would increase the maximum term for all LEAPS to fifteen years.

Accordingly, the Commission, pursuant to Section 19(b)(2) of the Act,[6] designates November 8, 2012 as the date by which the Commission should either approve or disapprove or institute proceedings to determine whether to disapprove the proposed rule change.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.[7]

Kevin M. O'Neill,

Deputy Secretary.

[FR Doc. 2012–23537 Filed 9–24–12; 8:45 am]

BILLING CODE 8011–01–P

[6] 15 U.S.C. 78s(b)(2).

[7] 17 CFR 200.30–3(a)(31).

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–67888; File No. SR–BATS–2012–030]

Self-Regulatory Organizations; BATS Exchange, Inc.; Order Granting Approval of Proposed Rule Change To Amend BATS Rule 14.11, Entitled ''Other Securities''

September 19, 2012.

I. Introduction

On July 20, 2012, BATS Exchange, Inc. (''Exchange'' or ''BATS'') filed with the Securities and Exchange Commission (''Commission''), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (''Act'' or ''Exchange Act'')[1] and Rule 19b–4 thereunder,[2] a proposed rule change to amend BATS Rule 14.11, entitled ''Other Securities'' to modify the criteria for certain securities listed on BATS as Index Fund Shares. The proposed rule change was published for comment in the **Federal Register** on August 8, 2012.[3] The Commission received no comments on the proposal. This order grants approval of the proposed rule change.

II. Description of the Proposed Rule Change

Proposal To Amend Index Fund Shares Rules

The Exchange proposes certain changes to Rule 14.11(c) relating to Index Fund Shares, commonly referred to as exchange-traded funds, to conform the Exchange's listings criteria for Index Fund Shares with the analogous criteria in place for NYSE Arca Equities, Inc. (''NYSE Arca'')[4] and to correct a typographical error. Specifically, the Exchange proposes to amend Exchange Rule 14.11(c) to: (1) Modify the weight and volume requirements for component stocks comprising the applicable index or portfolio for any U.S. index or portfolio and any international or global index or portfolio upon which Index Fund Shares are based; (2) exclude Index Fund Shares, Portfolio Depositary Receipts, Trust Issued Receipts, and Managed Fund Shares (collectively, ''Derivative Securities Products'')[5] when applying the quantitative generic listing criteria in Rule 14.11(c); and (3) modify the minimum number of component stocks for any U.S. index or portfolio and any international or global index or portfolio upon which Index Fund Shares are based to adopt certain exceptions for any index or portfolio that is partially or wholly comprised of Index Fund Shares or other Derivative Securities Products.

Rule 14.11(c)(3) provides that the Exchange may approve a series of Index Fund Shares for listing and trading pursuant to Rule 19b–4(e) under the Act[6] if such series satisfies the criteria set forth in that rule. The Exchange proposes to amend Rule 14.11(c)(3) to amend the index weight requirements and adopt notional volume traded per month[7] to the initial listing standards for Index Fund Shares. The Exchange proposes to amend the minimum component stock weight requirement for monthly trading volumes from 90% to 70% of the weight of the underlying index. In addition, the Exchange proposes to adopt an alternative notional volume traded per month.

Rule 14.11(c)(3)(A)(i)(b) provides that, for U.S. component stock indexes, component stocks that in the aggregate account for at least 90% of the weight of the index or portfolio, each shall have a minimum monthly trading volume during each of the last six months of at least 250,000 shares. The Exchange proposes to reduce the minimum component stock weight requirement from 90% to 70% of the weight of the underlying index or portfolio. The Exchange is also proposing to adopt an average minimum trading volume requirement of 250,000 shares over a six-month period instead of in each of the last six months, and to adopt a notional volume traded per month of $25,000,000 averaged over the last six months as an option for meeting the listing requirements.

