Protection mechanism instead uses the NBO as the reference price for the value of the Trade Collar applicable to sell orders (and uses the NBB as the reference price for the Trade Collar applicable to buy orders).[22] Accordingly, in place of the current cross reference to Exchange Rule 925NY(b)(4) in Exchange Rule 967NY(a)(2), the Exchange proposes to adopt new subparagraphs (a)(2)(A) and (a)(2)(B), which codify the same numerical values as provided currently in Exchange Rule 925NY(b)(4) but make clear that the reference price for the applicable Trading Collar is the NBB for buy orders and the NBO for sell orders (rather than both values being keyed off of the NBB as Exchange Rule 925NY(b)(4) provides).[23]

The Exchange also proposes some additional clarifying changes. The Exchange proposes to amend Exchange Rule 967NY(a) to delete the terms ''inbound'' and ''incoming'' where currently used in the rule because Trade Collar Protection applies to resting orders as well as inbound or incoming orders.[24] The Exchange also proposes to delete the reference in Exchange Rule 967NY(a)(3) to the cancellation of IOC Orders, AON Orders, FOK Orders and NOW Orders if not immediately executed, as AON orders do not cancel if they are not immediately executed.[25]

III. Discussion and Commission Findings

After careful review, the Commission finds that the proposed rule change is consistent with the requirements of the Act and the rules and regulations thereunder applicable to a national securities exchange.[26] In particular, the Commission finds that the proposed rule change is consistent with Section 6(b)(5) of the Act,[27] which requires, among other things, that the rules of a national securities exchange be designed to prevent fraudulent and manipulative acts and practices, 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 Commission notes that the Exchange believes that the proposal assists with the maintenance of fair and orderly markets and protects investors by correcting inaccurate language in Exchange Rule 967NY(a) and clarifying the existing Trade Collar Protection functionality so that market participants can better understand how the Exchange handles certain orders in times of market dislocation. In addition, the Commission notes that the Exchange believes that the proposed functionality of the Trade Collar Protection components is consistent with the Act. In particular, the Exchange believes that its proposal to base Trading Collar values on the NBB for buy orders and the NBO for sell orders could remove impediments to and perfect the mechanism of a free and open market by using a benchmark from which a market participant would most likely derive its price.[28]

The Commission believes that the operation of the Trade Collar Protection mechanism set forth in the proposal is consistent with the Act. In addition, the Commission believes that the revised description of this mechanism should increase transparency with respect to how the mechanism operates and enhance investors' understanding of how the mechanism may affect their orders in certain market conditions. Accordingly, the Commission believes that the proposal is reasonably designed to help prevent fraudulent and manipulative acts and practices, promote just and equitable principles of trade, remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general, protect investors and the public interest.

IV. Conclusion

It is therefore ordered, pursuant to Section 19(b)(2) of the Act,[29] that the proposed rule change (SR–NYSEMKT–2014–14) be, and it hereby is, approved.

[22] *See* Notice, *supra* note 3, at 67486. The Exchange states that it bases the value of the Trade Collar on the NBB for buy orders because it believes that a market participant that is looking to buy would derive its price off of what other market participants are willing to pay (*i.e.,* the prevailing bid), and similarly bases the value of the Trade Collar on the NBO for sell orders because it believes that a market participant that is looking to sell would derive its price off of what other market participants are willing to sell (*i.e.,* the prevailing offer). *See id.*

[23] *See id.*

[24] *See id.*; *see also* proposed Exchange Rule 967NY(a).

[25] *See* proposed Exchange Rule 967NY(a)(3); *see also* Notice, *supra* note 3, at 67486. The Exchange also proposes to capitalize the term ''limit order'' as used in Exchange Rule 967NY(a)(4)(D) to conform with the use of that term in the rest of the rule. *See id.* at 67487.

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

[27] 15 U.S.C. 78f(b)(5).

[28] *See* Notice, *supra* note 3, at 67487; *see also supra* note 22.

[29] 15 U.S.C. 78s(b)(2).

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.[30]

Kevin M. O'Neill,

Deputy Secretary.

[FR Doc. 2014–29970 Filed 12–22–14; 8:45 am]

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[30] 17 CFR 200.30–3(a)(12).

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–73859; File No. SR–NYSEArca–2014–14]

Self-Regulatory Organizations; NYSE Arca, Inc.; Order Approving a Proposed Rule Change Amending Exchange Rule 6.60 To Enhance the Functionality of the Trade Collar Protection Mechanism

December 17, 2014.

