

Rule 6.87. Obvious Errors and Catastrophic Errors

(a) Obvious Error 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 Rule 6.87(a), 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, that comprise the National Best Bid/Offer ("NBBO") as disseminated by the Options Price Reporting Authority ("OPRA"); or

(B) if there are not quotes for comparison purposes, as determined by a designated Trading Official.

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

(A) Notification. If a Market Maker 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 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 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* 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.* 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.

(4) Review Procedures.

- (A) If a party to an obvious error determination pursuant to subsection (3) of this Rule requests within the time permitted below, the Obvious Error Panel ("OE Panel") will review decisions made by the Exchange under this subsection (4), including whether an obvious error occurred and whether the correct action was made pursuant to subsection (3).
- (i) The OE Panel will be comprised of the NYSE Arca Chief Regulatory Officer ("CRO"), or a designee of the CRO, and a representative from two (2) different OTP Firms. One representative on the OE Panel will be from an OTP Firm directly engaged in market making activities and one representative on the OE Panel will be from an OTP Firm directly engaged in the handling of options orders for public customers.
- (ii) The Exchange shall designate at least ten (10) OTP Firm representatives to be called upon to serve on the OE Panel as needed. In no case shall an OE Panel include a person related to a party to the trade in question. To the extent reasonably possible, the Exchange shall call upon the designated representatives to participate in an OE Panel on an equally frequent basis.
- (B) A request for review on appeal must be made via facsimile or e-mail within thirty (30) minutes after the party making the appeal is given notification of the initial determination being appealed. The OE Panel shall review the facts and render a decision within the time frame prescribed by the Exchange.
- (C) The OE Panel may overturn or modify an action taken by the Exchange under this Rule. All determinations by the OE Panel shall constitute final action by the Exchange on the matter at issue.
- (D) If the OE Panel votes to uphold the decision made pursuant to Rule 6.87(a)(3), the Exchange will assess a \$500.00 fee against the party or parties who initiated the request for appeal.

(b) Catastrophic Error Price Adjustment Procedures

The Exchange shall adjust the execution price of a transaction that results from a Catastrophic Error as provided in this rule.

- (1) *Catastrophic Error*. For purposes of Rule 6.87(b), a Catastrophic 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 minimum amount shown below:

Theoretical Price	Minimum Amount
Below \$2	\$1
\$2 to \$5	\$2
Above \$5 to \$10	\$5

Above \$10 to \$50	\$10
Above \$50 to \$100	\$20
Above \$100	\$30

(2) *Theoretical Price*. For purposes of Rule 6.87(b), 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, that comprise the National Best Bid/Offer ("NBBO") as disseminated by the Options Price Reporting Authority ("OPRA"); or

(B) if there are not quotes for comparison purposes, as determined by a designated Trading Official.

(3) *Catastrophic Error Procedure*. The Exchange shall administer the application of Rule 6.87(b) as follows:

(A) Notification. If an OTP Holder believes that it participated in a transaction that qualifies as a Catastrophic Error pursuant to paragraph (b) above, it must notify the Exchange by 8:30 am ET, on the first trading day following the date of the Catastrophic Error. For such transactions in an expiring options series that take place on an expiration day, an OTP Holder must notify the Exchange by 5:00 pm ET that same day. Relief will not be granted under this paragraph: (i) unless notification is made within the prescribed time period; and (ii) if an Obvious Error Panel has previously rendered a decision with respect to the transaction in question pursuant to Rule 6.87(a)(4).

(B) Catastrophic Error Determination. A Catastrophic Error Review Panel (Panel) will determine whether the transaction(s) qualifies as a Catastrophic Error. If it is determined that a Catastrophic Error has occurred, the Panel will instruct the Exchange to adjust the execution price(s) of the transaction(s) according to subparagraph (D) below. If it is determined that a Catastrophic Error has not occurred, the OTP Holder will be subject to a charge of \$5,000. All determinations by the Catastrophic Error Review Panel shall constitute final Exchange action on the matter at issue.

(C) Catastrophic Error Review Panel. The Panel shall be comprised of the NYSE Arca Chief Regulatory Officer ("CRO"), or a designee of the CRO, and a representative from two (2) different OTP Firms. One representative on the Panel will always be from an OTP Firm directly engaged in market making activities, and one representative on the Panel will always be from an OTP Firm directly engaged in the handling of options orders for public customers.

The Exchange shall designate at least ten (10) OTP Firm representatives to be called upon to serve on the Panel as needed. In no case shall a Panel include a person related to a party to the trade in question. To the extent reasonably possible, the Exchange shall call upon the designated representatives to participate in a Panel on an equally-frequent basis.

(D) Adjustment. If it is determined that a Catastrophic Error has occurred, unless both (all) parties agree to adjust the transaction to a different price, the execution price(s) of the transaction(s) will be adjusted to the theoretical price, (i) plus the adjustment value provided below for erroneous buy transactions, and (ii) minus the adjustment value provided for erroneous sell transactions.

Theoretical Price	Adjustment Amount
Below \$2	\$1
\$2 to \$5	\$2
Above \$5 to \$10	\$3
Above \$10 to \$50	\$5
Above \$50 to \$100	\$7
Above \$100	\$10

Commentary:

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

.02 For purposes of this rule an "erroneous sell transaction" is one in which the price received by the person selling the option is erroneously low by amounts at least equal to the minimum amount described in subsection (a)(1) for Obvious Errors and subsection (b)(1) for Catastrophic Errors. An "erroneous buy transaction" is one in which the price paid by the person buying the option is erroneously high by amounts at least equal to the minimum amount described in subsection (a)(1) for Obvious Errors and subsection (b)(1) for Catastrophic Errors.

.03 When the Exchange determines that an Obvious Error or Catastrophic Error has occurred and action is warranted under subsection (a)(3) or subsection (b)(3) 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 the purposes of Rule 6.87, the term Market Maker shall mean an OTP Holder acting as a Market Maker on NYSE Arca pursuant to Rule 6.32A.

.06 For the purposes of Rule 6.87, the term Customer, as defined in Rule 6.1(b)(29) or Rule 6.1A(a)(4), shall not include a broker or dealer.