SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-72942; File No. SR-NYSEArca-2014-75)

August 28, 2014

Self-Regulatory Organizations; NYSE Arca, Inc.; Order Granting Approval 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

I.   Introduction

On June 27, 2014, NYSE Arca, Inc. ("Exchange" or "NYSE Arca") 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

to eliminate certain order types, modifiers and related references from the Exchange's rules. The

proposed rule change was published for comment in the Federal Register on July 16, 2014.[3] The

Commission received no comment letters regarding the proposed rule change. This order

approves the proposed rule change.

II.   Description of the Proposal

The Exchange has proposed to amend NYSE Arca Equities Rules ("Rule(s)") 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 Exchange states that it is proposing these rule changes in order to streamline its

rules and reduce complexity among its order type offerings.[4]

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

2   17 CFR 240.19b-4.

3   See Securities Exchange Act Release No. 72591 (July 10, 2014), 79 FR 41613
        ("Notice").

4   See Notice, 79 FR at 41614.

Working Orders. The Exchange has proposed to eliminate five types of working

orders[5] – Passive Discretionary Orders, Discretion Limit Orders, Sweep Reserve Orders,

Random Reserve Orders, and PL Select Orders – and to delete the definitions of these order

types currently set forth in Rule 7.31(h), as well as references to these order types currently in

Rules 7.11 and 7.37.[6] In addition, in connection with the proposed elimination of Passive

Discretionary Orders and Sweep Reserve Orders, the Exchange has proposed not to accept

certain combined orders that currently involve these order types, namely, the Passive

Discretionary Reserve Order (a Passive Discretionary Order used in combination with a Reserve

Order), Sweep Reserve with Discretion Order (a Sweep Reserve Order entered with a

discretionary price), and Inside Limit Sweep Reserve Order (a Sweep Reserve Order entered

with an inside limit price).[7]

Cross Orders. The Exchange has proposed to accept only one type of cross order – Cross

Orders designated IOC – and to revise its rules accordingly. Currently, the Exchange defines a

Cross Order in Rule 7.31(s), separately defines an IOC Cross Order in Rule 7.31(aa), and

separately defines additional types of cross orders in other provisions of Rule 7.31. To effect the

proposed change, the Exchange has proposed to consolidate Rule 7.31(aa) into Rule 7.31(s),

thereby creating one provision that describes Cross Orders designated IOC, and to eliminate the

additional types of cross orders currently available on the Exchange.[8] Rule 7.31(aa) would be

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consolidated into Rule 7.31(s) by: (i) adding the clause "designated IOC" to the definition of Cross Order in Rule 7.31(s), (ii) moving to Rule 7.31(s) from Rule 7.31(aa) text stating that Cross Orders that would lock or cross the PBBO or BBO will be cancelled,[9] and (iii) deleting Rule 7.31(aa).[10] The Exchange also has proposed to delete certain rule provisions that would be rendered moot or inapplicable by this proposed change.[11]

Additional Order Types and Rule Reference Deletions. In addition to the foregoing proposed changes with respect to working orders and cross orders, the Exchange has proposed to eliminate or limit the operation of five other order types. First, the Exchange has proposed to eliminate the Market to Limit ("MTL") Order, and thus to delete Rule 7.31(rr), which currently sets forth the definition of this order type. Second, the Exchange has proposed to amend the definition of an Auction-Only Order in Rule 7.31(t) to provide that the Exchange will only accept the Auction-Only Orders specified therein, namely, Limit-on-Open Orders ("LOO Order"), Market-on-Open Orders ("MOO Order"), Limit-on-Close Orders ("LOC"), and Market-

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in Rule 7.31(y)), Post No Preference ("PNP") Cross Order (currently defined in Rule 7.31(bb)), Cross-and-Post Order (currently defined in Rule 7.31(ff)), and Portfolio Crossing Service ("PCS") Order (currently defined in Rule 7.31(ii)). The definitions of these cross order types currently set forth in Rule 7.31 would be deleted, as would references to certain of these cross order types currently set forth in Rules 7.34(g), 7.37(d) and 7.65. Id. at 41615.

