

SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34-67490; File No. SR-NYSEArca-2012-75)

July 24, 2012

Self-Regulatory Organizations; NYSE Arca, Inc.; Notice of Filing of Proposed Rule Change Amending NYSE Arca Equities Rule 7.37(c) to Provide that the Tracking Order Process is Available Only for Orders that are Eligible to Route to an Away Market

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the “Act”)<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that, on July 11, 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, 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 Rule 7.37(c) to provide that the Tracking Order Process is available only for orders that are eligible to route to an away market. 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 specified in Item IV below. The Exchange has prepared summaries, set forth in sections A, B, and

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

<sup>2</sup> 17 CFR 240.19b-4.

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 7.37(c) to provide that the Tracking Order Process is available only for orders that are eligible to route to an away market.

NYSE Arca Equities Rule 7.37 ("Rule 7.37") sets forth the Order Execution process at the Exchange. Rule 7.37(c) specifies that during Core Trading Hours only, if an order has not been executed in its entirety pursuant to the Directed Order Process (Rule 7.37(a)), the Display Order Process (Rule 7.37(b)(1)), or the Working Order Process (Rule 7.37(b)(2)), such order may be matched and executed in the Tracking Order Process in price/time priority. The rule specifies that any portion of an order received from another market center or market participant shall be cancelled immediately, and an incoming order that is designated as an ISO will not interact in the tracking order process. Incoming orders that enter the Tracking Order Process execute against Tracking Orders, which are undisplayed, priced round lot orders that are eligible for execution in the Tracking Order Process against orders equal to or less than the aggregate size of the Tracking Order interest at that price.<sup>3</sup>

The Exchange proposes to amend Rule 7.37(c) to specify that only orders that are eligible to route to an away market would participate in the Tracking Order Process. Because the rule would specify that only interest that is eligible to route to an away market would participate, the Exchange proposes to delete the provision that states that incoming orders designated as an ISO will not interact in the Tracking Order Process. In addition, the Exchange proposes to delete the provision concerning the cancellation of any order received from another market center or

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<sup>3</sup> See NYSE Arca Equities Rule 7.31(f).

market participant as moot in today's market structure. The Exchange previously included that rule language to address the operation of the markets under the Intermarket Trading System ("ITS"). ITS was decommissioned in connection with the implementation of Regulation NMS on July 9, 2007. Now that the markets operate pursuant to Regulation NMS, orders received from other market centers are marked as intermarket sweep orders, which by definition, are not routable orders. Accordingly, with the proposed amendment to clarify that the tracking order process is applicable only to routable orders, the existing rule text is now obviated.

The Exchange notes that the proposed rule change is consistent with the manner by which the Exchange operates the Tracking Order Process and would not necessitate any changes to order processing.<sup>4</sup>

## 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"),<sup>5</sup> 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 removes impediments to and perfects the mechanism of a free and open market by providing transparency regarding which orders are eligible to interact in the Tracking Order Process. In particular, the proposed rule

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<sup>4</sup> The Exchange notes that when it adopted the Tracking Order Process, the Exchange explained in its rule filing that after the Tracking Order Process, an order would be routed to an away market: "[a]fter the order has been matched against any Tracking Orders, if the order has not been executed in its entirety and the remaining part of the order is an odd lot, the odd lot order would be executed in the Odd Lot Tracking Order Process, as described below. Otherwise the order would be routed pursuant to the final step of the execution algorithm." See Securities Exchange Act Release No. 43608 (Nov. 21, 2000), 65 FR 78822 at 78828 (Dec. 15, 2000) (SR-PCX-00-25) (emphasis added).

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

change eliminates rule text that is obsolete in today's market structure and replaces it with updated rule text.

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

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

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-NYSEArca-2012-75 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-2012-75. 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-2012-75 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>6</sup>

Kevin M. O'Neill  
Deputy Secretary

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<sup>6</sup> 17 CFR 200.30-3(a)(12).