listed which would raise unfair discrimination issues under the Act.

While some commenters have argued that the Commission's approval of the NYSE's proposal will mean the Commission has implicitly approved the particular service providers NYSE currently uses, the Commission disagrees. The Commission, in approving the Exchange's proposal, is not endorsing, specifically or implicitly, any party with which the NYSE has chosen to do business.

The Commission has carefully considered the comment letters. Although some of the alternative proposals by the commenters might also satisfy the standards under Sections 6(b) and 19(b) of the Act[51] depending on the facts and circumstances, those proposals are not before us, and the Commission believes that the NYSE's proposal is consistent with these standards and, therefore, should be approved. Other commenters raised certain issues beyond the scope of the Commission's review of this rule proposal, such as the fee arrangements between the NYSE and the providers of the services described in this order. The Commission has carefully considered these comments but believes that the proposal before the Commission satisfies the requirements for approval under Sections 6(b) and 19(b) of the Act[52] for the reasons discussed above.

## V. Conclusion

*It is therefore ordered,* pursuant to Section 19(b)(2) of the Act,[53] that the proposed rule change (SR–NYSE–2011–20) be, and it hereby is, approved.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.[54]

**Elizabeth M. Murphy,**

*Secretary.*

[FR Doc. 2011–21035 Filed 8–17–11; 8:45 am]

BILLING CODE 8011–01–P

## SECURITIES AND EXCHANGE COMMISSION

**[Release No. 34–65125; File No. SR–NASDAQ–2011–105]**

## Self-Regulatory Organizations; The NASDAQ Stock Market LLC; Notice of Filing of Proposed Rule Change To Establish an Acceptable Trade Range for Quotes and Orders Entered on the NASDAQ Options Market

August 12, 2011.

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 August 2, 2011, The NASDAQ Stock Market LLC (''NASDAQ'') 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 NASDAQ. 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 the Substance of the Proposed Rule Change

NASDAQ proposes to establish an Acceptable Trade Range for quotes and orders entered on the NASDAQ Options Market (''NOM''). Similar mechanisms are used successfully on other exchanges to protect investors and members by limiting volatility and obvious errors.

The text of the proposed rule change is available at *http://NASDAQ.cchwallstreet.com/*, at NASDAQ's principal office, 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, NASDAQ 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 these statements may be examined at the places specified in Item IV below. NASDAQ has prepared summaries, set forth in Sections A, B, and C below, of the most significant aspects of such statements.

### *A. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change*

1. Purpose

*Background.* In the current high-speed electronic market environment, various trading centers grapple with issues associated with thinly traded securities such as price dislocations, wide quotes, and erroneous executions that can result in trade cancellations. Though these situations are not overly prevalent, they can produce confusion and frustration among market participants. As a custodian and operator of several U.S. exchanges, NASDAQ believes that it is always prudent and appropriate to consider system enhancements that will preclude potential future issues with or unforeseen gaps in the existing structure of its trading systems.

Accordingly, NASDAQ is proposing to adopt a mechanism that will prevent the NOM trading system (''System'') from experiencing dramatic price swings. This circumstance can exist if, for example, a market order or aggressively priced limit order is entered that is larger than the total volume of contracts quoted at the top-of-book across all U.S. options exchanges. Currently, without any protections in place, this could result in options executing at prices that have little or no relation to the theoretical price of the option.

For example, in a thinly traded option:

Away Exchange Quotes:

| Exchange | Bid size | Bid price | Offer price | Offer size |
|---|---|---|---|---|
| PHLX | 10 | $1.00 | $1.05 | 10 |
| NYSE Arca | 10 | 1.00 | 1.05 | 10 |
| NYSE Amex | 10 | 1.00 | 1.10 | 10 |
| BOX | 10 | 1.00 | 1.15 | 10 |

NOM Price Levels:

| Exchange | Bid size | Bid price | Offer price | Offer size |
|---|---|---|---|---|
| NOM | 10 | $1.00 | $1.05 | 10 |

[51] 15 U.S.C. 78f(b) and 15 U.S.C. 78s(b).

[52] *Id.*

[53] 15 U.S.C. 78s(b)(2).

[54] 17 CFR 200.30–3(a)(12).

[1] 15 U.S.C. 78s(b)(1).

