

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-69296; File No. SR-NSX-2013-12)

April 4, 2013

Self-Regulatory Organizations; National Stock Exchange, Inc.; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Amend its Rule 11.24, Limit Up/Limit Down

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the “Act” or “Exchange Act”)¹ and Rule 19b-4 thereunder,² notice is hereby given that on April 3, 2013, National Stock Exchange, Inc. (“NSX[®]” or the “Exchange”) filed with the Securities and Exchange Commission (“Commission”) the proposed rule change, as described in Items I and II below, which Items have been prepared by the Exchange. The Commission is publishing this notice to solicit comment on the proposed rule change from interested persons.

I. Self-Regulatory Organization’s Statement of the Terms of Substance of the Proposed Rule Change

The Exchange proposes to amend Rule 11.24(k) regarding routing of orders under the National Market System Plan established pursuant to Rule 608 of the Exchange Act, to address extraordinary market volatility (the “Regulation NMS Plan to Address Extraordinary Market Volatility” or “Plan”),³ also known as Limit Up/Limit Down. The Exchange has designated this proposal as non-controversial and provided the Commission with the notice required by Rule 19b-4(f)(6)(iii) under the Act.⁴

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ See Appendix A to Securities Exchange Act Release No. 67091 (May 31, 2012) 77 FR 33498 (June 6, 2012).

⁴ 17 CFR 240.19b-4(f)(6)(iii).

The text of the proposed rule change is available on the Exchange's website at <http://www.nsx.com>, at the principal office of the Exchange, on the Commission's website at <http://www.sec.gov>, and at the Commission's Public Reference Room.

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 Exchange 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 these 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

Since May 6, 2010, when the markets experienced excessive volatility in an abbreviated time period, i.e., the "flash crash," the national securities exchanges that list and trade equity securities and the Financial Industry Regulatory Authority ("FINRA") have implemented market-wide measures that are designed to restore investor confidence in the markets by reducing the potential for excessive volatility. The measures adopted include pilot plans for stock-by-stock trading pauses⁵ and related changes to the equities market clearly erroneous execution rules,⁶ and more stringent equity market maker quoting requirements.⁷ On May 31,

⁵ See e.g., NSX Rule 11.20B.

⁶ See e.g., NSX Rule 11.19.

⁷ See e.g., NSX Rule 11.8(a)(1)(B)(iv) and (v).

2012, the Commission approved the Plan, on a pilot basis.⁸ On March 8, 2013, the Commission published the Exchange's proposed rule change to comply with the Plan, which is to become operative on April 8, 2013.⁹

The Plan is designed to prevent trades in NMS Stocks from occurring outside of specified Price Bands.¹⁰ Price Bands consisting of a Lower Price Band and an Upper Price Band for each NMS Stock are calculated by the Processors.¹¹ The Price Bands are coupled with Trading Pauses to accommodate more fundamental price moves. All trading centers in NMS Stocks, including both those operated by Participants and those operated by members of Participants, are required to establish, maintain, and enforce written policies and procedures that are reasonably designed to comply with the requirements specified in the Plan.¹²

In sum, Exchange Rule 11.24, Limit Up-Limit Down, addresses the treatment of certain orders to prevent executions outside the Price Bands.¹³ The Exchange proposes to amend Rule 11.24(k) in order to explain how the Exchange will route orders under the Plan. Rule 11.24(k) currently states that the Exchange will route orders to an away market in accordance with Rule 11.15(a)(ii) regardless of whether the away market is displaying a sell (buy) quote that is above (below) the Upper (Lower) Price Band. The Exchange now proposes to not route an order unless

⁸ See Securities Exchange Act Release No. 67091 (May 31, 2012) 77 FR 33498 (June 6, 2012) (Order approving, on a Pilot Basis, the National Market System Plan to Address Extraordinary Market Activity).

⁹ See Securities Exchange Act Release No. 69087 (March 8, 2013), 78 FR 16325 (March 14, 2013) (SR-NSX-2013-09)

¹⁰ Unless otherwise specified, capitalized terms used in this rule filing are based on defined terms in the Plan.

¹¹ See Section V(A) of the Plan.

¹² The Exchange is a Participant in the Plan.

