



SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

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**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**

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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**

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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.

1. Text of the Proposed Rule Change

NYSE Arca, Inc. (“NYSE Arca” “Exchange”), proposes to amend Rule 6.87, which contains procedures for trade nullification and price adjustments on obvious errors in option transactions. The text of the proposed rule change is attached as Exhibit 5.

The Exchange does not believe that the proposed rule change will have any direct effect, or any significant indirect effect, on any other Exchange rule in effect at the time of this filing.

2. Procedures of the Self-Regulatory Organization

Senior management has approved the proposed rule change pursuant to authority delegated to it by the Board of the Exchange. No further action is required under the Exchange’s governing documents. Therefore, the Exchange’s internal procedures with respect to the proposed rule change are complete.

The persons on the Exchange staff prepared to respond to questions and comments on the proposed rule change are

Janet Angstadt  
General Counsel  
NYSE Arca, Inc  
(312) 442-7147

James Draddy  
Chief Regulatory Officer  
NYSE Arca, Inc.  
(312) 442-7930

3. 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 amend Rule 6.87 in order to offer an extra level of protection for Customers<sup>1</sup> who are party to a transaction involving an obvious error during the opening. Under existing rules, OTP Holders that have executed a trade on behalf of a Customer have a twenty (20) minute period from the time of execution to notify the Exchange and request a review of the trade for either nullification or price adjustment. The current twenty minute window, for nullification purposes, will not be changed by this proposal. However, under the proposed rule change, OTP Holders representing Customers will now have an extended period of time to request an obvious error review for adjustment purposes. OTP Holders will now be able to make a request Trading Officials<sup>2</sup> to

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<sup>1</sup> “Customer” as defined in NYSE Arca Rule 6.1(b)(29) and NYSEArca 6.1A(a)(4) shall mean a non-broker dealer.

<sup>2</sup> “Trading Official” as defined in NYSE Arca Rule 6.1(b)(34)

make price adjustments on transactions that occur on the opening, until 4:30 p.m. (ET) on the day that the transaction occurs. The intention of this filing is to protect Customers who fail to discover an obvious error within twenty minutes of execution from being forced to accept an execution that results from an obvious error during the opening auction.

An obvious pricing error will be deemed to have occurred when the execution price of a transaction is higher or lower than the theoretical price for the series by an amount equal to at least the amount shown below:

Theoretical Price	Minimum Amount
Below \$2	\$0.25
\$2 to \$5	\$0.40
Above \$5 to \$10	\$0.50
Above 10 to \$20	\$0.80
Above \$20	\$1.00

The theoretical price of an option is, for series that are traded on at least one other exchange, the last bid price with respect to an erroneous sell transaction and the last offer price with respect to an erroneous buy transaction, just prior to the trade, disseminated by the competing options exchange that has the most liquidity in the option class over the previous two calendar months. If there are no quotes for comparison, the theoretical price shall be determined by designated Trading Officials.

For transactions during the opening auction between a Customer and a Market Maker<sup>3</sup>, after the twenty minute notification period has elapsed since the trade containing the obvious error occurred but before 4:30 p.m. (ET) on the same trading day, the OTP Holder, on behalf of its Customer, can request an obvious error review for possible adjustment to the theoretical price. In determining the theoretical price of an option series, the Trading Official will look to the away competing exchange with the most liquidity in the option class over the two preceding months. The transaction will be adjusted to the competing exchanges' disseminated theoretical price at the time the trade occurred. With respect to sell transactions the last bid price, just prior to the trade, will be used. With respect to buy transactions the last offer price, just prior to the trade will be used.<sup>4</sup> Price adjustments will be made up to the equivalent number of contracts that the competing exchange was listing as its disseminated size at the time the trade occurred.

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<sup>3</sup> “Market Maker” as defined in NYSE Arca Rule 6.32 or 6.32A

<sup>4</sup> The Exchange believes that the proposed basis for determining the theoretical price for transactions occurring during the opening does not implicate NYSE Arca users to trade through liability, because the Linkage Plan provides for an exception to trade through liability for transactions occurring on the opening.

