

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-72107; File No. SR-NSX-2014-14)

May 6, 2014

Self-Regulatory Organizations; National Stock Exchange, Inc.; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Cease Trading on Its Trading System

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the “Act”),¹ and Rule 19b-4 thereunder,² notice is hereby given that on May 1, 2014, 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, II, and III below, which Items have been prepared by the Exchange. 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 is proposing to amend Exchange Rule 11.1 to add new section .01 under Interpretations and Policies to permit NSX to cease trading activity on the Exchange’s Trading System (the “System”)³ as of the close of business on May 30, 2014 (the “Closing Date”).

The text of the proposed rule change is also available on the Exchange’s website at www.nsx.com, at the principal office of the Exchange, and at the Commission’s Public Reference Room.

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ Exchange Rule 1.5S.(4) defines the “System” as the electronic securities communications and trading facility designated by the Board through which orders of Users are consolidated for ranking and execution.

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 aspects of such statements.

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

1. Purpose

NSX, a corporation organized under the laws of the State of Delaware, is a registered national securities exchange under Section 6 of the Exchange Act⁴ and operates as a self-regulatory organization governed by the requirements of Section 19 of the Exchange Act.⁵ Pursuant to a transaction approved by the Commission on December 29, 2011, NSX has operated as a wholly-owned subsidiary of CBOE Stock Exchange, LLC ("CBSX").⁶ This rule filing is not proposing any change to the ownership structure of the Exchange and is not intended to alter any of the existing obligations of CBSX or its owners, directors, officers, employees or agents with respect to CBSX's ownership of NSX, or with respect to the self-regulatory responsibilities of NSX, as described, inter alia, in Sections 5.7(b) and 6.15 of the Third Amended and Restated

⁴ 15 U.S.C. 78f.

⁵ 15 U.S.C. 78s.

⁶ See Exchange Act Release No. 66071 (December 29, 2011), 77 FR 521 (January 5, 2012)(SR-CBOE-2011-107 and SR-NSX-2011-14) (Order Granting Accelerated Approval to Proposed Rule Changes in Connection with the Proposed Acquisition of the National Stock Exchange, Inc. by the CBOE Stock Exchange, LLC).

Operating Agreement of CBOE Stock Exchange, LLC, dated December 30, 2011 (the “Operating Agreement”).⁷

The Exchange is proposing to cease trading activity on the System as of the close of business on the Closing Date. In that regard, the Exchange proposes to add new .01, Interpretations and Policies under Rule 11.1 (Hours of Trading). The new text will provide that, as of the close of business on May 30, 2014, NSX shall cease trading activity on the System; that all NSX Rules will remain in full force and effect through and after the Closing Date; and that the Exchange shall file a proposed rule change pursuant to Rule 19b-4 of the Exchange Act prior to any resumption of trading on the Exchange pursuant to Chapter XI (Trading Rules).

⁷ Section 5.7(b) of the Operating Agreement generally provides that for so long as CBSX shall control NSX, and only to the extent related to the activities of NSX, the Owners, Board of Directors, officers and employees of CBSX shall give due regard to the preservation of the independence of the self-regulatory function of NSX and its obligations to investors and the general public and shall not take actions that any such person knows or reasonably should have known would interfere with the decisions of NSX relating to its regulatory functions (including disciplinary matters) or which would interfere with NSX’s ability to fulfill its obligations under the Act. Section 5.7(b) further requires CBSX, its officers, directors and employees to cooperate with the Commission and NSX with respect to the Commission’s oversight responsibilities regarding NSX. Section 6.15 of the Operating Agreement (Books, Records and Jurisdiction), subsections (a) and (b) generally provide that the books, records, premises, officers, directors, agents and employees of CBSX are deemed to be those of NSX, to the extent they relate to the activities of NSX, for the purpose of and subject to oversight pursuant to the Act. Section 6.15(c) of the Operating Agreement provides that CBSX, its Owners and their respective officers, directors, agents, and employees irrevocably submit to the jurisdiction of the U.S. federal courts, the SEC, CBOE, and NSX, for the purposes of any suit, action or proceeding pursuant to U.S. federal securities laws or the rules or regulations thereunder, commenced or initiated by the SEC arising out of, or relating to, CBSX or the Company’s control of NSX, as applicable (and shall be deemed to agree that CBSX may serve as the U.S. agent for purposes of service of process in such suit, action or proceeding), and that they waive, and agree not to assert by way of motion, as a defense or otherwise in any such suit, action or proceeding, any claims that they are not personally subject to the jurisdiction of the SEC, that the suit, action or proceeding is an inconvenient forum or that the venue of the suit, action or proceeding is improper, or that the subject matter thereof may not be enforced in or by such courts or agency.

After trading ceases on the System as of the close of business on the Closing Date, the Exchange will continue to be registered as a national securities exchange and will continue to retain its status as a self-regulatory organization. The Exchange represents that it will fully discharge all of its obligations as a self-regulatory organization pursuant to the Act through and after the Closing Date, and will assure that it maintains adequate funding for this purpose. The Exchange is not the Designated Examining Authority (“DEA”) for any of its ETP Holders and there are no “NSX only” ETP Holders (*i.e.*, all NSX ETP Holders are members of other self-regulatory organizations).⁸

Further, all NSX rules shall remain in full force and effect through and after the Closing Date and the Exchange will retain disciplinary jurisdiction over all ETP Holders and persons associated with ETP Holders⁹ pursuant to Chapter VIII. of the Exchange’s Rules and, specifically, Rule 8.1(b). That rule generally provides that any ETP Holder or person associated with an ETP Holder shall continue to be subject to the disciplinary jurisdiction of the Exchange following the termination of such person’s ETP status or association with an ETP Holder with respect to matters that occurred prior to such termination; provided that written notice of the commencement of an inquiry into such matters is given by the Exchange to such former ETP Holder or former associated person within one year of receipt by the Exchange of the latest

⁸ The Exchange represents that it will move to amend or cancel its participation in any existing Exchange Act Rule 17d-2 Plans for Allocation of Regulatory Responsibilities for NSX as appropriate in connection with the conclusion of all open matters relating to the Exchange’s regulatory responsibilities with respect to NSX.