The Exchange is proposing the same modifications for international or global indexes. Rule 14.11(c)(3)(A)(ii)(b) provides that, for international or global indexes, component stocks that in the aggregate account for at least 90% of the weight of the index or portfolio each shall have a minimum worldwide monthly trading volume during each of the last six months of at least 250,000 shares. The Exchange proposes to reduce the minimum component stock weight requirement from 90% to 70% of the weight of the underlying index or portfolio. Further, the Exchange is proposing to adopt an average minimum trading volume requirement of 250,000 shares over a six-month period instead of in each of the last six months, and to adopt a worldwide notional volume traded per month of $25,000,000 averaged over the last six months as an option for meeting the listing requirements. Further, the Exchange also proposes to clarify that the component stock trading volumes are determined on a global basis.

The Exchange believes that reducing the minimum component stock weight requirement for monthly trading volumes from 90% to 70% of the weight of the underlying index reasonably ensures that securities with substantial monthly trading volumes account for a substantial portion of the underlying index and, when applied in conjunction with the other applicable listing requirements, remain sufficiently broad-based in scope to minimize potential manipulation. The Exchange notes that the Commission has previously approved the listing and trading of exchange-traded funds based upon indices that were composed of stocks that did not meet the 90% monthly trading volume weight, but were above the proposed 70% monthly trading volume weight criteria.[8] In addition,

[1] 15 U.S.C. 78s(b)(1).

[2] 17 CFR 240.19b–4.

[3] *See* Securities Exchange Act Release No. 67558 (August 1, 2012), 77 FR 47444.

[4] The Exchange notes that NYSE Arca uses the term ''Investment Company Units'' to describe the same products that the Exchange calls ''Index Fund Shares.''

[5] Rule 14.11 includes criteria for derivative securities that may be listed or traded on the Exchange, such as Portfolio Depositary Receipts, Trust Issued Receipts, and Managed Fund Shares.

[6] 17 CFR 240.19b–4(e). Rule 19b–4(e) provides that the listing and trading of a new derivative securities product by a self-regulatory organization (''SRO'') shall not be deemed a proposed rule change, pursuant to Rule 19b–4(c)(1), if the Commission has approved, pursuant to Section 19(b) of the Exchange Act, the SRO's trading rules, procedures, and listing standards for the product class that would include the new derivatives securities product, and the SRO has a surveillance program for the product class.

[7] The notional volume traded per month is the number of shares traded in a calendar month multiplied by the monthly closing price.

[8] *See* Securities Exchange Act Release No. 46306 (August 2, 2002), 67 FR 51916 (August 9, 2002) (SR–NYSE–2002–28) (approving the following funds for trading pursuant to unlisted trading privileges on NYSE: (1) Vanguard Total Stock Market VIPERs; (2) iShares Russell 2000 Index Funds; (3) iShares Russell 2000 Value Index Funds;

this standard would conform BATS's listing standards to existing NYSE Arca requirements approved by the Commission.[9]

With respect to adopting, as an alternative to monthly trading volume, the notional volume traded for each of the last six months to the initial listing standards for both domestic and international indexes, the Exchange believes that notional volume traded averaged per month is a better measure of the liquidity of component stocks of the underlying index or indexes. Specifically, notional volume nullifies the volume discrepancies that generally occur between low priced and high priced stocks.[10]

With respect to requiring a six-month average, instead of a minimum requirement in each of the last six-months, for volume and notional volume, the Exchange believes that an averaged six-month period better indicates the current liquidity on an index and helps eliminate seasonal volume fluctuations of component securities.

The Exchange also proposes to exclude Derivative Securities Products when applying the quantitative listing requirements of Rule 14.11(c)(3)(A)(i)(a), (b), and (c) and 14.11(c)(3)(A)(ii)(a), (b), and (c) relating to listing of Index Fund Shares based on a U.S. index or portfolio or an international or global index or portfolio, respectively. Component stocks in the aggregate, excluding Derivative Securities Products, would be required to meet the criteria of these provisions. Thus, when determining the component weight for the most heavily weighted stock and the five most heavily weighted component stocks for an underlying index that includes a Derivative Securities Product, the weight of any Derivative Securities Products in the underlying index or portfolio would not be considered.