For transactions during the opening auction between a Customer and a non-Market Maker<sup>5</sup>, after the twenty minute notification period has elapsed but before 4:30 p.m. (ET) on the same trading day, an OTP Holder, on behalf of its Customer, can request an obvious error review. In determining how to adjust the transaction to the theoretical price, the Trading Official will look to the away competing exchange with the most liquidity in the option class over the two preceding months. The transaction will be adjusted to the competing exchanges' disseminated theoretical price at the time the trade occurred. With respect to sell transactions the last bid price, just prior to the trade, will be used. With respect to buy transactions the last offer price, just prior to the trade will be used.<sup>6</sup> Price adjustments will be made up to the equivalent number of contracts that the competing exchange was listing as its disseminated size at the time the trade occurred.

Rule changes proposed in this filing are similar to those presented by the Chicago Board Options Exchange ("CBOE") in SR-CBOE-2005-63<sup>7</sup>. In that filing the CBOE amended CBOE Rule 6.25 to include substantially similar provisions that NYSE Arca is presenting at this time. The Commission did receive one comment letter from Citadel Investment Group L.L.C. (The Citadel Letter") regarding the CBOE proposal<sup>8</sup>. In its approval notice, the Commission stated that "the Citadel Letter does not raise any issues that would preclude approval of the proposed rule change". NYSE Arca feels that any similar issues contained in the Citadel Letter that may be raised in regards to proposed rule changes contained in this filing would not preclude approval of SR-NYSEArca-2007-06.

### Basis

The Exchange believes that the proposed rule change is consistent with Section 6(b) of the Act<sup>9</sup> in general, and furthers the objectives of Section 6(b)(5) of the Act<sup>10</sup> in particular, because it is designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster

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<sup>5</sup> For the purpose of this rule "non-Market Maker" could include (but is not limited to) an away specialist, an off-floor firm or another Customer.

<sup>6</sup> See footnote 4

<sup>7</sup> See Securities and Exchange Release No. 54004 (June 16, 2006), 71 FR 36139 (June 23, 2006) approval notice for SR-CBOE-2005-63

<sup>8</sup> See Letter dated May 17, 2006 to Mr. Jonathan Katz, Secretary, Securities and Exchange Commission from Mr. Matthew Hinerfeld, Deputy General Counsel, Citadel Investment Group

<sup>9</sup> 15 U.S.C. 78f(b).

<sup>10</sup> 15 U.S.C. 78f(b)(5).

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.

4. 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.

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

The Exchange has neither solicited nor received written comments on the proposed rule change.

6. Extension of Time Period for Commission Action

The Exchange does not consent at this time to an extension of any time period for Commission action.

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

The proposed rule change will become effective 30 days after the date of filing (or such shorter time as the Commission may designate) pursuant to Section 19(b)(3)(A)(iii) of the Act and SEC Rule 19b-4(f)(6) thereunder. The Exchange believes that the proposal does not significantly affect the protection of investors or the public interest and does not impose any significant burden on competition. The Exchange provided the Commission with written notice of its intent to file this proposed rule change at least five business days prior to the date of filing the proposed rule change. By its terms, the proposal does not become operative for 30 days after the date of filing, or such shorter time as the Commission may designate if consistent with the protection of investors and the public interest. Because the proposed rule change is designed to provide customers with an additional level of protection in the event they are party to a transaction involving an obvious error during the opening, the Exchange requests that the Commission waive the 30-day operative period called for by Section 19(b)(3)(A). By waiving the 30-day operative period, customers will have the opportunity to benefit from the proposed rule change immediately.

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

This rule change is based on Rules of the Chicago Board Options Exchange.

9. Exhibits

Exhibit 1 – Form of Notice of proposed Rule Change for Federal Register

Exhibit 5 – Text of Proposed Changes

SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34- ; File No. SR-NYSEArca-2007-06)

[DATE]

Self-Regulatory Organizations; Notice of Filing and Immediate Effectiveness of Proposed Rule Change by NYSE Arca, Inc. Relating to Obvious Errors in Option Transactions.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on January 18, 2007, NYSE Arca, Inc. (“Exchange” or “NYSE Arca”) 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, Inc. (“NYSE Arca” “Exchange”), proposes to amend Rule 6.87, which contains procedures for trade nullification and price adjustments on obvious errors in option transactions. 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

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<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> CFR 240.19b-4.

be examined at the places specified in Item IV below. The self-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 amend Rule 6.87 in order to offer an extra level of protection for Customers<sup>3</sup> who are party to a transaction involving an obvious error during the opening. Under existing rules, OTP Holders that have executed a trade on behalf of a Customer have a twenty (20) minute period from the time of execution to notify the Exchange and request a review of the trade for either nullification or price adjustment. The current twenty minute window, for nullification purposes, will not be changed by this proposal. However, under the proposed rule change, OTP Holders representing Customers will now have an extended period of time to request an obvious error review for adjustment purposes. OTP Holders will now be able to make a request Trading Officials<sup>4</sup> to make price adjustments on transactions that occur on the opening, until 4:30 p.m. (ET) on the day that the transaction occurs. The intention of this filing is to protect Customers who fail to discover an obvious error within twenty minutes of execution from being forced to accept an execution that results from an obvious error during the opening auction.