9   The terms "PBBO" and "BBO" are defined in Rules 1.1(h) and (dd), respectively.

10   See Notice, 79 FR at 41614-15; see also proposed Rule 7.31(s).

11   See Notice, 79 FR at 41615. Subparagraphs (1)-(6) of current Rule 7.31(s) describe Cross Order functionality that is applicable only when Cross Orders are not designated IOC, and thus, according to the Exchange, the proposal would render those subparagraphs moot. Similarly, the Exchange proposes to delete Rule 7.16(f)(v)(G) as that rule, which provides that short sale cross orders priced at or below the current national best bid will be rejected during a Short Sale Period (defined in Rule 7.16(f)(iv)), would be inapplicable because Cross Orders designated IOC cannot execute at or below the current national best bid. Further, by virtue of the proposed restriction of Cross Orders to those with an IOC designation, the Exchange has proposed to eliminate the Day Cross Order, and thus a Cross Order with a Day modifier would be rejected as a result of the proposal. Id.

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on-Close Orders ("MOC").[12] Third, the Exchange proposes not to accept NOW Orders with a

Reserve Modifier, and thus to amend the definition of a NOW Order in Rule 7.31(v) to provide

that NOW Orders entered with a Reserve modifier will be rejected. Fourth, the Exchange

proposes not to accept market orders with a NOW or IOC modifier, and thus to delete the

reference to market orders in the definition of the IOC modifier in Rule 7.31(c)(3),[13] and to

amend the definition of a NOW Order in Rule 7.31(v) to provide that NOW Orders entered with

a Market modifier will be rejected. Lastly, the Exchange proposes to eliminate the use of a Fill

or Kill ("FOK") modifier with a Mid-Point Liquidity ("MPL") Order, and thus 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 will be rejected.

Furthermore, the Exchange has proposed to delete commentary .04 to Rule 7.6, as the

commentary provides an exception to Rule 7.6 (which governs trading differentials) for

Midpoint Cross Orders, which would be eliminated as a result of the instant proposal, and for

Midpoint Directed Fills, which were eliminated in a prior rule filing.[14] The Exchange also

proposes to delete references to Cleanup Orders from Rules 7.34 and 7.35, as Cleanup Orders

were eliminated in the same prior rule filing that eliminated Midpoint Directed Fills.[15]

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[12] See Notice, 79 FR at 41615. The Exchange also proposes to replace the references in Rule 7.35 to Auction-Only Limit with LOO and to Auction-Only Market with MOO, and to delete the references to Auction Only Limit Orders in Rule 7.35(f)(3)(E). Id.; see also proposed Rule 7.35.

[13] As a result, the use of the IOC modifier would be limited to limit orders, and a market order entered with an IOC modifier would be rejected. See proposed Rule 7.31(c)(3); see also Notice, 79 FR at 41615.

[14] See Notice, 79 FR at 41615-16; see also Securities Exchange Act Release No. 71331 (January 16, 2014), 79 FR 3907 (January 23, 2014) (SR-NYSEArca-2013-92).

[15] Id.

The Exchange has proposed, due to the technology changes associated with this proposal, to announce via Trader Update the implementation date of the elimination of the order types under this proposal.[16]

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.[17]   In particular, the Commission finds that the proposed rule change is consistent with Section 6(b)(5) of the Act,[18] 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; and are not designed to permit unfair discrimination between customers, issuers, brokers or dealers.

The Commission notes that the instant proposal does not add any new functionality but instead reduces the number of order types and order type/modifier combinations that will be accepted by the Exchange, which should simplify to a degree the order type functionality available on the Exchange. The Commission believes that the proposed rule change should 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.

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[16]   See Notice, 79 FR at 41616.

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

[18]   15 U.S.C. 78f(b)(5).

IV.   Conclusion

IT IS THEREFORE ORDERED, pursuant to Section 19(b)(2) of the Act,[19] that the

proposed rule change (SR-NYSEArca-2014-75) be, and it hereby is, approved.

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

authority.[20]

Kevin M. O'Neill
Deputy Secretary

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[19]   15 U.S.C. 78s(b)(2).

[20]   17 CFR 200.30-3(a)(12).