SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34-66833; File No. SR-NYSEArca-2012-32)  

April 19, 2012

Self-Regulatory Organizations; NYSE Arca, Inc.; Notice of Filing and Immediate Effectiveness of Proposed Rule Change Amending NYSE Arca Equities Rule 7.31 to Specify How the Immediate-or-Cancel Time-in-Force Instructions are Applicable to An MPL Order

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”),\(^1\) and Rule 19b-4 thereunder,\(^2\) notice is hereby given that on April 10, 2012, 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 and II below, which Items have been prepared by the Exchange. The Exchange has designated the proposed rule change as constituting a rule change under Rule 19b-4(f)(6) under the Act,\(^3\) which renders the proposal effective upon filing with the Commission. 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 Rule 7.31 to specify how the immediate-or-cancel (“IOC”) time-in-force instructions are applicable to an MPL Order. The text of the proposed rule change is available at the Exchange, [www.nyse.com](http://www.nyse.com), and the Commission’s Public Reference Room.

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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 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 Rule 7.31 to specify how the IOC time-in-force instructions are applicable to an MPL Order.

Background

An MPL Order is a type of Working Order that has conditional or undisplayed price and/or size. As set forth in NYSE Arca Equities Rule 7.31(h)(5), an MPL Order is a Passive Liquidity Order that is priced at the midpoint of the PBBO and does not trade through a Protected Quotation. An MPL Order has a minimum order entry size of one share and Users may specify a minimum executable size for an MPL Order, which must be no less than one share. If an MPL Order has a specified minimum executable size, it will execute against an incoming order that meets the minimum executable size and is priced at or better than the midpoint of the PBBO. If the leaves quantity becomes less than the minimum size, the minimum executable size restriction will no longer be enforced on executions.

If the market is locked or crossed, the MPL Order will wait for the market to unlock or uncross before becoming eligible to trade again. MPL Orders are ranked in time priority for the
purposes of execution as long as the midpoint is within the limit range of the order. MPL Orders always execute at the midpoint and do not receive price improvement. MPL Orders are valid for any session, but do not participate in auctions. Unlike Passive Liquidity Orders, MPL Orders are not exclusive to lead market makers (“LMM”) for securities for which the Exchange is the primary market. Users that choose not to trade with MPL Orders may mark incoming limit orders with a “No Midpoint Execution” designator and such limit orders will ignore MPL Orders. MPL Orders do not route out of the Exchange to other market centers.

NYSE Arca Equities Rule 7.31 sets forth the time-in-force conditions that are available for orders entered at the Exchange. One such time-in-force condition is the IOC condition, which provides that a market or limit order that is marked IOC is to be executed in whole or in part as soon as such order is received, and the portion not so executed is to be treated as cancelled.

Proposed Rule Change

The Exchange proposes to add NYSE Arca Equities Rule 7.31(h)(6) to specify how the IOC time-in-force conditions are applicable to an MPL Order (an “MPL-IOC Order”). Because it is an MPL Order, the proposed MPL-IOC Order follows the same execution and priority rules of an MPL Order, including that it would be a Passive Liquidity Order that is priced at the midpoint of the PBBO, does not trade through Protected Quotations, always executes at the midpoint, does not receive price improvement, does not route to other market centers, is not limited to LMMs for securities listed on the Exchange, and will not trade with incoming limit orders with a “No Midpoint Execution” designator.

Because of the IOC attributes, certain elements of the MPL Order, by their terms, are not applicable to the proposed MPL-IOC Order. First, because an IOC order cancels if it does not
immediately execute, Users will not be able to specify a minimum executable size for the proposed MPL-IOC Order. Along those lines, because an IOC order cancels if not immediately executed, the related aspect of the MPL Order concerning the leaves quantity of an MPL Order are also inapplicable. Second, if a proposed MPL-IOC order cannot immediately execute because the market is either locked or crossed, unlike an MPL Order, an MPL-IOC Order would cancel in such a situation. The Exchange proposes to identify these differences in proposed NYSE Arca Equities Rule 7.31(h)(6). In addition, because by definition, an IOC order executes upon arrival, a proposed MPL-IOC order would not execute against incoming interest, but against resting interest.

The Exchange proposes one further distinction for the MPL-IOC Order. As noted above, the minimum share size for an MPL Order is one share. The Exchange proposes to require that an MPL-IOC Order have a minimum entry size of one round lot. The Exchange believes that this additional requirement will reduce the use of this order type by market participants that are seeking to discover hidden interest at the Exchange without any market risk.

Because of the technology changes necessary to implement the proposed change, the Exchange will announce the implementation date of the MPL-IOC Order by Trader Update.

2. Statutory Basis

The statutory basis for the proposed rule change is Section 6(b)(5) of the Securities Exchange Act of 1934 (the “Act”), which requires the rules of an exchange 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. The Exchange believes that the proposed rule change promotes just and equitable

\[4 \text{ 15 U.S.C. 78f(b).}\]
principles of trade because it would enable market participants to use the existing IOC time-in-force conditions with MPL Orders. The proposed rule change will also provide transparency in the Exchange rules of how the IOC time-in-force conditions will apply with MPL Orders and which aspects of the MPL Orders will be inapplicable. The Exchange further believes that the proposed rule change will perfect the mechanism of a free and open market because it adds additional flexibility in the use of the IOC time-in-force instructions with existing order types at the Exchange, thereby providing more flexibility to ETP Holders. Finally, the Exchange believes that the proposed requirement that an MPL-IOC order have a minimum entry size of one round lot will protect investors and the public interest because it will reduce the potential for market participants to use the MPL-IOC Order to probe the market for hidden interest without any significant risk.

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.

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 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, provided that the self-regulatory organization has given the Commission written notice of its intent to file 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, the proposed rule change has
become effective pursuant to Section 19(b)(3)(A) of the Act and Rule 19b-4(f)(6) thereunder. At
any time within 60 days of the filing of such 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. Please include File Number SR-NYSEArca-
2012-32 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-NYSEArca-2012-32. 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-2012-32 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.7

Kevin M. O’Neill
Deputy Secretary