[2] 17 CFR 240.19b–4.

| Exchange | Bid size | Bid price | Offer price | Offer size |
|---|---|---|---|---|
| NOM | ........................ | ........................ | 1.10 | 10 |
| NOM | ........................ | ........................ | 1.40 | 10 |
| NOM | ........................ | ........................ | 5.00 | 10 |

If NOM receives a routable market order to buy 80 contracts, the System will respond as described below:

—10 contracts will be executed at $1.05 against NOM

—10 contracts will be executed at $1.05 against PHLX

—10 contracts will be executed at $1.05 against NYSE Arca.

—10 contracts will be executed at $1.10 against NOM

—10 contracts will be executed at $1.10 against NYSE AMEX

—10 contracts will be executed at $1.15 against BOX

After these executions, there are no other known valid away exchange quotes. The NBBO is therefore comprised of the remaining interest on the NOM book, specifically 10 contracts at $1.40 and 10 contracts at $5.00. In the absence of an Acceptable Trade Range mechanism, the order would execute against the remaining interest at $1.40 and $5.00, resulting in potential harm to investors.

To bolster the normal resilience and market behavior that persistently produces robust reference prices, NOM is proposing to create a level of protection that prevents the market from moving beyond set thresholds. The thresholds consist of a reference price plus (minus) set dollar amounts based on the nature of the option and the premium of the option. The exchange is not introducing a new concept. In fact, The NASDAQ Stock Market, NASDAQ OMX PSX, and NASDAQ OMX BX all place a limit on the prices at which market orders will be allowed to execute.[3]

*System Operation.* The proposed Acceptable Trade Range would work as follows: Prior to executing orders received by the exchange, an Acceptable Trade Range is calculated to determine the range of prices at which orders may be executed. When an order is initially received, the threshold is calculated by adding (for buy orders) or subtracting (for sell orders) a value,[4] as discussed below, to the National Best Offer for buy orders or the National Best Bid for sell orders to determine the range of prices that are valid for execution. A buy (sell) order will be allowed to execute up (down) to and including the maximum (minimum) price within the Acceptable Trade Range. The Acceptable Trade Range threshold becomes the reference price for the next Acceptable Trade Range calculation. If an order cannot be completely executed within the Acceptable Trade Range, and the limit price of the order is greater (for buy orders) or less (for sell orders) than the Acceptable Trade Range threshold, the unexecuted portion of the original order will be posted at the Acceptable Trade Range threshold. The order will remain posted for a brief period, not to exceed one second, to allow the market to refresh and to determine whether or not more liquidity will become available (on NOM or any other exchange if the order is designated as routable) within the posted price of the order before moving on to a new Threshold Price. The Acceptable Trade Range threshold, at which the order is posted, then becomes the new reference price[5] and a new threshold is calculated. Once the brief pause has expired, if the order has not been fully executed, it will be allowed to execute up to and including the new Acceptable Trade Range Threshold Price.

During the brief pause, NOM will display the Acceptable Trade Range Threshold Price on one side of the market and the best available price on the opposite side of the market using a "non-firm" indicator.[6] This allows the order setting the Acceptable Trade Range Threshold Price to retain price/time priority in the NOM book and also prevents any later-entered order from accessing liquidity ahead of it. If NOM were to display trading interest available on the opposite side of the market, that trading interest would be automatically accessible to later-entered orders during the period when the order triggering the Acceptable Trade Range is paused. Following the Posting Period, the Exchange will return to a normal trading state and disseminate its best bid and offer.

NASDAQ believes that disseminating a non-firm quotation message as described above is consistent with its obligations under the SEC Quote Rule.[7] The fact that NASDAQ is experiencing volatility that is strong enough to trigger the Acceptable Trade Range mechanism qualifies as an unusual market condition. NASDAQ expects such situations to be rare, and as described below it will set the parameters of the mechanism at levels that will ensure that it is triggered quite infrequently. In addition, the Acceptable Trade Range mechanism will cause the market to pause for no more than one second, a briefer pause than occurs in other markets that are experiencing and attempting to dampen volatility.[8] Importantly, the brief pause only occurs after the Exchange has already executed transactions—potentially at multiple price levels—rather than pausing before executing any transactions in the hopes of attracting initial liquidity.

