SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-72591; File No. SR-NYSEArca-2014-75)

July 10, 2014

Self-Regulatory Organizations; NYSE Arca, Inc.; Notice of Filing of Proposed Rule Change Amending NYSE Arca Equities Rules 7.6, 7.11, 7.16, 7.31, 7.34, 7.35, 7.37 and 7.65 to Eliminate Certain Order Types, Modifiers and Related References

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 June 27, 2014, NYSE Arca, Inc. (the

"Exchange" or "NYSE Arca") filed with the Securities and Exchange Commission (the

"Commission") the proposed rule change as described in Items I, II, and III 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 NYSE Arca Equities Rules 7.6, 7.11, 7.16, 7.31, 7.34,

7.35, 7.37 and 7.65 to eliminate certain order types, modifiers and related references. 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 places

---

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

[2]   15 U.S.C. 78a.

[3]   17 CFR 240.19b-4.

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 Exchange proposes to amend NYSE Arca Equities Rules 7.6, 7.11, 7.16, 7.31, 7.34,

7.35, 7.37 and 7.65[4] to eliminate certain order types, modifiers and related references. The

Exchange proposes to eliminate the order types and modifiers specified below in order to

streamline its rules and reduce complexity among its order type offerings.[5] The Exchange also

proposes to eliminate references in Rules 7.6, 7.34 and 7.35 to the Midpoint Directed Fill and

Cleanup Order, which were recently deleted.[6]

Elimination of Five Working Orders (Rule 7.31(h))

The Exchange proposes to eliminate, and thus delete from its rules, five Working Orders

(and certain related combinations), which are orders, defined in Rule 7.31(h), with a conditional

or undisplayed price and/or size.

First, the Exchange proposes to eliminate Passive Discretionary Orders, which are

Discretionary Orders that may route to an away market if marketable upon arrival, but otherwise

will not route and will not trade through a protected quotation. To reflect this elimination, the

Exchange proposes to delete the following:

---

4   All references to rules in this filing are to the rules of NYSE Arca Equities.

5   See Mary Jo White, Chair, Securities and Exchange Commission, Speech at the Sandler O'Neill & Partners, L.P. Global Exchange and Brokerage Conference (June 5, 2014) (available at www.sec.gov/News/Speech/Detail/Speech/1370542004312#.U5HI-fmwJiw).

6   See Securities Act Release No. 71331 (January 16, 2014), 79 FR 3907 (January 23, 2014) (SR-NYSEArca-2013-92).

- Rule 7.31(h)(2)(A), which defines the order type;

- Rule 7.37(b)(2)(A)(iv),[7] which governs the determination of a Passive Discretionary Order's execution price; and

- the references to Passive Discretionary Orders in Rules 7.11(a)(6), 7.11(a)(6)(C), and 7.37(b)(2)(C).[8]

Second, the Exchange proposes to eliminate Discretion Limit Orders. As defined in Rule 7.31(h)(2)(B), if the discretionary price of a Discretion Limit Order can be matched against trading interest in the NYSE Arca Book, then such order will be executed at the discretionary price or better. If the discretionary price of a Discretion Limit Order can be matched against a Protected Quotation, it would be routed but only if the displayed share size of the Discretion Limit Order is equal to or less than the displayed share size of the away market participant. To effect this elimination, the Exchange proposes to delete Rule 7.31(h)(2)(B) and references to Discretion Limit Orders in Rules 7.11(a)(6) and 7.11(a)(6)(C).

Third, the Exchange proposes to eliminate Sweep Reserve Orders, which provides for routing the displayed portion of a Reserve Order if the displayed price of a Sweep Reserve Order is marketable against an away market participant(s). Based on User instructions, the order may be routed (1) serially as component orders, such that each component corresponds to the displayed size, or (2) only once in its entirety, including both the displayed and reserve portions.

---

[7] The Exchange also proposes to renumber current Rule 7.37(b)(2)(A)(v) as Rule 7.37(b)(2)(A)(iv).