⁹ Exchange Rule 1.5P.(1) provides that “[t]he terms “person associated with an ETP Holder” or “associated person of an ETP Holder” mean any partner, officer, director, or branch manager of an ETP Holder (or any person occupying a similar status or performing similar functions), any person directly or indirectly controlling, controlled by, or under common control with an ETP Holder, or any employee of such ETP Holder, except that any person associated with an ETP Holder whose functions are solely clerical or ministerial shall not be included in the meaning of such terms.

written notice of the termination of such person's status as an ETP Holder or person associated with an ETP Holder. Such notice requirement does not apply to a person who at any time after a termination again becomes subject to the disciplinary jurisdiction of the Exchange by becoming an ETP Holder or a person associated with an ETP Holder.¹⁰ Pursuant to this rule, after the Closing Date, the Exchange will enforce any rule violation that occurred prior to the close of business on the System on the Closing Date.

Upon the filing of the instant rule proposal with the Commission, the Exchange will inform all ETP Holders by Information Circular that NSX will end trading operations as of the close of business on the Closing Date. The Information Circular will also inform all ETP Holders that the Exchange will terminate the ETP status of any remaining ETP Holders as of May 30, 2014. Once the proposed rule change is operative, NSX will no longer accept new ETP applications or further consider any pending ETP applications.

2. Statutory Basis

The Exchange believes the proposed rule change is consistent with the Exchange Act and the rules and regulations thereunder applicable to the Exchange and, in particular, the requirements of Section 6(b)¹¹ of the Exchange Act. Specifically, the Exchange believes that the proposed rule change is consistent with the requirement of Section 6(b)(5)¹² that the rules of an exchange 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 regulating, clearing, settling, processing information with respect to, and facilitating transactions

¹⁰ The Exchange notes that, because all NSX rules will remain in effect after the Closing Date, NSX Rule 11.18, which limits the liability of the Exchange, will also remain in effect.

¹¹ 15 U.S.C.78(f)(b) [sic].

¹² 15 U.S.C. 78(f)(b)(5) [sic].

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.

Additionally, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5) requirement that the rules of an exchange not be designed to permit unfair discrimination between customers, issuers, brokers, or dealers.

In particular, the proposed rule change will allow NSX to cease trading activity on the System as of the close of business on the Closing Date and continue to maintain adequate funding to fulfill its regulatory obligations under the Exchange Act, including enforcing any rule violations that occurred through the close of trading on the Closing Date. Because all ETP Holders are members of other exchanges, after the Closing Date they will be able to direct their orders to other national securities exchanges and other trading venues, including alternative trading systems and the over-the-counter market generally.

Under the proposal, in addition to this rule filing being made available on the NSX website, www.nsx.com, ETP Holders will receive written notice by Information Circular, issued upon the instant rule filing being filed with the Commission, advising them of the Exchange's intention to cease trading activity on the System as of the close of business on the Closing Date. Accordingly, the Exchange believes that ETP Holders will have sufficient time prior to the Closing Date to determine the exchanges and trading venues to which they will direct their orders after the Closing Date and make any necessary adjustments in their respective trading systems. Moreover, all ETP Holders will receive prior notice that NSX will terminate their ETP Status as of May 30, 2014, unless the ETP Holder voluntarily terminates its status as such prior to such date in accordance with Exchange rules.

The Exchange submits that proposed rule change is therefore consistent with the requirements of Section 6(b)(5) of the Exchange Act that rules of an exchange be designed to facilitate 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.

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 Exchange Act. The NSX's decision to cease trading activity on the System as of the close of business on the Closing Date will result in one less operational trading venue for equity securities. The Exchange notes that there are numerous stock exchanges and trading platforms on which market participants may trade equity securities. NSX currently has approximately .20% of market share among national stock exchanges. In light of the trading volume on NSX and the ability of ETP Holders to trade equity securities on other trading venues, the Exchange does not believe that its proposal will have any substantial competitive impact.

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

The Exchange has not solicited or received written comments on the proposed rule change from ETP Holders or others.

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

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 for 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 Act¹³ and Rule 19b-4(f)(6)(iii) thereunder.¹⁴

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: (i) necessary or appropriate in the public interest; (ii) for the protection of investors; or (iii) otherwise in furtherance of the purposes of the Act. If the Commission takes such action, the 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-NSX-2014-14 on the subject line.

Paper comments:

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

¹³ 15 U.S.C. 78s(b)(3)(A).

¹⁴ 17 CFR 240.19b-4(f)(6)(iii). As required under Rule 19b-4(f)(6)(iii), the Exchange provided the Commission with written notice of its intent to file the proposed rule change, along with a brief description and the 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.

All submissions should refer to File Number SR-NSX-2014-14. 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 offices 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-NSX-2014-14, 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.¹⁵

Kevin M. O'Neill
Deputy Secretary

¹⁵ 17 CFR 200.30-3(a)(12).