The Exchange proposes to similarly modify the requirement in Rule 14.11(c)(3)(A)(i)(d) that an index or portfolio shall include a minimum of 13 component stocks for an index or portfolio that includes Derivative Securities Products. Specifically, the Exchange proposes that no minimum number of component stocks is required if (a) one or more series of Index Fund Shares or Portfolio Depositary Receipts (as defined in Exchange Rule 14.11(b)) constitute, at least in part, components underlying a series of Index Fund Shares, or (b) one or more series of Derivative Securities Products account for 100% of the weight of the index or portfolio. Thus, if the index or portfolio underlying a series of Index Fund Shares includes one or more series of Index Fund Shares or Portfolio Depositary Receipts, or if it consists entirely of other Derivative Securities Products, then there would not be any minimum number of component stocks required (*i.e.,* one or more components would be acceptable). If, however, the index or portfolio consists of Derivative Securities Products other than Index Fund Shares or Portfolio Depositary Receipts (*e.g.,* Managed Fund Shares) as well as securities that are not Derivative Securities Products (*e.g.,* common stocks), then there must be at least 13 components in the underlying index or portfolio.

The Exchange proposes to modify the requirement in 14.11(c)(3)(A)(ii)(d) that an index or portfolio shall include a minimum of 20 component stocks for an international or global index or portfolio that includes Derivative Securities Products. Specifically, the Exchange proposes that no minimum number of component stocks shall be required so long as (a) one or more series of Index Fund Shares or Portfolio Depositary Receipts (as defined in Exchange Rule 14.11(b)) constitute, at least in part, components underlying a series of Index Fund Shares, or (b) one or more series of Derivative Securities Products account for 100% of the weight of the index or portfolio. For example, if the index or portfolio underlying a series of Index Fund Shares includes one or more series of Index Fund Shares or Portfolio Depositary Receipts, or if it consists entirely of other Derivative Securities Products, then there would not be any minimum number of component stocks required (*i.e.,* one or more components would be acceptable). If, however, the index or portfolio consists of Derivative Securities Products other than Index Fund Shares or Portfolio Depositary Receipts (*e.g.,* Managed Fund Shares) as well as securities that are not Derivative Securities Products (*e.g.,* common stocks), then there must be at least 20 components in the underlying index or portfolio.

The Exchange believes it is appropriate to exclude Derivative Securities Products from the generic criteria specified above for Index Fund Shares and to adopt the above-described exceptions in so far as Derivative Securities Products that may be included in an index or portfolio underlying a series of Index Fund Shares are themselves subject to specific listing and continued listing requirements of the national securities exchange on which they are listed. Such Derivative Securities Products would have been listed and traded on a national securities exchange pursuant to a filing submitted pursuant to Section 19(b) of the Act[11] or would have been listed by a national securities exchange pursuant to the requirements of Rule 19b–4(e) under the Act.[12] Finally, Derivative Securities Products are derivatively priced, and, therefore, the Exchange believes that it would not be necessary to apply the generic quantitative criteria (market capitalization, trading volume, index or portfolio component weighting) applicable to non-Derivative Securities Products (*e.g.,* common stocks) to such products.

In addition to the changes set forth above, the Exchange proposes to correct a typographical error in Rule 14.11(c)(4) where there currently are two sub-sections ''(c)(4)(B).'' The Exchange proposes to change the second reference to (c)(4)(C).

General Provisions

To the extent not specifically addressed in the proposed rules discussed above, the following general provisions of the Exchange's rules will continue to apply to all subject securities affected by the proposed rules (''securities'').

Information Circular

Prior to the commencement of trading, the Exchange will inform its Members in an Information Circular of the special characteristics and risks associated with trading the securities. Specifically, the Information Circular will discuss the following: (1) The procedures for purchases and redemptions of the securities (and/or that the securities are not individually redeemable); (2) Exchange Rule 3.7, which imposes suitability obligations on Exchange Members with respect to

and (4) iShares Russell 2000 Growth Index Fund); Securities Exchange Act Release No. 55953 (June 25, 2007), 72 FR 36084 (July 2, 2007) (SR–NYSE–2007–46) (approving listing on NYSE of HealthShares Orthopedic Repair Exchange-Traded Fund); and Securities Exchange Act Release No. 56695 (October 24, 2007), 72 FR 61413 (October 30, 2007) (SR–NYSEArca–2007–111) (approving listing on NYSE Arca of HealthShares Ophthalmology Exchange-Traded Fund).