[8] A Passive Discretionary Order can be used in combination with a Reserve Order, defined in Rule 7.31(h)(3), as a limit order with a portion of the size displayed and with a reserve portion of the size (known as a "reserve size") that is undisplayed on the Exchange. In eliminating Passive Discretionary Orders, the Exchange will no longer accept this combination, also known as a Passive Discretionary Reserve Order.

To effect this elimination, the Exchange proposes to delete Rule 7.31(h)(3)(A) and delete the references to Sweep Reserve Orders in Rule 7.31(h)(3)(C) and in Rule 7.11(a)(6)(C).[9]

Fourth, the Exchange proposes to eliminate Random Reserve Orders, which have a random reserve value (expressed in share quantity) that, as a range of round lots, will vary the displayed size of the Reserve Order. To effect this elimination, the Exchange proposes to delete Rule 7.31(h)(3)(B) and references to the Random Reserve Order in Rule 7.11(a)(6)(C).

Finally, the Exchange proposes to eliminate PL Select Orders, which are Passive Liquidity Orders designated as a PL Select Order to buy or sell a stated amount of a security at a specified, undisplayed price. A PL Select Order retains its standing in execution priority among Passive Liquidity Orders but does not interact with incoming orders that (1) have an IOC time in force condition, or (2) are Intermarket Sweep Orders ("ISO"). An incoming PL Select Order that is marketable will execute against all available contra-side interest without restrictions. To effect this elimination, the Exchange proposes to delete Rule 7.31(h)(7).

Amendment of Cross Order (Rule 7.31(s))

The Exchange proposes to amend the Cross Order Rule to provide that the Exchange will only accept Cross Orders with an Immediate or Cancel ("IOC") designation. To effect this change, the Exchange proposes to amend the definition of Cross Order in Rule 7.31(s), which defines a Cross Order as a two-sided order with instructions to match the identified buy-side with the identified sell-side at a specified price, also known as the "cross price," to add the clause "designated IOC" to clarify that only a Cross Order with such a designation can be entered on the Exchange. Consistent with the current operation of an IOC Cross Order, currently defined in

---

[9]   A Sweep Reserve Order can be entered with a discretionary price (known as a Sweep Reserve with Discretion Order) as well as an inside limit price (known as an Inside Limit Sweep Reserve). In deleting Sweep Reserve Orders, the Exchange will also no longer accept these combinations.

Rule 7.31(aa), the Exchange proposes to amend Rule 7.31(s) to provide that Cross Orders that would lock or cross the PBBO or the BBO would be rejected.[10]

In connection with this amendment, the Exchange proposes to move text from Rule 7.31(aa)(1) – (3), which governs the operation of an IOC Cross Order, to Rule 7.31(s) and delete Rules 7.31(s)(1) – (5) as moot for the proposed revised definition of a Cross Order, which must be designated IOC and does not route.

The Exchange also proposes to delete Rule 7.16(f)(v)(G), which provides that short sale cross orders priced at or below the current national best bid will be rejected during the Short Sale Period as defined in Rule 7.16(f)(iv). This provision is also moot since a Cross Order with an IOC designation cannot execute at or below the current national best bid.

Elimination of Six Cross Order Types

The Exchange also proposes to eliminate the following six separately-defined Cross Orders.

First, the Exchange proposes to eliminate the Midpoint Cross Order, which is a Cross Order priced at the midpoint of the PBBO that will be rejected when a locked or crossed market of Protected Quotations exists in that security. To effect this elimination, the Exchange proposes to delete Rule 7.31(y), which defines the Midpoint Cross Order, and delete commentary .04 to Rule 7.6 that includes a reference to Midpoint Cross Orders.

Second, the Exchange proposes to eliminate the IOC Cross Order. By amending Rule 7.31(s) as described above, the Exchange no longer needs to separately define an IOC Cross Order. To effect this elimination, the Exchange proposes to delete Rule 7.31(aa), which describes the IOC Cross Order.

---

[10]   As described below, the Exchange proposes to delete the IOC Cross Order set forth in Rule 7.31(aa).

Third, the Exchange proposes to eliminate the Post No Preference (PNP) Cross Order, which is a Cross Order that is to be executed in whole or in part on the Exchange with any portion not so executed canceled, without routing any portion of the PNP Cross Order to another market center. To effect this elimination, the Exchange proposes to delete Rule 7.31(bb).