Importantly, the Acceptable Trade Range is neutral with respect to away markets. The order may route to other destinations to access liquidity priced within the Acceptable Trade Range provided the order is designated as routable. If the order still remains unexecuted, this process will repeat until the order is executed, cancelled, or posted at its limit price. If after an order is routed to the full size of an away exchange and additional size remains available, the remaining contracts will be posted on NOM at a price that

[3] NASDAQ believes that the proposed Acceptable Trade Range mechanism is superior to the market collar orders currently used in equity markets because the Acceptable Trade Range will apply to all orders rather than just unpriced orders. Additionally, rather than immediately cancelling the order, the market would continue to work the order for execution. *See* NASDAQ Stock Market rule 4751(f)(13), NASDAQ OMX BX 4751(f)(10), and NASDAQ OMX PSX 3301(f)(9).

[4] The value that is to be added to the reference price will be set by the exchange and posted on the exchange *Web site: http://www.nasdasqtrader.com.*

[5] If a new NBB is received that is greater than a buy order posted at the Acceptable Trade Range threshold, or a new NBO is received that is lower than a sell order posted at the Acceptable Trade Range threshold, the new NBB (for buy orders) or NBO (for sell orders) will be the new reference price.

[6] Non-firm quote indication values are described on page 18 of the specifications disseminated by the Options Price Regulatory Authority. *See http://www.opradata.com/specs/participant_interface_specification.pdf.*

[7] 17 CFR 242.602.

[8] For example, the NASDAQ Acceptable Trade Range mechanism will pause for a briefer period than the Liquidity Replenishment Point or "LRP" employed by the New York Stock Exchange. The LRP resembles the Acceptable Trade Range in that it also is designed to dampen volatility under similar circumstances, it pauses the market in the affected security, and it disseminates to the network processor a non-firm quote condition during the resulting pause. *See* NYSE Rules 1000(a)(iv) and 60(e)(ii). Unlike the Acceptable Trade Range mechanism, the LRP can exceed one second in duration.

assumes the away market has executed the routed order. This practice of routing and then posting is consistent with the national market system plan governing trading and routing of options orders and the NOM policies and procedures that implement that plan.[9]

For example, assume that the Acceptable Trade Range is set for $0.05 and the following quotations are posted in all markets:

Away Exchange Quotes:

| Exchange | Bid size | Bid price | Offer price | Offer size |
|---|---|---|---|---|
| ISE | 10 | $0.75 | $0.90 | 10 |
| AMEX | 10 | 0.75 | 0.92 | 10 |
| PHLX | 10 | 0.75 | 0.94 | 10 |

NOM Price Levels:

| Exchange | Bid size | Bid price | Offer price | Offer size |
|---|---|---|---|---|
| NOM | 10 | $0.75 | $0.90 | 10 |
| NOM | | | 0.95 | 10 |
| NOM | | | 0.97 | 10 |
| NOM | | | 1.00 | 20 |

NOM receives a routable order to buy 70 contracts at $1.10. The Acceptable Trade Range is $0.05 and the reference price is the National Best Offer—$0.90. The Acceptable Trade Range threshold is then $0.90 + $0.05 = $0.95. The order is allowed to execute up to and including $0.95. The System then pauses for a brief period not to exceed one second to allow the market (including other exchanges) to refresh and to determine whether additional liquidity will become available within the order's posted price. If additional liquidity becomes available on NOM or any away market, that liquidity will be accessed and executed.

- 10 contracts will be executed at $0.90 against NOM
- 10 contracts will be executed at $0.90 against ISE
- 10 contracts will be executed at $0.92 against AMEX
- 10 contracts will be executed at $0.94 against PHLX
- 10 contracts will be executed at $0.95 against NOM
- Then, after executing at multiple price levels, the order is posted at $0.95 for a brief period not to exceed one second to determine whether additional liquidity will become available.
- A new Acceptable Trade Range Threshold Price of $1.00 is determined (new reference price of $0.95 + $0.05 = $1.00)
- If, during the brief pause not to exceed 1 second, no liquidity becomes available within the order's posted price of $0.95, the System will then execute 10 contracts at $0.97, and 10 contracts at $1.00[10]

Similarly, if a new order is received when a previous order has reached the Acceptable Trade Range threshold, the Threshold Price will be used as the reference price for the new Acceptable Trade Range threshold. Both orders would then be allowed to execute up (down) to the new Threshold Price.