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<sup>3</sup> “Customer” as defined in NYSE Arca Rule 6.1(b)(29) and NYSEArca 6.1A(a)(4) shall mean a non-broker dealer.

<sup>4</sup> “Trading Official” as defined in NYSE Arca Rule 6.1(b)(34)

An obvious pricing error will be deemed to have occurred when the execution price of a transaction is higher or lower than the theoretical price for the series by an amount equal to at least the amount shown below:

Theoretical Price	Minimum Amount
Below \$2	\$0.25
\$2 to \$5	\$0.40
Above \$5 to \$10	\$0.50
Above 10 to \$20	\$0.80
Above \$20	\$1.00

The theoretical price of an option is, for series that are traded on at least one other exchange, the last bid price with respect to an erroneous sell transaction and the last offer price with respect to an erroneous buy transaction, just prior to the trade, disseminated by the competing options exchange that has the most liquidity in the option class over the previous two calendar months. If there are no quotes for comparison, the theoretical price shall be determined by designated Trading Officials.

For transactions during the opening auction between a Customer and a Market Maker<sup>5</sup>, after the twenty minute notification period has elapsed since the trade containing the obvious error occurred but before 4:30 p.m. (ET) on the same trading day, the OTP Holder, on behalf of its Customer, can request an obvious error review for possible adjustment to the theoretical price. In determining the theoretical price of an option series, the Trading Official will look to the away competing exchange with the most liquidity in the option class over the two preceding months. The transaction will be adjusted to the competing exchanges' disseminated theoretical price at the time the trade occurred. With respect to sell transactions the last bid price, just prior to the trade, will be used. With respect to buy transactions the last offer price, just prior to the trade will be

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<sup>5</sup> "Market Maker" as defined in NYSE Arca Rule 6.32 or 6.32A

used.<sup>6</sup> Price adjustments will be made up to the equivalent number of contracts that the competing exchange was listing as its disseminated size at the time the trade occurred.

For transactions during the opening auction between a Customer and a non-Market Maker<sup>7</sup>, after the twenty minute notification period has elapsed but before 4:30 p.m. (ET) on the same trading day, an OTP Holder, on behalf of its Customer, can request an obvious error review. In determining how to adjust the transaction to the theoretical price, the Trading Official will look to the away competing exchange with the most liquidity in the option class over the two preceding months. The transaction will be adjusted to the competing exchanges' disseminated theoretical price at the time the trade occurred. With respect to sell transactions the last bid price, just prior to the trade, will be used. With respect to buy transactions the last offer price, just prior to the trade will be used.<sup>8</sup> Price adjustments will be made up to the equivalent number of contracts that the competing exchange was listing as its disseminated size at the time the trade occurred. Rule changes proposed in this filing are similar to those presented by the Chicago Board Options Exchange ("CBOE") in SR-CBOE-2005-63<sup>9</sup>. In that filing the CBOE amended CBOE Rule 6.25 to include substantially similar provisions that NYSE Arca is presenting at this time. The Commission did receive one comment letter from Citadel Investment

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<sup>6</sup> The Exchange believes that the proposed basis for determining the theoretical price for transactions occurring during the opening does not implicate NYSE Arca users to trade through liability, because the Linkage Plan provides for an exception to trade through liability for transactions occurring on the opening.

<sup>7</sup> For the purpose of this rule "non-Market Maker" could include (but is not limited to) an away specialist, an off-floor firm or another Customer.

<sup>8</sup> See footnote 4

<sup>9</sup> See Securities and Exchange Release No. 54004 (June 16, 2006), 71 FR 36139 (June 23, 2006) approval notice for SR-CBOE-2005-63

Group L.L.C. (The Citadel Letter<sup>10</sup>) regarding the CBOE proposal<sup>10</sup>. In its approval notice, the Commission stated that “the Citadel Letter does not raise any issues that would preclude approval of the proposed rule change”. NYSE Arca feels that any similar issues contained in the Citadel Letter that may be raised in regards to proposed rule changes contained in this filing would not preclude approval.

