the Securities and Exchange Commission (“Commission” or “SEC”) the proposed rule change as described in Items I, II and III 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 Substance of the Proposed Rule Change

NYSE Arca proposes to amend PCX Rule 6.82(h) in order to make changes to rules related to a Floor Broker’s use of telephones on the trading floor. The Exchange also proposes to amend or eliminate certain obsolete or outdated rules regarding telephone use. The text of the proposed rule change is attached as Exhibit 5.

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 these statements may be examined at the places specified in Item IV below. The self-

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

regulatory organization has prepared summaries, set forth in sections (A), (B) and (C) below, of the most significant aspects of such statements.

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

Purpose

The purpose of this filing is to make changes to rules related to telephone usage on the NYSE Arca Options Floor. Specifically, the Exchange proposes a rule change that will allow brokers to receive orders directly in the trading posts from incoming phone calls over approved phone lines. The Exchange also proposes changes that will eliminate certain obsolete and outdated rules regarding phone usage.

The Exchange proposes removing the restriction that prohibits Floor Brokers from receiving orders directly at the trading posts via incoming phone calls. The ability for brokers to receive orders directly into posts from incoming calls will expedite order flow and provide for faster executions on open outcry orders. All orders phoned directly into the posts must meet all requirements of Rule 6.67 as they pertain to order entry and price reporting procedures. Any phone located at a trading post, which is used by a Floor Broker to receive orders via incoming phone calls must be registered with the Exchange and approved by the Options Surveillance Department (“OSD”) specifically for that purpose. Any phone used by a Floor Broker the purpose of accepting orders via incoming phones calls must “hard-wired”; cell phones will not be approved for this purpose. As a condition of approval, the OSD will require, among other things, that the registrant provide for the tape recording of the phone line at the post (in accordance with Rule 6.2(h)(3)(C)). Further, as a condition of approval, the registrant must agree to provide the Exchange with complete records showing all incoming and outgoing call

activity associated with the phone located at the trading post. Audiotapes and/or telephone records specific to the approved Floor Broker telephone located at the trading post must be made available to the Exchange upon demand.

The Exchange also proposes to amend Rule 6.2(h) in order to eliminate certain obsolete provisions. Currently Rule 6.2(h)(1) requires OTP Holders and OTP Firms to register, by user type, any telephone to be used on the trading floor. Due to a reduction in the amount of personnel working on the trading floor, registration by user type is no longer needed. The proposed rule change will eliminate the designation of a user type while still requiring all phones to be registered with the Exchange. Specific rules governing Market Makers, Clerks and Floor Managers are being eliminated also as they will now be subject to rules governing OTP Holders and Employees of OTP Firms contained in Rule 6.2(h)(4). All references to LMM phones are being eliminated. LMM phones were Exchange provided phones for the exclusive use of LMMs. The Exchange no longer supports these phones.

Rule 6.2(h)(2) prohibited the use of wireless telephones with an output of greater than one watt. At the time the rule was first implemented there were concerns regarding bandwidth availability on the trading floor. This provision will be eliminated, as those concerns are no longer valid. Rule 6.82 (h)(8) governing General Access Phones will also be eliminated, as these phones are no longer in operation.

The Exchange also proposes to amend Rule 6.2(h)(9), Telephone Records. Presently this provision requires OTP Holders and OTP Firms to maintain their cellular and cordless telephone records for a period of one year. The Exchange proposes to eliminate the specific reference to cellular and cordless phones and will now require all

phone records to be maintained The Exchange proposes to eliminate the specific reference to cellular and cordless phones and will now require all phone records to be maintained. The Exchange further proposes to increase the retention period from one year to three years, the first two years in an accessible place.

Basis

The basis under the Securities Exchange Act of 1934 (the "Exchange Act") for this proposed rule change is the requirement under Section 6(b)(5) that an exchange have rules that are designed to foster cooperation and coordination with persons engaged in regulating, clearing, settling, processing information with respect to, and facilitating transaction in securities, to remove impediments to and perfect the mechanism for a free and open market and a national market system, and, in general, to protect investors and the public interest. In particular, changes related to phone usage on the NYSE Arca Options Floor should expedite order flow and provide for more efficient execution of open outcry orders.

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.

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

Written comments on the proposed rule change were neither solicited nor received.

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

Within 35 days of the date of publication of this notice in the Federal Register or within such longer period (i) as the Commission may designate up to 90 days of such date if it finds such longer period to be appropriate and publishes its reasons for so finding or (ii) as to which the self-regulatory organization consents, the Commission will--

- (A) by order approve such rule change, or
- (B) institute proceedings to determine whether the proposed rule change should be 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 email to rule-comments@sec.gov.
- Please include File Number SR-NYSEArca-2006-40 on the subject line.

Paper comments:

- Send paper comments in triplicate to Nancy M. Morris, Secretary, Securities and Exchange Commission, Station Place, 100 F Street, N.E., Washington, DC 20549-9303.

All submissions should refer to File Number SR-NYSEArca-2006-40. 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 Web site (<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 inspection and copying in the Commission's Public Reference Section, Station Place, 100 F Street, N.E., Washington, DC 20549-9303. 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-2006-40 and should be submitted on or before [insert date 21 days from publication in the Federal Register].

For the Commission, by the Division of Market Regulation, pursuant to delegated authority³.

Nancy M. Morris
Secretary

³ 17 CFR 200.30-3(a)(12).

EXHIBIT 5
Text of the Proposed Rule Change:¹
Rules of the NYSE Arca, Inc.

Rule 6
Options Trading

Rule 6.2 (a) – (g) – No change.

(h) Telephones on the Options Floor.

