

proposed rule change (File No. SR-FICC-2013-06) be, and hereby is, approved.<sup>22</sup>

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>23</sup>

**Kevin M. O'Neill,**  
Deputy Secretary.

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-70075; File No. SR-NYSEArca-2013-75]

### Self-Regulatory Organizations; NYSE Arca, Inc.; Notice of Filing and Immediate Effectiveness of Proposed Rule Change Amending NYSE Arca Equities Rule 7.31(a)(2) To Specify That the Exchange Would Use The Last Official Closing Price To Calculate the Market Order Trading Collar If There Is No Consolidated Last Sale Price That Trading Day

July 30, 2013.

Pursuant to Section 19(b)(1) <sup>1</sup> of the Securities Exchange Act of 1934 (the "Act") <sup>2</sup> and Rule 19b-4 thereunder,<sup>3</sup> notice is hereby given that, on July 18, 2013, NYSE Arca, Inc. (the "Exchange" or "NYSE Arca") filed with the Securities and Exchange Commission (the "Commission") 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 the Substance of the Proposed Rule Change

The Exchange proposes to amend NYSE Arca Equities Rule 7.31(a)(2) to specify that the Exchange would use the last official closing price to calculate the market order trading collar if there is no consolidated last sale price that trading day. The text of the proposed rule change is available on the Exchange's Web site at [www.nyse.com](http://www.nyse.com), at the principal office of the Exchange, and at the Commission's Public Reference Room.

<sup>22</sup> In approving the proposed rule change, the Commission considered the proposal's impact on efficiency, competition, and capital formation. See 15 U.S.C. 78c(f).

<sup>23</sup> 17 CFR 200.30-3(a)(12).

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

<sup>2</sup> 15 U.S.C. 78a.

<sup>3</sup> 17 CFR 240.19b-4.

#### 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 those statements may be examined at the places specified in Item IV below. The Exchange has prepared summaries, set forth in sections A, B, and C below, of the most significant parts of such statements.

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

###### 1. Purpose

The Exchange is proposing to amend NYSE Arca Equities Rule 7.31(a)(2) to specify that the Exchange would use the last official closing price to calculate the market order trading collar ("Trading Collar") if there is no consolidated last sale price on that trading day. Pursuant to Rule 7.31(a)(1), during Core Trading Hours,<sup>4</sup> a market order to buy (sell) will not execute or route to another market center at a price above (below) the Trading Collar. Trading Collars are based on a price that is a specified percentage away from the consolidated last sale price, which can be a price either reported on the Consolidated Tape or the UTP Trade Data Feed, depending on which market the security is listed. The upper boundary of the Trading Collar is calculated by increasing the consolidated last sale price by a specific percentage, and the lower boundary is calculated by decreasing the consolidated last sale price by the same specified percentage.

In thinly-traded securities, there may not be a consolidated last sale price available for a security that trading day. Currently, if this occurs, the Exchange does not calculate a Trading Collar until there is a consolidated last during Core Trading Hours, which means that the first execution of a market order at the Exchange may not be subject to a Trading Collar.

The Exchange proposes to amend Rule 7.31(a)(2) to specify that if there is no consolidated last sale price on the same trading day, the Exchange would use the last official closing price for the security. The Exchange proposes to make this change to assure that there

will be a Trading Collar available for all executions of market orders at the Exchange, even if an execution has not yet been reported for a security that day.

As proposed, the Exchange could use a consolidated last sale price that is reported to the Consolidated Tape or the UTP Trade Data Feed before Core Trading Hours begin that day. For example, assume XYZ security, a thinly-traded security, had an official closing price on Day 1 of \$10.00. On Day 2, a trade is reported to the Consolidated Tape in XYZ security at 5:30 a.m. Eastern for \$10.01, but there are no additional trades in XYZ during Core Trading Hours. Accordingly, as proposed, on Day 2, the Exchange would use the \$10.01 consolidated last sale price as the reference price for calculating the Trading Collar for XYZ, and not the \$10.00 official last close. If there are no further trades on Day 2 and no trades on Day 3, on Day 3, the Exchange would use the Day 1 official closing price to calculate the Trading Collar, and not the Day 2 pre-Core Trading Hours execution of \$10.01. The Exchange believes that it is appropriate to use an execution that may occur on the same day in the pre-Core Trading Hours as the reference price because it may be reflective of the current price of the security. However, if there are no further transactions in the security that day or on the next day(s), the Exchange believes that the last official closing price is more indicative of the true value of the security and should be used as the reference price.

The Exchange would not use a consolidated last sale price that is reported after the official closing price for the prior day. For example, if XYZ had an official closing price on Day 1 of \$10.00 and an execution reported to the Consolidated Tape at 5:30 p.m. Eastern of \$10.01, and no trades on Day 2, the Exchange would use the \$10.00 closing price as the reference price for calculating the Trading Collar for XYZ.

