

SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34-69881; File No. SR-NYSEMKT-2013-57)

June 27, 2013

Self-Regulatory Organizations; NYSE MKT LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change Amending Exchange Rule 980NY to Modify the Information Disseminated at the Initiation of a Complex Order Auction

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”),<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on June 25, 2013, NYSE MKT LLC (“NYSE MKT” or “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 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 Exchange Rule 980NY to modify the information disseminated at the initiation of a Complex Order Auction. The text of the proposed rule change is available on the Exchange’s website at [www.nyse.com](http://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

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<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 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 Exchange Rule 980NY to modify the information disseminated at the initiation of a Complex Order Auction (“COA”).

Current Rule 980NY(e)(2) provides that upon receipt of a COA-eligible order, as defined in Rule 980NY(e)(1), and at the direction of the entering ATP Holder that an auction be initiated, the Exchange will send an automated request for responses (“RFR”) message to all ATP Holders who subscribe to RFR messages. RFR messages identify the component series, the size of the order and any contingencies, but do not identify the side of the market. ATP Holders then have an opportunity to submit bids and offers with the price and size they would be willing to participate in the execution of the COA-eligible order (an “RFR Response”).

NYSE Amex Options proposes to amend Rule 980NY(e)(2) to include the side (i.e., buy or sell) of a Complex Order entered into COA when broadcasting automated RFRs to ATP Holders. This proposed rule change is similar to a recent change by the Chicago Board Options Exchange, Inc. (“CBOE”)<sup>3</sup>. Like the CBOE, because same-side responses to an RFR would not trade with the COA-eligible order, the Exchange has determined that the submission of RFR Responses on the same side as the COA-eligible order are [sic] unnecessary.<sup>4</sup> In order to reduce the number responses on the same side of the market as the COA-eligible order, the Exchange now proposes to amend Rule 980NY(e)(2) to include the side of the market of the order being auctioned when

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<sup>3</sup> See Exchange Act Release No. 68095 (October 24, 2012), 77 FR 65751 (October 30, 2012) (Order approving SR-CBOE-2012-85) (“CBOE Filing”).

<sup>4</sup> See CBOE Filing

sending out an RFR. By providing the side of the market, ATP Holders will be able to tailor their responses to RFRs and will only need to submit one order on the contra side of the order being auctioned, as opposed to two orders, one on each side of the COA-eligible order, as is generally the case today. In addition, the Exchange believes that the dissemination of the additional information about the terms of an order will encourage more meaningful and competitively priced RFR Responses, which could result in deeper liquidity and better prices for market participants.

Because a same-side RFR Response cannot trade with a COA-eligible order, the Exchange considers same-side RFR Responses to be unnecessary to the COA process. Therefore, the Exchange proposes to amend Rule 980NY(e)(4) to provide that RFR Responses must be on the opposite side of the COA-eligible order and that same-side RFR Responses will be rejected by the Exchange. Requiring that RFR Responses be on the opposite side of a COA-eligible order and rejecting same-side RFR Responses is consistent with the processing of RFR Responses by the CBOE.<sup>5</sup> The Exchange believes that the proposed rule change will improve the efficiency of the COA process by eliminating excess RFR Responses that can never actually trade with the COA-eligible order.<sup>6</sup>

Pursuant to this proposed rule change, same-side RFR Responses will be rejected, therefore incoming RFR Responses will no longer be eligible to trade against same-side RFR Responses. Accordingly, the Exchange proposes to delete a reference to RFR Responses in Rule 980NY(e)(7).

The Exchange also proposes to amend Rule 980NY(e)(4) by correcting the rule text describing how RFR Responses are treated. Existing rule text states that RFR Responses will be

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<sup>5</sup> See CBOE Filing

<sup>6</sup> The Exchange notes that only same-side Responses will be rejected and that unrelated Complex Orders on the same side of the market as a COA-eligible order that are received during the Response Time Interval will continue to be processed pursuant to Rule 980NY(e)(8).

