

in the Fee Schedule will add clarity and reduce any potential confusion among market participants.

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

The foregoing rule change is effective upon filing pursuant to Section 19(b)(3)(A)¹⁰ of the Act and subparagraph (f)(2) of Rule 19b-4¹¹ thereunder, because it establishes a due, fee, or other charge imposed by the NYSE MKT.

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 email to rule-comments@sec.gov. Please include File Number SR-NYSEMKT-2012-16 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-NYSEMKT-2012-16. This

file number should be included on the subject line if email 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, 100 F Street NE., Washington, DC 20549, 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 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-NYSEMKT-2012-16 and should be submitted on or before July 26, 2012.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.¹²

Kevin M. O'Neill,

Deputy Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-67320; File No. SR-NYSEArca-2012-44]

Self-Regulatory Organizations; NYSE Arca, Inc.; Order Granting Approval of Proposed Rule Change Relating to Listing and Trading of iShares Strategic Beta U.S. Large Cap Fund and iShares Strategic Beta U.S. Small Cap Fund Under NYSE Arca Equities Rule 8.600

June 29, 2012.

I. Introduction

On May 14, 2012, NYSE Arca, Inc. ("Exchange" or "NYSE Arca") filed with the Securities and Exchange Commission ("Commission"), pursuant

to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act" or "Exchange Act")¹ and Rule 19b-4 thereunder,² a proposed rule change to list and trade shares ("Shares") of the iShares Strategic Beta U.S. Large Cap Fund and iShares Strategic Beta U.S. Small Cap Fund (each a "Fund" and, collectively, "Funds") under NYSE Arca Equities Rule 8.600. The proposed rule change was published in the **Federal Register** on May 30, 2012.³ The Commission received no comments on the proposal. This order grants approval of the proposed rule change.

II. Description of the Proposal

The Exchange proposes to list and trade the Shares of the Funds pursuant to NYSE Arca Equities Rule 8.600, which governs the listing and trading of Managed Fund Shares on the Exchange. The Shares will be offered by iShares U.S. ETF Trust ("Trust"), a statutory trust organized under the laws of the State of Delaware and registered with the Commission as an open-end management investment company.⁴ The Funds will be managed by BlackRock Fund Advisors ("BFA" or "Adviser"), an indirect wholly-owned subsidiary of BlackRock, Inc. BlackRock Investments, LLC will be the principal underwriter and distributor of the Funds' Shares. State Street Bank and Trust Company will serve as administrator, custodian, and transfer agent for the Funds. The Exchange states that the Adviser is affiliated with multiple broker-dealers and has implemented a fire wall with respect to such broker-dealers regarding access to information concerning the composition and/or changes to the Funds' portfolios.⁵

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ See Securities Exchange Act Release No. 67045 (May 23, 2012), 77 FR 31899 ("Notice").

⁴ The Trust is registered under the Investment Company Act of 1940 ("1940 Act"). On December 21, 2011, the Trust filed with the Commission Form N-1A under the Securities Act of 1933 and under the 1940 Act relating to the (i) iShares Strategic Beta U.S. Large Cap Fund (File Nos. 333-178677 and 811-22649) ("Large Cap Registration Statement"), and (ii) iShares Strategic Beta U.S. Small Cap Fund (File Nos. 333-178675 and 811-22649) ("Small Cap Registration Statement" and, together with the Large Cap Registration Statement, "Registration Statements"). In addition, the Commission has issued an order granting exemptive relief to the Trust under the 1940 Act. See Investment Company Act Release No. 29571 (January 24, 2011) (File No. 812-13601) ("Exemptive Order").

⁵ See Commentary .06 to NYSE Arca Equities Rule 8.600. The Exchange represents that, in the event (a) the Adviser becomes newly affiliated with a broker-dealer, or (b) any new adviser or sub-adviser becomes affiliated with a broker-dealer, such adviser and/or sub-adviser will implement a fire wall with respect to such broker-dealer regarding access to information concerning the

¹⁰ 15 U.S.C. 78s(b)(3)(A).

¹¹ 17 CFR 240.19b-4(f)(2).

¹² 17 CFR 200.30-3(a)(12).

Description of the iShares Strategic Beta U.S. Large Cap Fund

The iShares Strategic Beta U.S. Large Cap Fund will seek long-term capital appreciation. The Fund will seek to achieve its investment objective by investing, under normal circumstances,⁶ at least 80% of its net assets in U.S. exchange-listed and traded equity securities of large-capitalization issuers. The Fund will seek to maintain strategic exposure to U.S. large-capitalization stocks with targeted investment characteristics. BFA will utilize a proprietary investment process to assemble an investment portfolio from a defined group of stocks that seeks to emphasize companies within the group that exhibit certain quantitative investment characteristics, such as higher quality earnings, low relative valuation, and smaller relative market capitalization, and de-emphasize companies that lack such characteristics. The investment process is intended to provide an increased exposure to securities of companies with higher quality earnings, lower relative valuations, and smaller relative market capitalizations than would a fund that seeks to replicate the performance of a broad U.S. large-capitalization stock index. Companies in the universe of U.S. large capitalization securities represent various sectors of the U.S. large capitalization market.