[9] *See* NYSE Arca Rule 5.2(j)(3), Commentary .01(a)(A) and (B); *see also* Securities Exchange Act Release No. 61240 (December 24, 2009), 75 FR 168 (January 4, 2010) (SR–NYSEArca–2009–101) (approving proposed rule change to amend NYSE Arca Equities Rule 5.2(j)(3)).

[10] For example, a stock priced at $10 per share that trades 2,500,000 shares in a month has a notional volume of $25,000,000. Conversely, a stock priced at $100 per share that trades 250,000 shares in a month has a notional volume of $25,000,000.

[11] 15 U.S.C. 78s(b).

[12] 17 CFR 240.19b–4(e).

recommending transactions in the securities to customers; (3) how information regarding the Intraday Indicative Value is disseminated; (4) the risks involved in trading the securities during the Pre-Opening [13] and After Hours Trading Sessions [14] when an updated Intraday Indicative Value will not be calculated or publicly disseminated; (5) the requirement that Members deliver a prospectus to investors purchasing newly issued securities prior to or concurrently with the confirmation of a transaction; and (6) trading information.

In addition, the Information Circular will advise Members, prior to the commencement of trading, of the prospectus delivery requirements applicable to the securities. Members purchasing securities for resale to investors will deliver a prospectus to such investors. The Information Circular will also discuss any exemptive, no-action, and interpretive relief granted by the Commission from any rules under the Act.

The Information Circular will also reference that the securities are subject to various fees and expenses described in the registration statement; disclose the trading hours of the securities and, if applicable, the Net Asset Value (''NAV'') calculation time for the securities; and state that information about the securities and the corresponding indexes, if applicable, will be publicly available on the Web site for the securities.

Trading Rules

The Exchange deems the securities to be equity securities, thus rendering trading in the securities subject to the Exchange's existing rules governing the trading of equity securities. The securities will trade on the Exchange from 8:00 a.m. until 5:00 p.m. Eastern Time. The Exchange has appropriate rules to facilitate transactions in the securities during all trading sessions. The minimum price increment for quoting and entry of orders in equity securities traded on the Exchange is $0.01, with the exception of securities that are priced less than $1.00 for which the minimum price increment for order entry is $0.0001.

Surveillance

The Exchange believes that its surveillance procedures are adequate to address any concerns about the trading of the securities on the Exchange. Trading of the securities on the Exchange will be subject to the Exchange's surveillance procedures for derivative products, including the securities. The Exchange may obtain information via the Intermarket Surveillance Group (''ISG'') from other exchanges who are members or affiliates of the ISG [15] or with which the Exchange has entered into a comprehensive surveillance sharing agreement. The Exchange has a general policy prohibiting the distribution of material, non-public information by its employees.

Trading Halts

With respect to trading halts, the Exchange may consider all relevant factors in exercising its discretion to halt or suspend trading in the securities. Trading in the securities may be halted because of market conditions or for reasons that, in the view of the Exchange, make trading in the securities inadvisable. These may include: (1) the extent to which trading in the underlying asset or assets is not occurring; or (2) whether other unusual conditions or circumstances detrimental to the maintenance of a fair and orderly market are present. In addition, trading in the securities will be subject to trading halts caused by extraordinary market volatility pursuant to Rule 11.18 or by the halt or suspension of the trading of the current underlying asset or assets.