For example:

Away Exchange Quotes:

| Exchange | Bid size | Bid price | Offer price | Offer size |
|---|---|---|---|---|
| ISE | 10 | $0.75 | $0.90 | 10 |
| AMEX | 10 | $0.75 | $0.92 | 10 |
| PHLX | 10 | $0.75 | $0.94 | 10 |

NOM Price Levels:

| Exchange | Bid size | Bid price | Offer price | Offer size |
|---|---|---|---|---|
| NOM | 10 | $0.75 | $0.90 | 10 |
| NOM | | | $0.95 | 10 |
| NOM | | | $1.05 | 20 |

- NOM receives a routable order to buy 60 contracts at $1.10. The Acceptable Trade Range is $0.05 and the reference price is the National Best Offer—$0.90. The Acceptable Trade Range threshold is then $0.90 + $0.05 = $0.95. The order is allowed to execute up to and including $0.95.
- 10 contracts will be executed at $0.90 against NOM
- 10 contracts will be executed at $0.90 against ISE

[9] *See* Options Order Protection and Locked/Crossed Markets Plan; Securities Exchange Act Release No. 60405 (July 30, 2009), 74 FR 39362 (August 6, 2009); NOM Rules Chapter VI, Section 7(b)(3)(C). Section 5(b)(v) of the Plan provides an exception from trade through prevention when: ''[t]he transaction that constituted the Trade-Through was effected by a Participant that simultaneously routed an Intermarket Sweep Order to execute against the full displayed size of any Protected Quotation that was traded through;'' [sic]

[10] The brief pause described above will not disadvantage customers seeking the best price in any market. For example, if in the example above an NYSE ARCA quote of $0.75 x $0.96 with size of 10 x 10 is received, a routable order would first route to NYSE ARCA at $0.96, then execute against NOM at $0.97.

- 10 contracts will be executed at $0.92 against AMEX
- 10 contracts will be executed at $0.94 against PHLX
- 10 contracts will be executed at $0.95 against NOM
- Then, after executing at multiple price levels, the order is posted at $0.95 for a brief period not to exceed one second to determine whether additional liquidity will become available.
- A new Acceptable Trade Range Threshold Price of $1.00 is determined (new reference price of $0.95 + $0.05 = $1.00)
- If, during the brief period not to exceed one second, a second order is received to buy 10 contracts at $1.25, the two orders would then post at the new Acceptable Trade Range Threshold price of $1.00 for a brief period not to exceed one second to determine whether additional liquidity will become available.
- A new Acceptable Trade Range threshold of $1.05 will be calculated.
- If no additional liquidity becomes available within the posted price of the orders ($1.00) during the brief period not to exceed one, the orders would execute 10 contracts each against the order on the NOM book at $1.05

*Setting Acceptable Range Values.* The options class premium will be the dominant factor in determining the Acceptable Trade Range. Generally, options with lower premiums tend to be more liquid and have tighter bid/ask spreads; options with higher premiums have wider spreads and less liquidity. Accordingly, a table consisting of several steps based on the premium of the option will be used to determine how far the market for a given option will be allowed to move. This table or tables would be listed on the NASDAQTrader.com Web site and any periodic updates to the table would be announced via an Options Trader Alert.

For example, looking at some SPY January 2011 Call options on December 27th of 2010:

Bid/Offer of SPY Jan 126 Call (at or near-the-money): $1.78 × $1.79 (several hundred contracts on bid and offer)

Bid/Offer of SPY Jan 80 Call (deep in-the-money): $45.61 × $45.87 (20 contracts on each side)

The deep in-the-money calls (Jan 80 calls) have a wider spread ($45.87–$45.61 = $0.26) compared to a spread of $0.01 for the at-the-money calls (Jan 126 calls). Therefore, it is appropriate to have different thresholds for the two options. For instance, it may make sense to have a $0.05 threshold for the at-the-money strikes (Premium < $2) and a $0.50 threshold for the deep in-the-money strikes (Premium > $10).