Fourth, the Exchange proposes to eliminate the Cross-and-Post Order, which is a Cross Order or PNP Cross Order to be executed in whole or in part on the Exchange where any unexecuted portion will be displayed in the NYSE Arca Book at the cross price. To effect this elimination, the Exchange proposes to delete Rule 7.31(ff) and, as noted above, delete the references to Cross and Post Order in Rules 7.31(s)(3) and 7.31(s)(5)(B). The Exchange also proposes to delete references to the PNP Cross and Post Orders in Rules 7.37(d)(1) and 7.37(d)(2) governing order execution.

Fifth, the Exchange proposes to eliminate the Portfolio Crossing Service (PCS) Order. A PCS Order is an order to buy or sell a group of securities, which group includes no fewer than 15 securities having a total market value of $1 million or more. Each individual component of a PCS Order resembles a Cross Order, as defined by Rule 7.31(s), but must also include a unique basket number identifying it as a PCS Order eligible for entry into the Portfolio Crossing Service pursuant to Rule 7.65. To effect this elimination, the Exchange proposes to delete Rule 7.31(ii), describing the PCS Order, and Rule 7.65, which governs the entry of such orders into the PCS. The Exchange also proposes to remove the reference to the PCS in Rule 7.34(g).

Finally, the Exchange proposes to eliminate the Day Cross Order, which is a Cross Order accompanied by a Day Modifier. To effect this elimination, the Exchange proposes, as noted above, to restrict entry of Cross Orders to those with an IOC designation by amending Rule 7.31(s). A Cross Order with a Day Modifier would thus be rejected.

6

<u>Additional Order Deletion and Amendment</u>

The Exchange proposes to eliminate the following additional order types and modifiers.

First, the Exchange proposes to eliminate the Market to Limit (MTL) Order, which is an un-priced order that, upon receipt, is immediately assigned a limit price equal to the contra NBBO price. To effect this elimination, the Exchange proposes to delete Rule 7.31(rr).

Second, the Exchange proposes to amend the definition of an Auction-Only Order to provide that the Exchange will only accept the Auction-Only Orders specified in Rule 7.31(t). An Auction Only Order is currently defined as a limit or market order to be executed during the next auction following entry of the order and, if not executed in the auction that it participates in, the balance is cancelled. To effect this change, the Exchange proposes to amend Rule 7.31(t) to specify that the only auction-only orders that can be entered on the Exchange are the separately-defined Limit-on-Open Orders ("LOO Order"), Market-on-Open Orders ("MOO Order"), Limit-on-Close Orders ("LOC"), and Market-on-Close Orders ("MOC"). The Exchange also proposes to replace the references to Auction-Only Limit with LOO in Rule 7.35, and delete the references to Auction Only Limit Orders in Rule 7.35(f)(3)(E).

Third, the Exchange proposes to amend the definition of a NOW Order to provide that NOW Orders with a Reserve modifier would no longer be accepted. A NOW Order is a Limit Order that is executed in whole or in part on the Exchange with any unexecuted portion routed pursuant to Rule 7.37(d) for immediate execution. If any portion of the routed order is not immediately executed, it will be canceled. To effect this change, the Exchange proposes to amend the definition of a NOW Order in Rule 7.31(v) to provide that NOW Orders entered with a Reserve modifier would be rejected.

Fourth, the Exchange proposes that Market Orders with a NOW or IOC modifier would

no longer be accepted. Rule 7.31(a) defines a Marker Order as an order to buy or sell a stated amount of a security that is to be executed at the NBBO when the order reaches the Exchange. To effect this change, the Exchange proposes to eliminate the reference to market orders in the definition of the IOC modifier in Rule 7.31(c)(3), thereby limiting the use of the IOC modifier to limit orders. A Market Order entered with an IOC limitation would therefore be rejected. Similarly, the Exchange proposes to amend the definition of a NOW Order to provide that NOW Orders entered with a Market modifier would be rejected.