If the applicable Intraday Indicative Value, value of the underlying index, or the value of the underlying asset or assets (*e.g.,* securities, commodities, currencies, futures contracts, or other assets) is not being disseminated as required, the Exchange may halt trading during the day in which such interruption to the dissemination occurs. If the interruption to the dissemination of the applicable Intraday Indicative Value, value of the underlying index, or the value of the underlying asset or assets persists past the trading day in which it occurred, the Exchange will halt trading no later than the beginning of the trading day following the interruption. In addition, if the Exchange becomes aware that the NAV with respect to a series of the securities is not disseminated to all market participants at the same time, it will halt trading in such series until such time as the NAV is available to all market participants.

Suitability

Currently, Exchange Rule 3.7 governs Recommendations to Customers (Suitability). Prior to the commencement of trading of any inverse, leveraged, or inverse leveraged securities, the Exchange will inform its Members of the suitability requirements of the Exchange Rule 3.7 in an Information Circular. Specifically, Members will be reminded in the Information Circular that, in recommending transactions in these securities, they must have a reasonable basis to believe that (1) the recommendation is suitable for a customer given reasonable inquiry concerning the customer's investment objectives, financial situation, needs, and any other information known by such Member, and (2) the customer can evaluate the special characteristics, and is able to bear the financial risks, of an investment in the securities. In connection with the suitability obligation, the Information Circular will also provide that Members must make reasonable efforts to obtain the following information: (1) The customer's financial status; (2) the customer's tax status; (3) the customer's investment objectives; and (4) such other information used or considered to be reasonable by such Member or registered representative in making recommendations to the customer.

In addition, FINRA has implemented increased sales practice and customer margin requirements for FINRA members applicable to inverse, leveraged, and inverse leveraged securities and options on such securities, as described in FINRA Regulatory Notices 09–31 (June 2009), 09–53 (August 2009) and 09–65 (November 2009) (''FINRA Regulatory Notices''). Members that carry customer accounts will be required to follow the FINRA guidance set forth in the FINRA Regulatory Notices. The Information Circular will reference the FINRA Regulatory Notices regarding sales practice and customer margin requirements for FINRA members applicable to inverse, leveraged, and inverse leveraged securities and options on such securities.

The Exchange notes that, for such inverse, leveraged, and inverse leveraged securities, the corresponding funds seek leveraged, inverse, or leveraged inverse returns on a daily basis, and do not seek to achieve their stated investment objective over a period of time greater than one day because compounding prevents the funds from perfectly achieving such results. Accordingly, results over

[13] The Pre-Opening Session is from 8:00 a.m. to 9:30 a.m. Eastern Time.

[14] The After Hours Trading Session is from 4:00 p.m. to 5:00 p.m. Eastern Time.

[15] For a list of the current members and affiliate members of ISG, *see www.isgportal.com.*

periods of time greater than one day typically will not be a leveraged multiple (+200%), the inverse (–100%), or a leveraged inverse multiple (–200%) of the period return of the applicable benchmark and may differ significantly from these multiples. The Exchange's Information Circular, as well as the applicable registration statement, will provide information regarding the suitability of an investment in such securities.

III. Discussion and Commission's Findings

The Commission has carefully reviewed the proposed rule change and finds that it is consistent with the requirements of Section 6 of the Act [16] and the rules and regulations thereunder applicable to a national securities exchange.[17] In particular, the Commission finds that the proposal is consistent with Section 6(b)(5) of the Act,[18] which requires, among other things, that the Exchange's rules be 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, 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 Commission notes that the proposal is narrowly tailored to conform BATS's listing criteria for Index Fund Shares to the analogous criteria of another national securities exchange.[19] The Commission notes that it has previously approved the same criteria in question and believes that BATS's proposal will benefit investors by increasing competition among markets listing and trading exchange-traded funds, to the benefit of investors and other market participants.

