

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-73329; File No. SR-NYSEARCA-2014-115)

October 9, 2014

Self-Regulatory Organizations; NYSE Arca, Inc.; Notice of Filing and Immediate Effectiveness of Proposed Rule Change Amending NYSE Arca Retail Liquidity Program and NYSE Arca Equities Rule 7.44 to Provide that Retail Price Improvement Orders that Are Not Priced Better Than The Best Protected Bid or Best Protected Offer Will Not be Rejected Upon Entry

Pursuant to Section 19(b)(1)¹ of the Securities Exchange Act of 1934 (“Act”)² and Rule 19b-4 thereunder,³ notice is hereby given that, on October 1, 2014, NYSE Arca, Inc. (“Exchange” or “NYSE Arca”) 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 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 7.44 to provide that Retail Price Improvement Orders that are not priced better than the best protected bid or best protected offer will not be rejected upon entry. The text of the proposed rule change is available on the Exchange’s website at 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

¹ 15 U.S.C.78s(b)(1).

² 15 U.S.C. 78a.

³ 17 CFR 240.19b-4.

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 the Statutory Basis for, the Proposed Rule Change

1. Purpose

The Exchange is proposing to amend NYSE Arca Equities Rule 7.44 (“Rule 7.44”) to provide that Retail Price Improvement Orders (“RPI”) that are not priced better than the best protected bid (“PBB”) or best protected offer (“PBO”) will not be rejected upon entry.

Rule 7.44 sets forth the Exchange’s pilot Retail Liquidity Program (the “Program”).⁴ Under the Program, ETP Holders are able to provide price improvement to Retail Orders, as defined in Rule 7.44(a)(3) and (k), by submitting an RPI, which is non-displayed liquidity in NYSE Arca-listed securities and UTP Securities, excluding NYSE-listed (Tape A) securities, that is priced more aggressively than the PBBO by at least \$0.001 per share and that is identified as an RPI in a manner prescribed by the Exchange. RPIs are entered at a single limit price, rather than being pegged to the PBBO; however, RPIs can be designated as a Mid-Point Passive Liquidity (“MPL”) Order, in which case the order will re-price as the PBBO changes.⁵ RPIs remain non-displayed and only execute against Retail Orders.

Rule 7.44(a)(4) currently provides that an order that is identified as an RPI but is not priced better than the PBB or PBO will be rejected upon entry. The Exchange proposes to amend Rule 7.44(a)(4) to permit entry of RPI’s that are not priced better than the PBB or PBO.

⁴ See Securities Exchange Act Release No. 71176 (Dec. 23, 2013), 78 FR 79524 (Dec. 30, 2013) (SR-NYSEArca-2013-107).

⁵ RPIs not designated as MPL Orders would alternatively need to be designated as a Passive Liquidity (“PL”) Order.

The Exchange believes that by accepting all RPIs, regardless of price, the Exchange will expand the interest that would be available to provide price improvement for Retail Orders, particularly if the PBB or PBO moves such that an RPI that otherwise would have been rejected could become price-improving interest.

To effect this change, the Exchange proposes to delete the third sentence of Rule 7.44(a)(4) that provides for such inferior-priced RPIs to be rejected upon entry. The Exchange further proposes to amend the fourth sentence of Rule 7.44(a)(4) to conform the rule text to this proposed change. Specifically, the current rule text provides that “[a] previously entered RPI that becomes priced at or inferior to the PBBO will not be eligible to interact with incoming Retail Orders, and such an RPI will cancel if a Retail Order executes against all displayed liquidity at the PBBO and the [sic] attempt [sic] to execute against the RPI.” Because the Exchange would no longer be rejecting RPIs that are not priced better than the PBB or PBO, the Exchange believes that use of the term “previously entered” would no longer reflect the universe of RPIs that may not be priced better than the PBB or PBO. The Exchange therefore proposes to amend this sentence to delete the term “previously entered” and instead state that an RPI that is or becomes priced at or inferior to the PBBO would be subject to the treatment currently described in the rule.

The Exchange does not intend to make any other changes to the Program with this rule filing. 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 30 days following the effective date. The implementation date will be no later than 30 days following the issuance of the Trader Update.

2. Statutory Basis

The proposed rule change is consistent with Section 6(b) of the Act,⁶ in general, and furthers the objectives of Section 6(b)(5),⁷ in particular, in that it is designed 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 and national market system because it would enable additional RPI interest to be entered regardless of price, thereby allowing that RPI interest to remain in Exchange systems and become eligible to provide price improvement if the PBB or PBO changes such that the RPI interest becomes priced better than the PBB or PBO. The Exchange further believes that the proposed rule change protects investors and the public interest because it potentially increases the amount of RPI interest available to provide price improvement to incoming Retail Orders if the PBB or PBO moves such that the RPI becomes eligible to provide price improvement. The Exchange further believes the proposal will protect investors and the public interest because the proposed rule change will increase the incentives of liquidity providers to enter RPIs because liquidity providers will no longer need to risk rejection of RPIs that may be priced inferior to the PBB or PBO upon entry.

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. The Exchange believes that the Program is designed to increase competition among execution

⁶ 15 U.S.C. § 78f(b).

⁷ 15 U.S.C. § 78f(b)(5).

venues, encourage additional liquidity, and offer the potential for price improvement to retail investors. The Exchange notes that a significant percentage of the orders of individual investors are executed over-the-counter. The Exchanges believes that it is appropriate to create a financial incentive to bring more retail order flow to a public market. The Exchange believes that the proposed rule change supports this objective by eliminating the possibility that liquidity-providing interest would be rejected based on price.

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

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A) of the Act⁸ and Rule 19b-4(f)(6)⁹ thereunder because the proposal does not: (i) significantly affect the protection of investors or the public interest; (ii) impose any significant burden on competition; and (iii) by its terms, 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.¹⁰

A proposed rule change filed under Rule 19b-4(f)(6) normally may not become operative prior to 30 days after the date of filing. However, Rule 19b-4(f)(6)(iii)¹¹ permits the

⁸ 15 U.S.C. 78s(b)(3)(A).

⁹ 17 CFR 240.19b-4(f)(6).

¹⁰ In addition, Rule 19b-4(f)(6)(iii) requires the Exchange to give the Commission written notice of the Exchange's 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 shorter time as designated by the Commission. The Exchange has satisfied this requirement.

¹¹ 17 CFR 240.19b-4(f)(6)(iii).

Commission to designate a shorter time if such action is consistent with the protection of investors and the public interest.

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.¹²

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-2014-115 on the subject line.

Paper comments:

- Send paper comments in triplicate to Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549-1090.

All submissions should refer to File Number SR-NYSEArca-2014-115. 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

¹² 15 U.S.C. 78s(b)(3)(C).

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 available publicly. All submissions should refer to File Number SR-NYSEArca-2014-115 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.¹³

Kevin M. O'Neill
Deputy Secretary

¹³ 17 CFR 200.30-3(a)(12).