The Exchange also proposes to amend Rule 7.31(a)(1) to clarify that Trading Collars are available for the Market Order Auction. Because the Market Order Auction occurs during Core Trading Hours,<sup>5</sup> the Exchange believes that it is implied in the rule that the Trading Collars are also applicable during the Market Order Auction. However, in the interest of full

<sup>5</sup> Pursuant to NYSE Arca Equities Rule 7.34(a)(1), the Market Order Auction occurs during the Exchange's Opening Session. However, because the Market Order Auction occurs no earlier than 9:30:00 a.m. Eastern, although it is part of the Opening Session, it takes place during what are defined as Core Trading Hours pursuant to Rule 1.1(j).

<sup>4</sup> See NYSE ARCA Equities Rule 1.1(j) (defining "Core Trading Hours" as the hours of 6:30 a.m. to 1:00 p.m. (Pacific Time)).

transparency, the Exchange proposes to specify that Trading Collars are applicable for the Market Order Auction.

## 2. Statutory Basis

The statutory basis for the proposed rule change is Section 6(b)(5) of the Securities Exchange Act of 1934 (the "Act"),<sup>6</sup> which requires the rules of an exchange to promote just and equitable principles of trade, to remove impediments to and perfect the mechanism of a free and open market and a national market system and, in general, to protect investors and the public interest. The Exchange believes that the proposed rule meets these requirements in that it ensures that the Exchange will be able to calculate and apply a Trading Collar for all incoming market orders, including when there has not yet been an execution during Core Trading Hours in a security. The Exchange believes that using the last official closing price for calculating the market order Trading Collar removes impediments to and perfects the mechanism of a free and open market and protects investors and the public interest because the last official closing price represents the most accurate indication of the price at which a security may be trading. The Exchange notes that the official closing price of a security is used for other purposes, such as calculating the Trigger Price pursuant to Rule 7.16, in compliance with Rule 201 of Regulation SHO.

### 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. The Exchange believes that the proposed amendment will not impose any burdens on competition because the proposal would simply provide for a manner to calculate market order Trading Collars for situations when there is no consolidated last sale price in a security.

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

No written comments were solicited or received with respect to the proposed rule change.

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

The Exchange has filed the proposed rule change pursuant to Section 19(b)(3)(A)(iii) of the Act<sup>7</sup> and Rule 19b-4(f)(6) thereunder.<sup>8</sup> Because the proposed rule change does not: (i) Significantly affect the protection of investors or the public interest; (ii) impose any significant burden on competition; and (iii) become operative prior to 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, the proposed rule change has become effective pursuant to Section 19(b)(3)(A) of the Act and Rule 19b-4(f)(6)(iii) thereunder.

A proposed rule change filed under Rule 19b-4(f)(6)<sup>9</sup> normally does not become operative prior to 30 days after the date of the filing. However, pursuant to Rule 19b-4(f)(6)(iii),<sup>10</sup> the Commission may designate a shorter time if such action is consistent with the protection of investors and the public interest. The Exchange has asked the Commission to waive the 30-day operative delay so that the proposal may become operative immediately upon filing.

At any time within 60 days of the filing of such proposed rule change, the Commission summarily may temporarily suspend 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 Act. If the Commission takes such action, the Commission shall institute proceedings under Section 19(b)(2)(B)<sup>11</sup> of the Act to determine whether the proposed rule change should be approved or 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](mailto:rule-comments@sec.gov). Please include File Number SR-NYSEArca-2013-75 on the subject line.

### Paper Comments

- Send paper comments in triplicate to Elizabeth M. Murphy, Secretary, Securities and Exchange Commission, 100 F Street NE., Washington, DC 20549-1090.

All submissions should refer to File Number SR-NYSEArca-2013-75. This file number should be included on the subject line if email 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 Web site viewing and printing in the Commission's Public Reference Room, 100 F Street NE., Washington, DC 20549, on official business days between the hours of 10:00 a.m. and 3:00 p.m. Copies of such filing also will be available for inspection and copying at the principal offices of NYSE. 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-2013-75, and should be submitted on or before August 26, 2013.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>12</sup>

**Kevin M. O'Neill,**  
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<sup>7</sup> 15 U.S.C. 78s(b)(3)(A)(iii).

<sup>8</sup> 17 CFR 240.19b-4(f)(6).

<sup>9</sup> 17 CFR 240.19b-4(f)(6).

<sup>10</sup> 17 CFR 240.19b-4(f)(6)(iii).

<sup>11</sup> 15 U.S.C. 78s(b)(2)(B).

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

<sup>6</sup> 15 U.S.C. 78f(b)(5).