Statutory Basis

The Exchange believes that the proposed rule change is consistent with Section 6(b) of the Act<sup>11</sup> in general, and furthers the objectives of Section 6(b)(5) of the Act<sup>12</sup> in particular, because it is designed to prevent fraudulent and manipulative acts and practices, 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.

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

The Exchange has neither solicited nor received written comments on the

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<sup>10</sup> See Letter dated May 17, 2006 to Mr. Jonathan Katz, Secretary, Securities and Exchange Commission from Mr. Matthew Hinerfeld, Deputy General Counsel, Citadel Investment Group

<sup>11</sup> 15 U.S.C. 78f(b).

<sup>12</sup> 15 U.S.C. 78f(b)(5).

proposed rule change.

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

The Exchange has designated the proposed rule change as one that: (i) does not significantly affect the protection of investors or the public interest; (ii) does not impose any significant burden on competition; and (iii) does not become operative for 30 days from the date on which it was filed, or such shorter time as the Commission may designate if consistent with the protection of investors and the public interest pursuant to Section 19(b)(3)(A)(iii) of the Securities Exchange Act of 1934 and subparagraph (f)(6) of Securities Exchange Act Rule 19b-4. At any time within 60 days of the filing of such proposed rule change, the Commission may summarily abrogate 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 Securities Exchange Act of 1934. NYSE Arca provided the Commission with written notice of its intent to file this proposed rule change at least five business days prior to the date of filing the proposed rule change. Because the proposed rule change is designed to provide Customers with an additional level of protection in the event they are party to a transaction involving an obvious error during the opening, the Exchange requests that the Commission waive the 30-day operative period called for by Section 19(b)(3)(A). By waiving the 30-day operative period Customers will have the opportunity to benefit from the proposed rule change immediately.

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](mailto:rule-comments@sec.gov). Please include File Number SR-NYSEArca-2007-06 on the subject line.

Paper comments:

- Send paper comments in triplicate to Nancy Morris, Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549.

All submissions should refer to File Number SR-NYSEArca-2007-06. 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. Copies of such filing also will be available for inspection and copying at the principal office of the NYSE Arca. 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-2007-06 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 authority<sup>13</sup>.

Florence E. Harmon  
Deputy Secretary

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<sup>13</sup> 17 CFR 200.30-3(a)(12)

**Text of the Proposed Rule Change:<sup>1</sup>**  
**Rules of The NYSE Arca, Inc.**

**Rule 6**

6.87(a) Trade Nullification and Price Adjustment Procedures.

The Exchange shall either bust a transaction or adjust the execution price of a transaction that results from an Obvious Error as provided in this rule.

- (1) Definition of Obvious Error. For purposes of this rule only, an Obvious Error will be deemed to have occurred when the execution price of a transaction is higher or lower than the Theoretical Price for the series by an amount equal to at least the amount shown below:

**Theoretical Price Minimum Amount**

Below \$2	.25
\$2 to \$5	.40
Above \$5 to \$10	.50
Above \$10 to \$20	.80
Above \$20	1.00

- (2) Definition of Theoretical Price. For purposes of this rule only, the Theoretical Price of an option is:

(A) if the series is traded on at least one other options exchange, the last bid price with respect to an erroneous sell transaction and the last offer price with respect to an erroneous buy transaction, just prior to the trade, disseminated by the competing options exchange that has the most liquidity in that option; or

(B) if there are not quotes for comparison purposes, as determined by designated personnel of the Exchange.

- (3) Obvious Error Procedure. The Exchange shall administer the application of this Rule as follows:

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<sup>1</sup> New text is underscored; deleted text is in brackets.