To consider another example, the January 2011 CSCO put options on December 27th of 2010:

Bid/Offer of CSCO 20 Jan Put (at or near-the-money): $0.11 × $0.12 (300×550)

Bid/Offer of CSCO 35 Jan Put (deep in-the-money): $14.35 × $15.20 (48×18)

Even though CSCO has a much lower share price than SPY, and is a different type of security (it is a common stock of a technology company whereas SPY is an ETF based on the S&P 500 Index), the pattern is the same. The option with the lower premium has a very narrow spread of $0.01 with significant size displayed whereas the higher premium option has a wide spread ($0.85) and less size displayed.

The Acceptable Trade Range settings will be tied to the option premium. However, other factors will be considered when determining the exact settings. For example, Acceptable Ranges may change if market-wide volatility is as high as it was during the financial crisis in 2008 and 2009, or if overall liquidity is low based on historical trends. These different market conditions may present the need to adjust the threshold amounts from time to time to ensure a well-functioning market. Without adjustments, the market may become too constrained or conversely, prone to wide price swings. As stated above, the Exchange would publish the Acceptable Trade Range table or tables on the NASDAQTrader.com Web site. The Exchange does not foresee updating the table(s) often or intraday. The Exchange will provide sufficient advanced notice of changes to the Acceptable Trade Range table to its membership via Options Trader Alerts.

The Acceptable Trade Range settings would generally be the same across all options traded on NOM, although NASDAQ proposes to maintain flexibility to set them separately based on characteristics of the underlying security. For instance, Google is a stock with a high share price ($602.38 closing price on December 27th). Google options therefore may require special settings due to the risk involved in actively quoting options on such a high-priced stock. Option spreads on Google are wider and the size available at the best bid and offer is smaller. Google could potentially need a wider threshold setting compared to other lower-priced stocks. There are other options that fit into this category (e.g. AAPL) which makes it necessary to have threshold settings that have flexibility based on the underlying security. Additionally, it is generally observed that options subject to the Penny Pilot program quote with tighter spreads than options not subject to the Penny Pilot. Currently, NASDAQ expects to set Acceptable Trade Ranges for three categories of options: Standard Penny Pilot, Special Penny Pilot (IWM, QQQQ, SPY), and Non-Penny Pilot.[11]

2. Statutory Basis

NASDAQ believes the proposed rule change is consistent with the provisions of Section 6 of the Act,[12] in general and with Section 6(b)(5) of the Act,[13] in particular, which requires that the rules of an exchange be designed to prevent fraudulent and manipulative acts and practices, promote just and equitable principles of trade, foster cooperation and coordination with persons engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in securities, remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general, protect investors and the public interest. The proposed rule change is consistent with these requirements in that it will reduce the negative impacts of sudden, unanticipated volatility in individual NOM options, and serve to preserve an orderly market in a transparent and uniform manner, enhance the price-discovery process, increase overall market confidence, and promote fair and orderly markets and the protection of investors.

*B. Self-Regulatory Organization's Statement on Burden on Competition*

NASDAQ does not believe that the proposed rule change will result in any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act, as amended.

*C. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received From Members, Participants, or Others*

Written comments were neither solicited nor received.

**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

[11] NASDAQ notes that the Acceptable Range Test in place at NASDAQ OMX PHLX—PHLX Rule 1082(a)(ii)(B)(3)(f)—currently provides for this flexibility.

[12] 15 U.S.C. 78f.

[13] 15 U.S.C. 78f(b)(5).

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.* Please include File Number SR–NASDAQ–2011–105 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–NASDAQ–2011–105. 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 Web site (*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 Web site viewing and printing in the Commission's Public Reference Room on official business days between the hours of 10 a.m. and 3 p.m. Copies of such filing also will be available for inspection and copying at the principal office of NASDAQ. 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–NASDAQ–2011–105 and should be submitted on or before September 8, 2011.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.[14]

**Elizabeth M. Murphy,**

*Secretary.*

[FR Doc. 2011–21034 Filed 8–17–11; 8:45 am]

**BILLING CODE 8011–01–P**

[14] 17 CFR 200.30–3(a)(12).

## SECURITIES AND EXCHANGE COMMISSION

**[Release No. 34–65132]**

## Order Temporarily Exempting the Floor Broker Operations of Broker-Dealers With Market Access That Handle Orders on a Manual Basis From the Automated Controls Requirement of Rule 15c3–5(c)(1)(ii) and Rule 15c3–5(c)(2) Under the Securities Exchange Act of 1934

August 15, 2011.