¹³ See supra note 9.

an away market is displaying trading interest at or within the Price Bands. As amended, Rule 11.24(k) will state that the Exchange will not route an order unless an away market is displaying a sell (buy) quote that is at or below (above) the Upper (Lower) Price Band.¹⁴ The Exchange believes that this provision is reasonably designed to prevent an execution from occurring outside the Price Bands in a manner that promotes compliance with the Limit Up-Limit Down and Trading Pause requirements specified in the Plan. This approach is also consistent with that of other exchanges, including the New York Stock Exchange, Inc. (“NYSE”)¹⁵ and EDGA Exchange, Inc. (“EDGA”).¹⁶

2. Statutory Basis

The Exchange believes the proposed rule change is consistent with the requirements of Section 6(b) of the Exchange Act.¹⁷ In addition, the rule furthers the objective of Section 6(b)(5) of the Exchange Act¹⁸ by promoting just and equitable principles of trade, removing impediments to, and perfecting the mechanisms of, a free and open national market system while protecting investors and the public interest. The proposal furthers these causes by ensuring that orders in NMS Stocks are not routed to other away markets where an execution may occur

¹⁴ Under NSX Rule 11.15(a)(iii), unless the terms of the order direct otherwise, any order not executed in full on the Exchange which is not eligible for routing away (e.g., no away market is displaying a sell (buy) quote that is at or below (above) the Upper (Lower) Price Band), or which is not executed in full when routed away, will be ranked in the NSX Book in accordance with the order priority rules under NSX Rule 11.14 and eligible for execution in accordance with NSX Rule 11.15.

¹⁵ See Securities Exchange Act Release No. 68876 (February 8, 2013), 78 FR 10643 (February 14, 2013) (SR-NYSE-2013-09).

¹⁶ See Securities Exchange Act Release No. 69002 (February 27, 2013), 78 FR 14394 (March 5, 2013) (SR-EDGA-2013-08).

¹⁷ 15 U.S.C. 78f(b).

¹⁸ 15 U.S.C 78f(b)(5).

outside the Price Bands, and thereby is reasonably designed to prevent an execution outside the Price Bands in a manner that promotes compliance with the Limit Up-Limit Down and Trading Pause requirements specified in the Plan.

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. All national securities exchanges are required to establish, maintain, and enforce policies and procedures reasonably designed to comply with the requirements of the Plan. Every member of those exchanges, including ETP Holders of the Exchange, are subject to those procedures and prevented from executing an order in an NMS Stock outside of the Price Bands prescribed by the Plan. Therefore, the Exchange believes the proposed rule change does not impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act.

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

Written comments on the proposed rule change were neither solicited nor received.

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 Act¹⁹ and Rule 19b-4(f)(6) thereunder.²⁰ 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

¹⁹ 15 U.S.C. 78s(b)(3)(A)(iii).

²⁰ 17 CFR 240.19b-4(f)(6). In addition, Rule 19b-4(f)(6) requires the Exchange to give the Commission written notice of the Exchange's intent to file the proposed rule change, along with a brief description and text of the proposed rule change, at least five business days prior to the date of filing of the proposed rule change, or such shorter time as designated by the Commission. The Exchange has satisfied this requirement.

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)²¹ normally does not become operative prior to 30 days after the date of the filing. However, pursuant to Rule 19b-4(f)(6)(iii),²² 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. The Commission believes that waiving the operative delay and designating April 8, 2013 as the operative date of the proposed rule change is consistent with the protection of investors and the public interest because such waiver would allow the proposed rule change to be operative on the initial date of Plan operations. Accordingly, the Commission hereby grants the Exchange's request and designates an operative date of April 8, 2013.²³

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.

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:

²¹ 17 CFR 240.19b-4(f)(6).

²² 17 CFR 240.19b-4(f)(6)(iii).

²³ For purposes only of waiving the operative delay, the Commission has considered the proposed rule's impact on efficiency, competition, and capital formation. See 15 U.S.C. 78c(f).

Electronic comments:

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>); or
- Send an e-mail to rule-comments@sec.gov. Please include File Number SR-NSX-2013-12 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-NSX-2013-12. This file number should be included on the subject line if e-mail 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 website (<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 website 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 office of the Exchange. 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 publicly available. All submissions should refer

to File Number SR-NSX-2013-12 and should be submitted on or before [insert date 21 days from publication in the Federal Register].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.²⁴

Kevin M. O'Neill
Deputy Secretary

²⁴ 17 CFR 200.30-3(a)(12).