

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-71817; File No. SR-NYSEMKT-2014-23)

March 27, 2014

Self-Regulatory Organizations; NYSE MKT LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change Amending Rule 900.3NY to Specifically Address the Number and Size of Contra-Parties to a Qualified Contingent Cross Order

Pursuant to Section 19(b)(1)¹ of the Securities Exchange Act of 1934 (the “Act”)² and Rule 19b-4 thereunder,³ notice is hereby given that on March 19, 2014, NYSE MKT LLC (the “Exchange” or “NYSE MKT”) filed with the Securities and Exchange Commission (the “Commission”) the proposed rule change as described in Items I and II 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 Substance of the Proposed Rule Change

The Exchange proposes to amend Rule 900.3NY (Orders Defined) to specifically address the number and size of contra-parties to a Qualified Contingent Cross Order (“QCC Order”).

The text of the proposed rule change is available on the Exchange’s website at www.nyse.com, at the principal office of the Exchange, 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 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

¹ 15 U.S.C. 78s(b)(1).

² 15 U.S.C. 78a.

³ 17 CFR 240.19b-4.

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 purpose of this rule filing is to amend Rule 900.3NY to specifically address the number and size of contra-parties to a QCC Order. The proposed rule change, which mirrors a recently adopted rule by the International Securities Exchange (“ISE”)⁴, is intended to accommodate multiple contra-parties, so long as each contra-side order meets the minimum size requirements as discussed below.

The Exchange adopted the QCC Order type on March 17, 2011.⁵ Under current Rule 900.3NY(y), a QCC Order must be comprised of an order to buy or sell at least 1,000 contracts⁶ that is identified as being part of a qualified contingent trade,⁷ coupled with a contra-side order

⁴ See Securities Exchange Act Release No. 71182 (December, 24, 2013), 78 FR 79721 (December 31, 2013) (SR-ISE-2013-71).

⁵ See Securities Exchange Act Release No. 64085 (March 17, 2011), 76 FR 16024 (March 22, 2011) (SR-NYSEAmex-2011-14).

⁶ In the case of mini options, the minimum size is 10,000 contracts.

⁷ A “qualified contingent trade” must meet the following conditions: (i) at least one component must be an NMS Stock; (ii) all the components must be effected with a product price contingency that either has been agreed to by all the respective counterparties or arranged for by a broker-dealer as principal or agent; (iii) the execution of one component must be contingent upon the execution of all other components at or near the same time; (iv) the specific relationship between the component orders (e.g., the spread between the prices of the component orders) must be determined by the time the contingent order is placed; (v) the component orders must bear a derivative relationship to one another, represent different classes of shares of the same issuer, or involve the securities of participants in mergers or with intentions to merge that have been announced or cancelled; and (vi) the transaction must be fully hedged (without regard to any prior existing position) as a result of other components of the contingent trade. In addition, ATP Holders must demonstrate that the transaction is fully hedged using reasonable risk-valuation methodologies. See *supra* n.5 (citing Securities Exchange Act Release No. 57620 (April 4, 2008), 73 FR 19271 (April 9, 2008)).

to buy or sell an equal number of contracts. As Qualified Contingent Cross Trades, QCC Orders are automatically executed upon entry provided that the execution (i) is not at the same price as a Customer Order in the Consolidated Book and (ii) is at or between the NBBO.⁸ In addition, QCC Orders that cannot be executed when entered will automatically cancel.⁹ Finally, QCC Orders may only be entered in the regular trading increments applicable to the options class under Rule 960NY (Trading Differentials).

As discussed above, to remain competitive with other options exchanges,¹⁰ the Exchange proposes to amend its rules to provide that a QCC Order must involve a single order for at least 1,000 contracts on the originating side, but that the contra-side order may be comprised of multiple orders, which in the aggregate equal the size of the originating order, so long as each of the contra-side orders is for at least 1,000 contracts.¹¹

For instance, as proposed, a 5,000 contract originating QCC Order to buy could, be coupled with a contra-side order comprised of two different sell orders of 2,500 contracts each. Similarly, as proposed, a 5,000 contract originating QCC Order to buy could be coupled with a contra-side order comprised of two different sell orders, one for 4,000 contracts and one for 1,000 contracts. In the above examples, each sell (contra-side) order needs to be for a minimum of 1,000 contracts, provided that the total of all sell (contra-side) orders equals the size of the originating order and that originating order is at least 1,000 contracts.

Accordingly, the Exchange is proposing to amend the definition of QCC Order, as contained in current Rule 900.3NY(y), to provide that an originating order to buy or sell at least

⁸ See Rule 985NY (Qualified Contingent Cross Trade).

⁹ Id.

¹⁰ See supra n. 4.

¹¹ In the case of mini options, the minimum size is 10,000 contracts.

1,000 contracts coupled with a contra-side order or orders totaling an equal number of contracts is permitted, so long as each contra-side order is for at least 1,000 contracts.

2. Statutory Basis

The Exchange believes the proposed rule change is consistent with Section 6(b) of the Act in general, and furthers the objectives of Section 6(b)(5) of the Act, in that it is designed to promote just and equitable principles of trade, remove impediments to and perfect the mechanisms of a free and open market and a national market system and, in general, to protect investors and the public interest. Specifically, because the proposal provides that a QCC Order permits multiple contra-parties, it should afford members and participants more certainty and, therefore, provide more opportunity to participate in QCC trades, consistent with the key principles behind the QCC Order.

The Exchange believes the proposed rule change is consistent with Section 6(b)(8) of the Act, as it will enable the Exchange to compete with other options exchanges, including the ISE,¹² for QCC Orders involving multiple parties, including where there are multiple contra-parties. The Exchange believes that this would be beneficial to participants because allowing multiple contra-parties of at least 1,000 contracts should foster competition for filling one side of a QCC Order and thereby result in potentially better prices, as opposed to only allowing one contra-party and, thereby requiring that contra-party to do a larger size order which could result in a worse price for the trade.

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. In fact, the proposal is intended to relieve a burden on competition, which results from different

¹² See supra n.4.

exchanges interpreting their rules differently. Among the options exchanges, the Exchange believes that the proposal to allow multiple contra-parties of at least 1,000 contracts should foster competition for filling the contra-side of a QCC order and thereby result in potentially better prices for such orders. In addition, the proposal will enable the Exchange to more effectively compete with other option exchanges like the ISE that have already implement similar rule changes.¹³

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

Because the foregoing 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 for 30 days after the date of the filing, or such shorter time as the Commission may designate, it has become effective pursuant to 19(b)(3)(A) of the Act¹⁴ and Rule 19b-4(f)(6)¹⁵ thereunder.

At any time within 60 days of the filing of the 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

¹³ Id.

¹⁴ 15 U.S.C. 78s(b)(3)(A).

¹⁵ 17 CFR 240.19b-4(f)(6). In addition, Rule 19b-4(f)(6) requires a self-regulatory organization to give the Commission written notice of its intent to file 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.

Commission shall institute proceedings to determine whether the proposed rule 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 e-mail to rule-comments@sec.gov. Please include File Number SR-NYSEMKT-2014-23 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-NYSEMKT-2014-23. 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 the 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 available publicly. All submissions should refer to File Number SR-NYSEMKT-2014-23 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.¹⁶

Kevin M. O'Neill
Deputy Secretary

¹⁶ 17 CFR 200.30-3(a)(12).