I. Introduction

On October 24, 2014, NYSE Arca, Inc., (''NYSE Arca'' or ''Exchange'') filed with the Securities and Exchange Commission (''Commission''), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (''Act'')[1] and Rule 19b–4 thereunder,[2] a proposed rule change to amend Exchange Rule 6.60 relating to the Exchange's ''Trade Collar Protection'' mechanism for options. The proposed rule change was published for comment in the **Federal Register** on November 13, 2014.[3] The Commission received no comments on the proposal. This order approves the proposed rule change.

II. Description of the Proposal

The Exchange applies Trade Collar Protection to prevent the immediate execution of certain orders at prices outside of a specified parameter (referred to as a ''Trading Collar'').[4] This Trade Collar Protection mechanism is set forth in Exchange Rule 6.60(a), but the Exchange has proposed to amend Exchange Rule 6.60(a) so that the rule accurately reflects how the mechanism operates.[5]

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

[2] 17 CFR 240.19b–4.

[3] *See* Securities Exchange Act Release No. 73543 (November 6, 2014), 79 FR 67488 (''Notice'').

[4] *See id.* Trading Collars are determined by the Exchange on a class-by-class basis and, unless announced otherwise via Trader Update, are the same value as the bid-ask differential guidelines established pursuant to Exchange Rule 6.37(b)(1). *See id.* The Exchange also notes that that the Trade Collar Protection mechanism is not available for quotes or for orders with execution conditions immediate-or-cancel (''IOC''), all-or-none (''AON''), fill-or-kill (''FOK'') and NOW. *See id.; see also* Exchange Rule 6.60(a)(3).

[5] *See id.*

The Trade Collar Protection mechanism applies in two scenarios: (1) The mechanism prevents the execution of certain orders when the difference between the National Best Offer (''NBO'') and the National Best Bid (''NBB'') is greater than one Trading Collar;[6] and (2) the mechanism prevents the execution of the balance of a buy order if it were to execute at a price that is the NBO plus a Trading Collar (or a price that is the NBB minus a Trading Collar for an eligible sell order).[7] In the first scenario, the Exchange will display the order at a price equal to the NBO minus one Trading Collar for sell orders or the NBB plus one Trading Collar for buy orders (the ''collared order'').[8] The Exchange will then attempt to execute or route the collared order to buy (sell) against any contra interest priced within one Trading Collar above (below) the displayed price of the collared order.[9] After a period of one second, if the collared order has not been executed or its price has not been recalculated due to changes in the market, the Trade Collar Protection mechanism will improve the collared order's displayed price by an amount equal to an additional Trading Collar.[10] The Exchange notes that the collared order will re-price before the expiration of one second as a result of certain changes in the market; specifically, an update to the NBBO that improves the same side of the market as the collared order will cause the collared order to be redisplayed at the same price as the updated NBBO.[11] A Limit Order (which is not an IOC Order, AON Order, FOK Order or NOW Order) on the same side of the market priced better than one Trading Collar from the collared order will also become subject to Trade Collar Protection and will cause the collared order to improve by one Trading Collar (which will redisplay at the new price and additional size of the new Limit Order).[12]

The second scenario arises when the difference between the NBB and NBO is within the bid-ask differential guidelines and an incoming market order or marketable limit order is partially executed upon entry but execution of the balance of the order would be at a price that is more than a Trading Collar away from the NBBO at entry.[13] Pursuant to Exchange Rule 6.60(a)(5), the balance of the partially executed order will be subject to Trade Collar Protection and displayed at the last sale price,[14] and thereafter handled the same way as an order collared in the first scenario.[15]

The Exchange has proposed to amend Exchange Rule 6.60(a) so that the description of the Trade Collar Protection mechanism conforms to its function. First, Exchange Rule 6.60(a)(1)(i) provides that the Exchange will prevent the immediate execution of market orders and marketable limit orders if the width of the bid-ask differential of the NBBO is greater than one Trading Collar. However, the Exchange states that it only prevents the immediate execution of market orders (and not marketable limit orders) when the width of the bid-ask differential of the NBBO is greater than one Trading Collar.[16] According to the Exchange, marketable limit orders (*i.e.,* orders with limit prices that are executable against the NBB or NBO), execute immediately regardless of the width of the bid-ask differential of the NBBO.[17] Accordingly, the Exchange proposes to delete the reference to marketable limit orders in Exchange Rule 6.60(a)(1)(i).