Finally, the Exchange proposes to modify the Mid-Point Liquidity ("MPL") Order to eliminate the use of a Fill or Kill ("FOK") modifier with an MPL Order. An MPL Order is a Passive Liquidity Order priced at the midpoint of the PBBO. To effect this change, the Exchange proposes to amend the definition of an MPL Order in Rule 7.31(h)(5) to provide that an MPL Order entered with a FOK modifier would be rejected.

<u>References to Deleted Order Types in Rule 7.6, Rule 7.34 and Rule 7.35</u>

The Exchange proposes to delete commentary .04 to Rule 7.6 governing Trading Differentials. The commentary provides an exception for Midpoint Cross Orders and Midpoint Directed Fills. As described above, the Exchange is eliminating the Midpoint Cross Order. The Directed Fill order type was recently eliminated.[11]

Similarly, Cleanup Orders were recently eliminated.[12] The Exchange accordingly proposes to delete references to Cleanup Orders in Rule 7.34(b)(2), which provides that Market Makers may, at their discretion, maintain a Cleanup Order for any securities in which they are registered for each Market Order Auction. The Exchange also proposes to delete the references to Cleanup Orders in Rule 7.35(c)(2)(A)(1)(v) and Rule 7.35(f)(3)(B).

---

[11]   See <u>supra</u> note 6.

[12]   See <u>id</u>.

Because of the technology changes associated with the proposed rule change, the

Exchange proposes to announce the implementation date of the elimination of the order types via

Trader Update.

        2.   <u>Statutory Basis</u>

The proposed rule change is consistent with Section 6(b) of the Act,[13] in general, and

furthers the objectives of Section 6(b)(5),[14] in particular, in that it is 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, and to remove impediments to and perfect the mechanism of a free and open market

and a national market system. Specifically, the Exchange believes that eliminating the Passive

Discretionary Order, Discretion Limit Order, Sweep Reserve Order, Random Reserve Order, PL

Select Order, Auction-Only Order, Cross-and-Post Order, Day Cross Order, Midpoint Cross

Order, PNP Cross Order, IOC Cross Order and PCS Order removes impediments to and perfects

a national market system by simplifying functionality and complexity of its order types. The

Exchange believes that eliminating these order types and modifiers would not be inconsistent

with the public interest and the protection of investors because investors will not be harmed and

in fact would benefit from the removal of complex functionality. The Exchange further believes

that deleting corresponding references to deleted order types also removes impediments to and

perfects the mechanism of a free and open market by ensuring that members, regulators and the

public can more easily navigate the Exchange's rulebook and better understand the orders types

available for trading on the Exchange. Similarly, the Exchange believes that removing cross-

references to the Midpoint Directed Fill and Cleanup Order order types, which the Exchange

---

[13]   15 U.S.C. § 78f(b).

[14]   15 U.S.C. § 78f(b)(5).

recently eliminated in a separate rule filing,[15] would remove impediments to and perfect the mechanism of a free and open market because it would reduce potential confusion that may result from having such cross references in the Exchange's rulebook. Removing such obsolete cross references will also further the goal of transparency and add clarity to the Exchange's rules.

B.   Self-Regulatory Organization's Statement on Burden on Competition

The Exchange does not believe that the proposed rule change imposes any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. The proposed change is not designed to address any competitive issue but rather would remove obsolete cross-references and remove complex functionality, thereby reducing confusion and making the Exchange's rules easier to understand and navigate.

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

Within 45 days of the date of publication of this notice in the Federal Register or within such longer period (i) as the Commission may designate up to 90 days of such date if it finds such longer period to be appropriate and publishes its reasons for so finding or (ii) as to which the self-regulatory organization consents, the Commission will:

(A)   by order approve or disapprove the proposed rule change, or

(B)   institute proceedings to determine whether the proposed rule change should be disapproved.

IV.   Solicitation of Comments

---

[15]   See supra note 6.

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-NYSEArca-2014-75 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.

All submissions should refer to File Number SR-NYSEArca-2014-75. 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-NYSEArca-2014-75 and should be submitted on or before [insert date

21 days from publication in the <u>Federal</u> <u>Register</u>].

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).