RULE ADOPTION NOTICE

RAN-06-43
September 28 2006

TO: **All OTP Holders and OTP Firms**

FROM: **Office of the General Counsel**

SUBJECT: **Listing Standards for Broad-Based Indexes (File No. SR-NYSEArca-2006-46)**

On July, 20, 2006, the NYSE Arca, Inc. ("Exchange") filed a proposed rule change with the Securities and Exchange Commission ("Commission") to amend NYSE Arca rules related to the listing and trading of options on broad-based indexes. The Exchange filed Amended No 1 to the proposal on September 8, 2006. On September 25, 2006, the Commission granting approval of the proposed rule change, as amended.

The following is the text of the revised rules. Please direct any questions regarding this rule change to Glenn Gsell (415) 835-4805. For general information regarding the listing of options on broad-based indexes please contact Rudolfo Victoria (415) 393-7959.

EXHIBIT 5

Text of the Proposed Rule Change:[1]

Rules of The NYSE Arca, Inc.

Rule 5
Option Contracts Traded on the Exchange

Designation of the Index Broad-Based Index Options

Rule 5.12. (a) *Broad-Based Index Options.*

[(1) The underlying securities comprising the index shall be selected by the Exchange and may be revised from time to time to maintain the integrity and purpose of the index.

(2) No single underlying security may have a weighted value greater than 50% of the index value at the time options on the index are opened for trading.

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

(3) An underlying security selected for inclusion in the index must meet the initial and maintenance listing standards in Rule 5.3 and Rule 5.6, if its weighted value represents 10% or more of the index value.

(4) If an index is comprised of 20 or fewer underlying securities, 50% of the index value must be derived from underlying securities meeting the initial listing standards in Rule 5.3 at the time options on the index are initially opened for trading. Thereafter, 40% of the index value must be derived from underlying securities meeting the maintenance listing standards in Rule 5.6.

(5) If an index is comprised of 21 or more underlying securities, 35% of the index value must be derived from underlying securities meeting the initial listing standards in Rule 5.3, at the time options on the index are initially opened for trading. Thereafter, 30% of the index value must be derived from underlying securities meeting the maintenance listing standards in Rule 5.6.

(6) If an index fails to meet the maintenance listing standards described in paragraphs (4) and (5), above, the Exchange shall either:

(A) withdraw approval for options on the index as provided in Rule 5.6 and Commentary thereunder; or

(B) change the composition of the index so as to meet the initial listing standards contained in this Section.

(7) All underlying securities included in an index must be last sale reported on a real-time basis, through Consolidated Tapes A or B, or as National Market System securities (defined in SEC Rule 11Aa2-1, as amended) through the NASDAQ system.

(8) The initial and maintenance listing standards and procedures described in paragraphs (2) through (7), above, may be waived given exceptional circumstances, e.g., the structure of the companies in a particular industry.

(9) The requirement in Rule 5.3 that underlying securities be listed on a national securities exchange shall not be applicable to index option underlying securities.

(10) The requirements of Rule 5.12 shall apply unless otherwise determined by the Exchange and approved by the Securities and Exchange Commission.]

<u>The Exchange may trade options on a broad-based index pursuant to Rule 19b-4(e) of the Securities Exchange Act of 1934 ("Exchange Act"), if each of the following conditions is satisfied:</u>

<u>(1) The index is broad-based, as defined in Rule 5.10(b)(23);</u>

<u>(2) Options on the index are designated as A.M.-settled;</u>

(3) The index is capitalization-weighted, price-weighted, equal dollar-weighted or modified capitalization-weighted;

(4) The index consists of 50 or more component securities;

(5) Component securities that account for at least ninety-five percent (95%) of the weight of the index have a market capitalization of at least $75 million, except that component securities that account for at least sixty-five percent (65%) of the weight of the index have a market capitalization of at least $100 million;