Second, the Exchange proposes to delete Exchange Rule 6.60(a)(4)(C)(iv), which provides that a market order that arrives on the same side of the market as a collared order will also be subject to Trade Collar Protection and will be displayed at the same price as the collared order. The Exchange has not yet deployed this functionality and, as such, Exchange Rule 6.60(a)(4)(C)(iv) is not an accurate reflection of the Trade Collar Protection mechanism's current operation in this regard.[18] Instead of joining the resting collared order at its displayed price, an incoming market order to buy (sell) on the same side of the market as a resting collared order actually results in both orders being displayed at a price equal to one Trading Collar above (below) the resting collared order's displayed price.[19] The Exchange notes that this is what occurs when a marketable limit order to buy (sell) is received on the same side of the market as a resting collared order and priced more than one Trading Collar above (below) the resting collared order's displayed price.[20] This handling of later-arriving marketable limit orders is currently set forth in Exchange Rule 6.60(a)(4)(C)(ii). Since market orders are actually handled the same way, in connection with the proposed deletion of Exchange Rule 6.60(a)(4)(C)(iv), the Exchange also proposes to amend Exchange Rule 6.60(a)(4)(C)(ii) to broaden its applicability to all marketable orders, which include both marketable limit orders and market orders.[21]

Third, the Exchange proposes to delete a cross reference to Exchange Rule 6.37(b)(1) in Exchange Rule 6.60(a)(2), which provides the bid-ask differentials used to determine the applicable value of the Trading Collar. Exchange Rule 6.37(b)(1) provides that the bid price for an option contract be used as the reference price for the bid-ask differential applicable to both buy and sell orders, but the Trade Collar Protection mechanism instead uses the NBO as the reference price for the value of the Trade Collar applicable to sell orders (and uses the NBB as the reference price for the Trade Collar applicable to buy orders).[22] Accordingly, in place of the current cross reference to Exchange Rule 6.37(b)(1) in Exchange Rule 6.60(a)(2), the Exchange proposes to adopt new subparagraphs (a)(2)(A) and (a)(2)(B), which codify the same numerical values as provided currently in Exchange Rule 6.37(b)(1) but make clear that the reference price for the applicable Trading Collar is the NBB for buy orders and the NBO for sell orders (rather than both values being keyed off of the NBB as Exchange Rule 6.37(b)(1) provides).[23]

The Exchange also proposes some additional clarifying changes. The Exchange proposes to amend Exchange

[6] *See* Exchange Rule 6.60(a)(1)(i).

[7] *See* Exchange Rule 6.60(a)(1)(ii).

[8] *See* Exchange Rule 6.60(a)(4)(A).

[9] *See* Exchange Rule 6.60(a)(4)(B).

[10] *See* Exchange Rule 6.60(a)(4)(C)(iii).

[11] *See* Notice, *supra* note 3, at 67488.

[12] *See id.*

[13] *See* Notice, *supra* note 3, at 67489.

[14] *See id.; see also* Exchange Rule 6.60(a)(5). However, if there is an opportunity for trading within one Trading Collar of the last sale price, the buy (sell) order will be displayed at the NBB (NBO) established at the time of the initial execution. *See id.*

[15] *See id.*

[16] *See* Notice, *supra* note 3, at 67489.

[17] The Exchange states that it believes that an order with a limit price evidences specific interest at which the submitting market participant is willing to trade and, therefore, does not need the protection of the Trade Collar Protection mechanism. *See id.* The Exchange notes that marketable limit orders remain subject to the protections of the Exchange's ''Limit Order Filter'' as provided in in Exchange Rule 6.60(b). *See id.*

[18] *See id.* The Exchange states that it intends to incorporate this functionality in the near future as it believes that the functionality would be beneficial to the market. *See id.*

[19] *See id.*

[20] *See* Notice, *supra* note 3, at 67489.

[21] *See* proposed Exchange Rule 6.60(a)(4)(C)(ii).

[22] *See* Notice, *supra* note 3, at 67489. The Exchange states that it bases the value of the Trade Collar on the NBB for buy orders because it believes that a market participant that is looking to buy would derive its price off of what other market participants are willing to pay (*i.e.,* the prevailing bid), and similarly bases the value of the Trade Collar on the NBO for sell orders because it believes that a market participant that is looking to sell would derive its price off of what other market participants are willing to sell (*i.e.,* the prevailing offer). *See id.*

[23] *See id.*

Rule 6.60(a) to delete the terms ''inbound'' and ''incoming'' where currently used in the rule because Trade Collar Protection applies to resting orders as well as inbound or incoming orders.[24] The Exchange also proposes to delete the reference in Exchange Rule 6.60(a)(3) to the cancellation of IOC Orders, AON Orders, FOK Orders and NOW Orders if not immediately executed, as AON orders do not cancel if they are not immediately executed.[25] Finally, the Exchange proposes to amend Exchange Rule 6.37(b)(1)(E) to rectify a typographical error—Exchange Rule 6.37(b)(1)(E) states that the bid-ask differential should be no more than $1 when the last bid is $20.10 or more, but the rule should refer instead to a last bid of $20.01 or more.[26]