In addition, the Commission notes the following with respect to Index Fund Shares listed and traded under Exchange Rule 14.11(c), as proposed to be amended:

(1) Prior to the commencement of trading, the Exchange will inform Members in an Information Circular of the special characteristics, risks, and other information associated with trading Index Fund Shares;

(2) The Exchange represents that Index Fund Shares are deemed to be equity securities and, as such, trading in Index Fund Shares are subject to the Exchange's existing rules governing the trading of equity securities and that it has appropriate rules to facilitate transactions in Index Fund Shares during all trading sessions;

(3) Trading of Index Fund Shares on the Exchange are subject to the Exchange's surveillance procedures for derivative products, and the Exchange believes that its surveillance procedures are adequate to address any concerns about the trading of Index Fund Shares on the Exchange. Further, the Exchange represents that it may obtain information via ISG from other exchanges who are members or affiliates of the ISG or with which the Exchange has entered into a comprehensive surveillance sharing agreement;

(4) Trading in the securities will be subject to trading halts caused by extraordinary market volatility pursuant to Rule 11.18 or by the halt or suspension of the trading of the current underlying asset or assets. Trading in Index Fund Shares may also be halted because of market conditions or for reasons that, in the view of the Exchange, make trading in the securities inadvisable. These may include: (a) The extent to which trading in the underlying asset or assets is not occurring; or (b) whether other unusual conditions or circumstances detrimental to the maintenance of a fair and orderly market are present. Moreover, if the applicable Intraday Indicative Value, value of the underlying index, or the value of the underlying asset or assets is not being disseminated as required, the Exchange may halt trading during the day in which such interruption to the dissemination occurs. If the interruption to the dissemination of the applicable Intraday Indicative Value, value of the underlying index, or the value of the underlying asset or assets persists past the trading day in which it occurred, the Exchange will halt trading no later than the beginning of the trading day following the interruption. In addition, if the Exchange becomes aware that the NAV with respect to a series of the securities is not disseminated to all market participants at the same time, it will halt trading in such series until such time as the NAV is available to all market participants.

(5) The Commission also notes that the listing standards applicable to Index Fund Shares currently permit the listing and trading of Index Fund Shares that seek leveraged, inverse, or inverse leveraged returns on a daily basis. Prior to the commencement of trading of any inverse, leveraged, or inverse leveraged securities, the Exchange will inform its Members of the suitability requirements under Exchange Rule 3.7 in the Information Circular, as discussed in more detail above, as well as reference the FINRA Regulatory Notices regarding sales practice and customer margin requirements for FINRA members applicable to inverse, leveraged, and inverse leveraged securities and options on such securities.

The Commission also believes that the Exchange's proposal to correct a typographical error in the numbering of its rules is consistent with Section 6(b)(5) of the Act as this should allow for greater clarity and accuracy of the Exchange's listing rules.

This approval order is based on all of the Exchange's representations.

IV. Conclusion

It is therefore ordered, pursuant to Section 19(b)(2) of the Act,[20] that the proposed rule change (SR–BATS–2012–030) be, and it hereby is, approved.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.[21]

Kevin M. O'Neill,

Deputy Secretary.

[FR Doc. 2012–23564 Filed 9–24–12; 8:45 am]

BILLING CODE 8011–01–P

[16] 15 U.S.C. 78f.

[17] In approving this proposed rule change, the Commission has considered the proposed rule's impact on efficiency, competition, and capital formation. *See* 15 U.S.C. 78c(f).

[18] 15 U.S.C. 78f(b)(5).

[19] *See supra* notes 4 and 9.

DEPARTMENT OF STATE

[Public Notice 8041]

Advisory Committee Meeting

ACTION: Notice of meeting.

SUMMARY: Pursuant to the provisions of the Federal Advisory Committee Act (FACA), the Advisory Committee on the Secretary of State's Strategic Dialogue with Civil Society will convene in Washington, DC on October 24, 2012. The Committee provides advice on the formulation of U.S. policies, proposals, and strategies for engagement with, and protection of, civil society worldwide. The objective of this meeting is to review the progress of the Committee's five subcommittees. The meeting is open to public participation through live stream at *http://www.state.gov/s/sacsed/c47725.htm.*

DATES: The meeting will be held on October 24, 2012, from 10 a.m. to 11:30 a.m.

ADDRESSES: The meeting will be held at the U.S. Department of State, 2201 C Street NW., Washington, DC.

[20] 15 U.S.C. 78s(b)(2).

[21] 17 CFR 200.30–3(a)(12).