(6) Component securities that account for at least eighty percent (80%) of the weight of the index satisfy the requirements of Rule 5.3 applicable to individual underlying securities;

(7) Each component security that accounts for at least one percent (1%) of the weight of the index has an average daily trading volume of at least 90,000 shares during the last six month period;

(8) No single component security accounts for more than ten percent (10%) of the weight of the index, and the five highest weighted component securities in the index do not, in the aggregate, account for more than thirty-three percent (33%) of the weight of the index;

(9) Each component security is an "NMS stock" as defined in Rule 600 of Regulation NMS under the Exchange Act;

(10) Non-U.S. component securities (stocks or ADRs) that are not subject to comprehensive surveillance agreements do not, in the aggregate, represent more than twenty percent (20%) of the weight of the index;

(11) The current index value is widely disseminated at least once every fifteen (15) seconds by the Options Price Reporting Authority, CTA/CQ, NIDS or one or more major market data vendors during the time options on the index are traded on the Exchange;

(12) The Exchange reasonably believes it has adequate system capacity to support the trading of options on the index, based on a calculation of the Exchange's current Independent System Capacity Advisor allocation and the number of new messages per second expected to be generated by options on such index;

(13) An equal dollar-weighted index is rebalanced at least once every calendar quarter;

(14) If an index is maintained by a broker-dealer, the index is calculated by a third party who is not a broker-dealer, and the broker-dealer has erected an informational barrier around its personnel who have access to information concerning changes in, and adjustments to, the index;

(15) The Exchange has written surveillance procedures in place with respect to surveillance of trading of options on the index.

(b) The following maintenance listing standards shall apply to each class of index options originally listed pursuant to paragraph (a) above:

(1) The requirements set forth in subparagraphs (a)(1) - (a)(3) and (a)(9) - (a)(15) must continue to be satisfied. The requirements set forth in subparagraphs (a)(5) - (a)(8) must be satisfied only as of the first day of January and July in each year;

(2) The total number of component securities in the index may not increase or decrease by more than ten percent (10%) from the number of component securities in the index at the time of its initial listing;

In the event a class of index options listed on the Exchange fails to satisfy the maintenance listing standards set forth herein, the Exchange shall not open for trading any additional series of options of that class unless the continued listing of the class of index options has been approved by the Commission under Section 19(b)(2) of the Exchange Act.

[***Commentary:***
.01 In addition to the requirements of Rule 5.12, the Exchange's Technology Index ("Index"), as designated "broad based" index, shall meet the following requirements:

(a) an average daily trading volume of at least 40,000 shares in the preceding six months for each underlying security selected for inclusion in the Index;

(b) an average daily trading volume of at least 20,000 shares in the preceding six months for each underlying security included in the Index;

(c) no more than 20% of the total weighting of the Index shall be represented by underlying securities that each have an average daily trading volume less than 75,000 shares in the preceding six months;

(d) no underlying security shall represent more than 10% of the total weighting of the Index, unless such underlying security is exempted by the Exchange from this requirement. Only an underlying security that is already included in the Index shall be eligible for such an exemption. However, at no time shall any underlying security represent more than 15% of the total weighting of the Index:

(e) the five (5) heaviest weighted underlying securities shall represent no more than 25% of the total weighting of the Index; and

(f) at least ten (10) industry sub-sectors representing a total of no less than eighty (80) underlying securities shall comprise the Index.

.02 The requirements set forth in Commentary .01 above shall be applied pursuant to semi-annual reviews of the underlying securities included in the Index.]

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Position Limits for Broad-Based Index Options

Rule 5.15.(a) Rule 6.8 generally shall govern position limits for broad-based index options, as modified by this Rule 5.15. Except otherwise indicated below, the position limit for a broad-based index option shall be 25,000 contracts <u>on the same side of the market in the same underlying index</u>. There may be no position limit for certain Specified (as provided in Rule 5) broad-based index option contracts.

(b) through (e) – No change

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