III. Discussion and Commission Findings

After careful review, the Commission finds that the proposed rule change is consistent with the requirements of the Act and the rules and regulations thereunder applicable to a national securities exchange.[27] In particular, the Commission finds that the proposed rule change is consistent with Section 6(b)(5) of the Act,[28] which requires, among other things, that the rules of a national securities exchange be designed to prevent fraudulent and manipulative acts and practices, 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 Commission notes that the Exchange believes that the proposal assists with the maintenance of fair and orderly markets and protects investors by correcting inaccurate language in Exchange Rule 6.60(a) and clarifying the existing Trade Collar Protection functionality so that market participants can better understand how the Exchange handles certain orders in times of market dislocation. In addition, the Commission notes that the Exchange believes that the proposed functionality of the Trade Collar Protection components is consistent with the Act. In particular, the Exchange believes that its proposal to base Trading Collar values on the NBB for buy orders and the NBO for sell orders could remove impediments to and perfect the mechanism of a free and open market by using a benchmark from which a market participant would most likely derive its price.[29]

The Commission believes that the operation of the Trade Collar Protection mechanism set forth in the proposal is consistent with the Act. In addition, the Commission believes that the revised description of this mechanism should increase transparency with respect to how the mechanism operates and enhance investors' understanding of how the mechanism may affect their orders in certain market conditions. Accordingly, the Commission believes that the proposal is reasonably designed to help prevent fraudulent and manipulative acts and practices, promote just and equitable principles of trade, remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general, protect investors and the public interest.

IV. Conclusion

It is therefore ordered, pursuant to Section 19(b)(2) of the Act,[30] that the proposed rule change (SR–NYSEArca–2014–14) be, and it hereby is, approved.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.[31]

Kevin M. O'Neill,

Deputy Secretary.

[FR Doc. 2014–29971 Filed 12–22–14; 8:45 am]

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[24] *See id.; see also* proposed Exchange Rule 6.60(a).

[25] *See* proposed Exchange Rule 6.60(a)(3); *see also* Notice, *supra* note 3, at 67489. The Exchange also proposes to capitalize the term ''limit order'' as used in Exchange Rule 6.60(a)(4)(D) to conform with the use of that term in the rest of the rule. *See id.* at 67489–67490.

[26] *See* proposed Exchange Rule 6.37(b)(1)(E); *see also* Notice, *supra* note 3, at 67489.

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

[28] 15 U.S.C. 78f(b)(5).

[29] *See* Notice, *supra* note 3, at 67490; *see also supra* note 22.

[30] 15 U.S.C. 78s(b)(2).

[31] 17 CFR 200.30–3(a)(12).

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–73863; File No. SR–FINRA–2014–051]

Self-Regulatory Organizations; Financial Industry Regulatory Authority, Inc.; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change Relating to In Concert Reporting of Options Positions

December 17, 2014.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (''Act'') [1] and Rule 19b–4 thereunder,[2] notice is hereby given that on December 11, 2014, Financial Industry Regulatory Authority, Inc. (''FINRA'') filed with the Securities and Exchange Commission (''SEC'' or ''Commission'') the proposed rule change as described in Items I and II below, which Items have been prepared by FINRA. FINRA has designated the proposed rule change as constituting a ''non-controversial'' rule change under paragraph (f)(6) of Rule 19b–4 under the Act,[3] which renders the proposal effective upon receipt of this filing by the Commission. 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

FINRA is proposing to amend Rule 2360(b)(5) regarding reporting of options positions to codify an existing requirement that the reporting rules apply to all accounts acting in concert, consistent with the application of the reporting rules of the options exchanges.

Below is the text of the proposed rule change. Proposed new language is in italics; proposed deletions are in brackets.

* * * * *

2000. DUTIES AND CONFLICTS

* * * * *

2300. SPECIAL PRODUCTS

* * * * *

2360. Options

(a) No Change.
(b) Requirements
(1) through (4) No Change.
(5) Reporting of Options Positions

(A)(i)a. Conventional Options

Each member shall file or cause to be filed with FINRA a report with respect to each account in which the member has an interest, each account of a partner, officer, director or employee of such member, and each customer, non-member broker, or non-member dealer account, which*, acting alone or in concert,* has established an aggregate position of 200 or more option contracts (whether long or short) of the put class and the call class on the same side of the market covering the same underlying security or index, combining for purposes of this subparagraph long positions in put options with short positions in call options and short

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

[2] 17 CFR 240.19b–4.

[3] 17 CFR 240.19b–4(f)(6).