- (A) Notification. If a Market Maker [on the Exchange] believes that it participated in a transaction that was the result of an Obvious Error, it must notify the Exchange within five (5) minutes of the execution. If an OTP Holder or OTP Firm not serving as a Market Maker [on the Exchange] believes that an order it executed on the Exchange was the result of an Obvious Error, it must notify the Exchange within twenty (20) minutes of the execution. Except where noted in section (B)(iii) and (B)(iv) of this rule, [.] or [A] absent unusual circumstances, the Exchange will not grant relief under this Rule unless notification is made within the prescribed time periods.
- (B) Adjust or Bust. The Exchange will determine whether there was an Obvious Error as defined above. If it is determined that an Obvious Error has occurred, the Exchange shall take one of the following actions listed below. Upon taking final action, the Exchange shall promptly notify both parties to the trade.
- (i) *Where each party to the transaction is a Market Maker* [on the Exchange,] [t] The execution price of the transaction will be adjusted by the Exchange to the prices provided in paragraphs (aa) and (bb) below unless both parties agree to adjust the transaction to a different price or agree to bust the trade within ten (10) minutes of being notified by the Exchange of the Obvious Error.
- (aa) Erroneous buy transactions will be adjusted to their Theoretical Price: plus \$.15 if the Theoretical Price is under \$3 and plus \$.30 if the Theoretical Price is at or above \$3.
- (bb) Erroneous sell transactions will be adjusted to their Theoretical Price: minus \$.15 if the Theoretical Price is under \$3 and minus \$.30 if the Theoretical Price is at or above \$3.
- (ii) *Where at least one party to the Obvious Error is not a Market Maker.* [on the Exchange,] [t] The trade will be busted by the Exchange unless both parties agree to an adjustment price for the transaction within thirty (30) minutes of being notified by the Exchange of the Obvious Error.
- (iii) Obvious Errors occurring on the opening between a Market Maker and a Customer. After the twenty minute notification period as described in (3)(A) above and until 4:30 p.m. eastern time ("ET") on the subject trade date, a Customer who is party to an Obvious Error transaction may request review of the subject transaction, and the execution price of the transaction will be adjusted (provided the adjustment does not violate the Customer limit price) by Trading Officials to the prices provided in Paragraphs (aa) and (bb) above, without the adjustment penalty, unless

both parties agree to adjust the transaction to a different price or agree to bust the trade within thirty (30) minutes of being notified by Trading Officials of the Obvious Error. The option contract quantity of any adjustment shall not exceed the disseminated size at the time of the Obvious Error, by the competing options exchange that has the most liquidity in that option class in the previous two calendar months

*(iv) Transactions occurring on the opening between a Customer and a non-Market Maker:* After the twenty minute notification period as described in (3)(A) above and until 4:30 p.m. ET on the subject trade date, where parties to the transaction are a Customer and a non-Market-Maker(s), the Customer may request review of the subject transaction and, the execution price of the transaction will be adjusted (provided the adjustment does not violate the non-Market Maker's limit price) by Trading Officials to the prices provided in Paragraphs (aa) and (bb) above, without the adjustment penalty, unless both parties agree to adjust the transaction to a different price or agree to bust the trade within thirty (30) minutes of being notified by Trading Officials of the Obvious Error. The option contract quantity of any adjustment shall not exceed the disseminated size at the time of the Obvious Error, by the competing options exchange that has the most liquidity in that option class in the previous two calendar months.

**Commentary:**

**.01** All determinations made by the Exchange under subsection (a)(3) will be rendered without prejudice as to the rights of the parties to the transaction to submit a dispute to arbitration.

**.02** Nothing in this rule prevents a potentially aggrieved party from appealing the decision of the Exchange pursuant to Rule 10.14 of the Exchange rules.

**.03** When the Exchange determines that an Obvious Error has occurred and action is warranted under Rule 6.87(a)(3)(B) above, the identity of the parties to the trade will be disclosed to each other in order to encourage conflict resolution.

**.04** Buyers of options with a zero bid may request that their execution be busted if at least one strike below (for calls) or above (for puts) in the same options class was

quoted with a zero bid at the time of the execution. Such buyers must follow the procedures of Rule 6.87(a)(3) above.

**.05** For purposes of Rule 6.87 (a)(2)(A), the competing options exchange with the most liquidity will be the options exchange that had the highest total contract volume in the options class for the previous two months (e.g., if an obvious error occurs on March 9, the total contract volume from January 8 to March 9 will be used).

**.06** For purposes of Rule 6.87(a)(3)(B), an "erroneous sell transaction" is one in which the price received by the person selling the option is erroneously low, and an "erroneous buy transaction" is one in which the price paid by the person purchasing the option is erroneously high.

**.07** For the purposes of Rule 6.78, the term Market Maker shall mean an OTP Holder acting as a Market Maker on NYSE Arca pursuant to Rule 6.32A.

**.08** For the purposes of Rule 6.78, the term Customer, as defined in Rule 6.1(b)(29) or Rule 6.1A(a)(4), shall not include a broker or dealer.

\* \* \*