(1) *Registration.* OTP Holders and OTP Firms must register, prior to use, any new telephone to be used on the Options Floor. Registration forms are available from the Control Room. [Each phone registered with the Exchange must be registered by category of user (Market Maker, Floor Broker, Clerk or Manager). If there is a change in the category of any user, the phone must be re-registered with the Exchange.] At the time of registration, OTP Holder and OTP Firm representatives must sign a statement that they are aware of and understand the rules governing the use of telephones on the Trading Floor. No OTP Holder or OTP Firm may employ any alternative communication device, including but not limited to e-mail, on the Trading Floor without the prior approval of the Exchange.

(2) *Capacity and Functionality.* [No wireless telephone used on the Trading Floor may have an output greater than one watt.] No person on the Trading Floor may use any device for the purpose of maintaining an open line of continuous communication whereby a person not located in the trading crowd may continuously monitor the activities in the trading crowd. This prohibition covers intercoms, walkie-talkies and any similar devices. Speed-dialing features are permitted on any OTP Holder or OTP Firm phone.

(3) *Requirements and Conditions:* The following requirements and conditions shall apply to use of telephoning services at the option posts:

(A) Only those quotations that have been publicly disseminated pursuant to Rule 6.73 may be provided over telephones at the post.

(B) Orders [transmitted by registered Exchange Market Makers] may be entered directly to the trading posts. [All other orders may be entered directly to the trading posts only during outgoing telephone calls that are initiated at the option posts.] Telephones located at a trading post that are used by Floor Brokers to accept orders via incoming calls must be registered and approved specifically for that purpose by the Options Surveillance Department. Pursuant to Rule 6.67(c), all such orders must be immediately recorded into the EOC or the Electronic Tablet unless the

¹

New text is underscored; deleted text is in brackets.

exception set forth in Rule 6.67(d)(1)(A) applies, in which case the EOC/Electronic Tablet Contingency Reporting Procedures will be in effect in accordance with Rule 6.67(d)(2).

(C) The Exchange may provide for the taping of any telephone line into the trading posts or may require OTP Holders or OTP Firms to provide for the tape recording of a dedicated line at the posts at any time. The Exchange will require OTP Holders or OTP Firms to provide for the tape recording of any phone line that has been approved for usage by a Floor Broker to accept orders via incoming calls in accordance with Rule 6.2(h)(3)(B) above. OTP Holders and OTP Firms and their clerks using the telephones consent to the Exchange tape recording any telephone or line.

(4) *[Market Makers and LMMs.] Telephone Use By OTP Holders and Employees of OTP Firms*

(A) OTP Holders and Employees of OTP Firms [Market Makers and LMMs] may use their own cellular and cordless phones to place calls to any person at any location (whether on or off the Trading Floor).

[(B) Only LMMs may use the LMM telephones located at the trading posts and only for the purpose of marketing option issues, responding to customer inquiries, or otherwise conducting Exchange business.]

(5) *Floor Brokers.*

(A) Floor Brokers may use cellular and cordless phones, to place calls to any person at any location (whether on or off the Trading Floor)

(B) Floor Brokers may receive orders over their phones subject to the provisions of Rule 6.2(h)(3)(B). [Any telephonic order entered from off the Trading Floor must be placed with a person located in an OTP Holder or OTP Firm booth.]

(C) EOC or Electronic Tablet *Ticket to Follow* pursuant to Rule 6.67(d)(1)(A). A Floor Broker in a trading crowd who receives a telephonic order from an OTP Holder or OTP Firm representative located on the Trading Floor may represent that order immediately in the trading crowd, provided (a) that an order ticket for the order must be prepared and time stamped in the OTP Holder or OTP Firm booth before the order is transmitted telephonically to the Floor Broker and represented in the trading crowd; and (b) that the written, time-stamped order ticket for the order must be taken to the Floor Broker in the trading crowd immediately

after it has been prepared.

[(D) Floor Brokers may not use the LMM telephones under any circumstances.

(6) *Clerks.*

(A) Floor Broker Clerks are subject to the same terms and conditions on telephone use as Floor Brokers.

(B) Stock Execution Clerks are subject to the same terms and conditions on telephone use as Floor Brokers.

(C) Market Maker Clerks are subject to the same terms and conditions on telephone use as Market Makers.

(D) The Exchange reserves the right to prohibit clerks from using cellular or cordless phones on the floor at any time that it is necessary due to electronic interference problems or capacity problems resulting from the number of such phones then in use on the Trading Floor. In such circumstances, the Exchange will first consider restricting the use of such phones by Market Maker Clerks, then by Stock Execution Clerks, and then finally, by Floor Broker Clerks.

(7) *Floor Managers.* OTP Firm Floor Managers may use any telephone, including any cellular or cordless phones, for any business purpose relating to their management responsibilities (except that they may not use the LMM phones).

(8) *General Access Phones.* The general access phones located outside of the trading post areas may be used by any OTP Holder or OTP Firm, Clerk or OTP Holder or OTP Firm Floor Manager to communicate with persons located on the Trading Floor.]

~~(5)~~[(9)] *Telephone Records.* OTP Holders and OTP Firms must maintain [their cellular or cordless] all telephone records, including logs of calls placed, for a period of not less than [one year] three years, the first two years in an accessible place. The Exchange reserves the right to inspect such telephone records pursuant to Rule 10.2 (Investigations).

~~(6)~~[(10)] *Exchange Liability.* The Exchange assumes no liability to OTP Holders or OTP Firms due to conflicts between phones in use on the Trading Floor or due to electronic interference problems resulting from the use of telephones on the trading floor.