

SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34-71222; File No. SR-NYSEMKT-2013-86)

January 2, 2014

Self-Regulatory Organizations; NYSE MKT LLC; Notice of Filing of Amendment No. 2 and Order Granting Accelerated Approval of Proposed Rule Change, as Modified by Amendment Nos. 1 and 2 Thereto, to Adopt Commentary .03 to Rule 980NY to Limit the Volume of Complex Orders by a Single ATP Holder During the Trading Day

I. Introduction

On October 28, 2013, NYSE MKT LLC (the “Exchange” or “NYSE MKT”) filed with the Securities and Exchange Commission (“Commission”), pursuant to Section 19(b)(1)<sup>1</sup> of the Securities Exchange Act of 1934 (“Act”),<sup>2</sup> and Rule 19b-4 thereunder,<sup>3</sup> a proposed rule change to adopt Commentary .03 to NYSE MKT Rule 980NY to limit the volume of complex orders that may be entered by a single ATP Holder during the trading day. On November 5, 2013, the Exchange submitted Amendment No. 1 to the proposed rule change. The proposed rule change, as modified by Amendment No. 1 thereto, was published for comment in the Federal Register on November 13, 2013.<sup>4</sup> The Commission received no comments on the proposed rule change. On December 23, 2013, the Exchange granted an extension of time for the Commission to act on the filing until January 3, 2014.<sup>5</sup> On December 24, 2013, the Exchange submitted Amendment No.

---

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

<sup>2</sup> 15 U.S.C. 78a.

<sup>3</sup> 17 CFR 240.19b-4.

<sup>4</sup> See Securities Exchange Act Release No. 70816 (November 6, 2013), 78 FR 68111 (“Notice”).

<sup>5</sup> In addition, on December 24, 2013, the Commission extended the time period for Commission action to January 3, 2014. See Securities Exchange Act Release No. 71183 (December 24, 2013).

2 to the proposed rule change.<sup>6</sup> The Commission is publishing this notice to solicit comments on Amendment No. 2 from interested persons, and is approving the proposed rule change, as modified by Amendment Nos. 1 and 2, on an accelerated basis.

## II. Description of the Proposed Rule Change

The Exchange currently ranks and tracks Electronic Complex Orders in the Consolidated Book in a “complex order table.” Although the Exchange stated that the complex order table has sufficient capacity to accept all Complex Orders submitted by all ATP Holders under normal operating conditions, the Exchange also noted that that capacity is not unlimited.<sup>7</sup> Given that this capacity is not unlimited, the Exchange proposes to adopt Commentary .03 to Rule 980NY<sup>8</sup> to provide that if an ATP Holder submits orders that comprise more than “n%” of the capacity of the complex order table (the “Cap”), the Exchange will reject that ATP Holder’s Electronic Complex Orders for the remainder of the trading day. Proposed Commentary .03 to Rule 980NY also provides a “warning threshold” of “n% - x” of the complex order table. If an ATP Holder breaches such warning threshold, it would result in the Exchange rejecting the ATP Holder’s Electronic Complex Orders until such time that the ATP Holder has notified the Exchange to re-enable the submission of Electronic Complex Orders. The Exchange will not reject any

---

<sup>6</sup> In Amendment No. 2, the Exchange amended the proposed rule change by removing the language in the proposal that gives the Exchange discretion to adjust the specified percentage (i.e., “n%”) to an amount less than 60% and “n%-x” to an amount less than 40%. Amendment No. 2 has been placed in the public comment file for NYSEMKT-2013-86 at <http://www.sec.gov/comments/sr-nysemkt-2013-86/nysemkt201386.shtml> (see letter from Janet McGinness, EVP & Corporate Secretary, General Counsel, NYSE MKT, to Elizabeth M. Murphy, Secretary, Commission, dated December 26, 2013).

<sup>7</sup> According to the Exchange, the complex order table currently has the capacity to hold Electronic Complex Orders containing up to 16 million legs throughout the trading day. See Notice, supra note 4 at 68111, n. 8.

<sup>8</sup> Rule 980NY governs trading of Complex Orders on the NYSE MKT System (“Electronic Complex Orders”).

Electronic Complex Orders until after an ATP Holder has breached either the warning threshold (i.e., “n%-x”) or the Cap.<sup>9</sup> The specified percentage (i.e., “n%”) will be no less than 60%, and “n%-x” will be no less than 40%.