ranked and displayed in the Consolidated Book. However, in accordance with Rule 980NY(e)(7), RFR Responses are only firm with respect to COA-eligible orders and unrelated orders that are received during the Response Time Interval, as defined in Rule 980NY(e)(3), and any unexecuted RFR Responses will expire at the end of the Response Time Interval (signifying the end of the auction). Because RFR Responses are only firm with respect to COA-eligible orders and unrelated orders that are received during an auction, and the fact that unexecuted RFR Responses expire at the conclusion of the auction, RFR Responses should not be ranked and/or displayed in the Consolidated Book. Thus, the language stating that RFR Responses will be ranked and displayed in the Consolidated Book is inaccurate. The Exchange therefore proposes to delete language in Rule 980NY(e)(4) stating that RFR Responses will be ranked and displayed in the Consolidated Book and affirmatively state in Rule 980NY(e)(7) that RFR Responses will not be displayed in the Consolidated Book.

The Exchange also proposes to make non-substantive changes to Rule 980NY subsections (e)(2) and (e)(7) by correcting minor typographical errors in the existing rule text.

The Exchange will announce the implementation date of the systems functionality associated with the proposed rule change by Trader Update to be published no later than 90 days following the effective date. The implementation date will be no later than 90 days following the issuance of the Trader Update.

## 2. Statutory Basis

The proposed rule change is consistent with Section 6(b)<sup>7</sup> of the Securities Exchange Act of 1934 (the “Act”), in general, and furthers the objectives of Section 6(b)(5),<sup>8</sup> in that it is designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable

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<sup>7</sup> 15 U.S.C. 78f(b).

<sup>8</sup> 15 U.S.C. 78f(b)(5).

principles of trade, to foster cooperation and coordination with persons engaged in facilitating transactions in securities, and to remove impediments to and perfect the mechanisms of a free and open market and a national market system. In particular, the Exchange believes the proposed rule change protects investors and is in the public interest because it will eliminate unnecessary RFR Responses on the same side of the market as a COA-eligible order, which will ultimately make the COA process more efficient. In addition, the Exchange believes that including the side of the market in the RFR will encourage more meaningful and competitively priced RFR Responses, which could result in deeper liquidity and better prices for market participants. Disseminating additional information regarding the terms of an order should reduce confusion and provide for a less disruptive COA process, thus aiding in perfecting the mechanisms of the open market.

Also, by amending Rule 980NY(e)(4) and(7) the Exchange is correcting inaccurate language describing the functionality of the COA for the reasons set forth above. Correcting inaccurate rule language will provide clarity as to the functionality of the COA. The Exchange believes that having clear and precise rules furthers the objectives of the Act by removing of impediments to and helping to perfect the mechanisms of a free and open market and a national market system.

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. Specifically, the proposal is structured to offer the same enhancement to all market participants, regardless of account type, and will not impose a competitive burden on any participant. The Exchange believes that adopting similar COA rules to those of other exchanges will allow NYSE

Amex Options to more efficiently compete for complex order business. In addition, by disseminating enhanced RFRs, ATP Holders will be able to provide more efficient responses thus creating a more competitive market. The Exchange does not believe that requiring RFR responses to be on the opposite side of a COA eligible order and/or rejecting same-side Responses will impose any burden on market participants because market participants will still have the ability to submit unrelated same-side Complex Orders to the Exchange.

Because this proposal adopts a rule that is already in effect at a competing exchange, the Exchange does not believe that the proposed changes will impose a burden on other options exchanges. Rather, making this functionality available to market participants on the Exchange may foster more competition, thus improving the overall efficacy of the options markets.

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: (1) does not significantly affect the protection of investors or the public interest; (2) does not impose any significant burden on competition; and (3) by its terms does not become operative for 30 days after the date of this filing, 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<sup>9</sup> and Rule 19b-4(f)(6) thereunder.<sup>10</sup>

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<sup>9</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>10</sup> 17 CFR 240.19b-4(f)(6). In addition, Rule 19b-4(f)(6)(iii) requires a self-regulatory organization to provide the Commission with written notice of its 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

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.

#### 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](mailto:rule-comments@sec.gov). Please include File Number SR-NYSEMKT-2013-57 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-2013-57. 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

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shorter time as designated by the Commission. The Exchange has fulfilled this requirement.

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-2013-57 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.<sup>11</sup>

Kevin M. O'Neill  
Deputy Secretary

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<sup>11</sup> 17 CFR 200.30-3(a)(12).