### I. Introduction

Pursuant to Rule 15c3–5(f) under the Securities Exchange Act of 1934 (''Exchange Act''),[1] the Securities and Exchange Commission (''Commission''), by order, may exempt from the provisions of Rule 15c3–5 (''Rule''), either unconditionally or on specified terms and conditions, any broker or dealer, if the Commission determines that such exemption is necessary or appropriate in the public interest, and is consistent with the protection of investors.[2] As discussed below, the Commission temporarily is exempting the floor broker operations of broker-dealers with market access that handle orders on a manual basis (''Floor Brokers'') from the automated controls requirement of Rules 15c3–5(c)(1)(ii)[3] and (c)(2)[4] until November 30, 2011.[5]

### II. Background

On November 3, 2010, the Commission adopted Rule 15c3–5 under the Exchange Act.[6] Among other things, Rule 15c3–5 requires each broker-dealer with access to trading securities[7] directly on an exchange or ATS, including a broker-dealer providing sponsored or direct market access to customers or other persons, and each broker-dealer operator of an ATS that provides access to trading securities directly on its ATS to a person other than a broker-dealer, to establish, document, and maintain a system of risk management controls and supervisory procedures that, among other things, is reasonably designed to (1) Systematically limit the financial exposure of the broker-dealer that could arise as a result of market access,[8] and (2) ensure compliance with all regulatory requirements that are applicable in connection with market access.[9] The required financial risk management controls and supervisory procedures must be reasonably designed to prevent the entry of orders that exceed appropriate pre-set credit or capital thresholds,[10] or that appear to be erroneous.[11] The regulatory risk management controls and supervisory procedures must also be reasonably designed to prevent the entry of orders unless there has been compliance with all regulatory requirements that must be satisfied on a pre-order entry basis,[12] prevent the entry of orders that the broker-dealers or customer is restricted from trading,[13] restrict market access technology and systems to authorized persons,[14] and assure appropriate surveillance personnel receive immediate post-trade execution reports.[15]

The Commission has received a request from NYSE Amex LLC (''NYSE Amex''), NYSE Arca, Inc. (''NYSE Arca''), and New York Stock Exchange LLC (''NYSE'') (collectively, ''NYSE Euronext'') to extend the compliance date for the automated controls requirement pursuant to Rules 15c3–5(c)(1)(ii) and (c)(2) for Floor Brokers until November 30, 2011.[16] Specifically,

[1] *See* 17 CFR 240.15c3–5(f).

[2] *See also* Exchange Act Section 36(a)(1), 15 U.S.C. 78mm(a)(1) (providing general authority for Commission to grant exemptions from provisions of Exchange Act and rules thereunder, provided the Commission makes certain required findings).

[3] *See* 17 CFR 240.15c3–5(c)(1)(ii).

[4] *See* 17 CFR 240.15c3–5(c)(2).

[5] On June 27, 2011, the Commission extended the compliance date, until November 30, 2011, for all of the requirements of Rule 15c3–5 for fixed income securities, and the requirements of Rule 15c3–5(c)(1)(i) for all securities. *See* Securities Exchange Act Release No. 64748 (June 27, 2011), 76 FR 38293 (June 30, 2011).

[6] *See* Exchange Act Release No. 63241 (Nov. 3, 2010), 75 FR 69792 (Nov. 15, 2010) (''Rule 15c3–5 Adopting Release'').

[7] Rule 15c3–5 applies to trading in all securities on an exchange or ATS. *Id.* at 69765.

[8] *See* 17 CFR 240.15c3–5(c)(1).

[9] *See* 17 CFR 240.15c3–5(c)(2).

[10] *See* 17 CFR 240.15c3–5(c)(1)(i).

[11] *See* 17 CFR 240.15c3–5(c)(1)(ii).

[12] *See* 17 CFR 240.15c3–5(c)(2)(i).

[13] *See* 17 CFR 240.15c3–5(c)(2)(ii).

[14] *See* 17 CFR 240.15c3–5(c)(2)(iii).

[15] *See* 17 CFR 240.15c3–5(c)(2)(iv).

[16] *See* letter from Janet McGinness, Senior Vice President—Legal and Corporate Secretary, NYSE Euronext, on behalf of NYSE Amex, NYSE Arca, and NYSE, to Elizabeth Murphy, Secretary,

Continued