The Exchange will announce the implementation date of the proposed rule change by Trader Update to be published no later than 60 days following approval by the Commission. The implementation date will be no later than 60 days following the issuance of the Trader Update.

### 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 rules and regulations thereunder applicable to a national securities exchange.<sup>10</sup> In particular, the Commission finds that the proposed rule is consistent with Section 6(b)(5) of the Act,<sup>11</sup> which requires, among other things, that the rules of an exchange be designed to promote just and equitable principles of trade, to remove impediments to and perfect the mechanism of a free and open market and, in general, to protect investors and the public interest. The Commission believes that providing the Cap could provide the Exchange with a system protection tool to address the potential risk that a single ATP Holder could – either intentionally or inadvertently– utilize the entire complex order table, effectively shutting out all other ATP Holders’ Electronic Complex Orders from the Exchange for the remainder of the trading day. By disabling the submission of Electronic Complex Orders of a single ATP Holder that has exceeded the Cap, the Cap should allow the Exchange to accommodate Electronic

---

<sup>9</sup> For example, if an ATP Holder submits an Electronic Complex Order that, once accepted, breaches the Cap, the Exchange will accept that order in its entirety and then will reject all subsequent Electronic Complex Orders from that ATP Holder for the remainder of the trading day.

<sup>10</sup> In approving the proposed rule changes, the Commission has considered their impact on efficiency, competition, and capital formation. See 15 U.S.C. 78c(f).

<sup>11</sup> 15 U.S.C. 78f(b)(5).

Complex Orders from all other ATP Holders, thereby helping to ensure efficient functionality of the complex order table and the protection of investors and the public interest. In approving this proposed rule change, the Commission notes that the Exchange represented that under normal operating conditions, the combined Electronic Complex Orders of all ATP Holders do not exceed 40% of the complex order table.<sup>12</sup> Therefore, the Exchange believes that setting the Cap for a single ATP Holder at 60% would allow 40% of the complex order table – which is typically sufficient to accommodate all ATP Holder’s Electronic Complex Orders – to remain accessible to the balance of ATP Holders and would not unfairly deny these ATP Holders access to the market.<sup>13</sup>

#### IV. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether Amendment No. 2 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-2013-86 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.

---

<sup>12</sup> See Notice, supra note 4 at 68112. The Commission also notes that the Exchange represented that a single ATP Holder would only exceed the Cap (or receive a warning of a near breach) in the event of a bona fide problem (e.g., a system error or malfeasance). See id.

<sup>13</sup> See id.

All submissions should refer to File Number SR-NYSEMKT-2013-86. 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 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 publicly available. All submissions should refer to File Number SR-NYSEMKT-2013-86 and should be submitted on or before [insert date 21 days from publication in the Federal Register].

V. Accelerated Approval of Proposed Rule Change, as Modified by Amendment Nos. 1 and 2

As proposed, the proposed rule change provided that, unless determined otherwise by the Exchange and announced to ATP Holders via Trader Update, the specified percentage (i.e., "n%") will be no less than 60%, and "n%-x" will be no less than 40%. Amendment No. 2 amended the proposed rule change by removing the language in the proposal that gives the Exchange discretion to adjust the specified percentage (i.e., "n%") to an amount less than 60% and "n%-x" to an amount less than 40%. By removing this discretion, Amendment No. 2

reduces potential uncertainty about the application of the proposed rule change. Accordingly, the Commission finds good cause, pursuant to Section 19(b)(2) of the Act,<sup>14</sup> for approving the proposed rule change, as modified by Amendment Nos. 1 and 2, prior to the 30<sup>th</sup> day after the date of publication of notice in the Federal Register.

---

<sup>14</sup> 15 U.S.C. 78s(b)(2).

VI. Conclusion

IT IS THEREFORE ORDERED, pursuant to Section 19(b)(2) of the Act<sup>15</sup> that the proposed rule change (SR-NYSEMKT-2013-86), as modified by Amendment Nos. 1 and 2, be, and hereby is, approved on an accelerated basis.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>16</sup>

Kevin M. O'Neill  
Deputy Secretary

---

<sup>15</sup> 15 U.S.C. 78f(b)(2).

<sup>16</sup> 17 CFR 200.30-3(a)(12).