The Fund's proprietary investment process will begin with the selection of securities representing a defined investable universe of stocks of U.S. large-capitalization issuers. The universe is then subjected to rules-based screens designed to exclude securities with very low trading volume or very low prices. The stocks will then be scored based on their exposure to quantitative metrics such as leverage, return on equity, price-to-book ratio, and capitalization. BFA will assemble a portfolio emphasizing those stocks with high relative exposure to the desired investment characteristics, while seeking to remain diversified by industry.

composition and/or changes to the portfolio, and will be subject to procedures designed to prevent the use and dissemination of material, non-public information regarding such portfolio.

⁶ The term "under normal circumstances" includes, but is not limited to, the absence of extreme volatility or trading halts in the equity markets or the financial markets generally; operational issues causing dissemination of inaccurate market information; or force majeure type events such as systems failure, natural or man-made disaster, act of God, armed conflict, act of terrorism, riot or labor disruption, or any similar intervening circumstance.

Description of the iShares Strategic Beta U.S. Small Cap Fund

The iShares Strategic Beta U.S. Small Cap Fund seeks long-term capital appreciation. The Fund will seek to achieve its investment objective by investing, under normal circumstances, at least 80% of its net assets in U.S. exchange-listed and traded equity securities of small-capitalization issuers. The Fund will seek to maintain strategic exposure to U.S. small-capitalization stocks with targeted investment characteristics. BFA will utilize a proprietary investment process to assemble an investment portfolio from a defined group of stocks that seeks to emphasize companies within the group that exhibit certain quantitative investment characteristics, such as higher quality earnings, low relative valuation, and smaller relative market capitalization, and de-emphasize companies that lack such characteristics. The investment process is intended to provide an increased exposure to securities of companies with higher quality earnings, lower relative valuations, and smaller relative market capitalizations than would a fund that seeks to replicate the performance of a broad U.S. small-capitalization stock index. Companies in the universe of U.S. small capitalization securities represent various sectors of the U.S. small capitalization market.

The Fund's proprietary investment process will begin with securities representing a defined investable universe of stocks of U.S. small-capitalization issuers. The universe will then be subjected to rules-based screens designed to exclude securities with very low trading volume or very low prices. The stocks are then scored based on their exposure to quantitative metrics such as leverage, return on equity, price-to-book ratio, and capitalization. BFA will assemble a portfolio emphasizing those stocks with high relative exposure to the desired investment characteristics, while seeking to remain diversified by industry.

With respect to each of the Funds, no less than 80% of the equity securities held by the respective Fund will be listed and traded on a U.S. national securities exchange.

Other Investments of the Funds

While each Fund, under normal circumstances, will invest at least 80% of its net assets in their respective investments, each Fund may directly invest in certain other investments, as described below. The Funds may temporarily depart from their normal

investment process,⁷ provided that the alternative, in the opinion of BFA, is consistent with a Fund's investment objective and is in the best interest of a Fund. However, BFA will not seek to actively time market movements.

Each Fund may hold up to an aggregate amount of 15% of its net assets in illiquid securities (calculated at the time of investment), including Rule 144A securities. Each Fund will monitor its portfolio liquidity on an ongoing basis to determine whether, in light of current circumstances, an adequate level of liquidity is being maintained, and will consider taking appropriate steps in order to maintain adequate liquidity if, through a change in values, net assets, or other circumstances, more than 15% of a Fund's net assets are held in illiquid securities. Illiquid securities include securities subject to contractual or other restrictions on resale and other instruments that lack readily available markets as determined in accordance with Commission staff guidance.

The Funds may invest in repurchase and reverse repurchase agreements. A repurchase agreement is an instrument under which the purchaser (*i.e.*, a Fund) acquires the security and the seller agrees, at the time of the sale, to repurchase the security at a mutually agreed upon time and price, thereby determining the yield during the purchaser's holding period. Reverse repurchase agreements involve the sale of securities with an agreement to repurchase the securities at an agreed-upon price, date, and interest payment, and have the characteristics of borrowing.

The Funds may invest in other short-term instruments, including money market instruments, on an ongoing basis to provide liquidity or for other reasons. Money market instruments are generally short-term investments that may include but are not limited to: (i) Shares of money market funds (including those advised by BFA or otherwise affiliated with BFA); (ii) obligations issued or guaranteed by the U.S. government, its agencies, or instrumentalities (including government-sponsored enterprises); (iii) negotiable certificates of deposit, bankers' acceptances, fixed-time deposits, and other obligations of U.S. and non-U.S. banks (including non-U.S.

⁷ Circumstances under which the Funds may temporarily depart from their normal investment process include, but are not limited to, extreme volatility or trading halts in the equity markets or the financial markets generally; operational issues causing dissemination of inaccurate market information; or force majeure type events such as systems failure, natural or man-made disaster, act of God, armed conflict, act of terrorism, riot or labor disruption, or any similar intervening circumstance.

branches) and similar institutions; (iv) commercial paper rated, at the date of purchase, “Prime–1” by Moody’s® Investors Service, Inc., “F–1” by Fitch Inc., or “A–1” by Standard & Poor’s®, or if unrated, of comparable quality as determined by BFA; (v) non-convertible corporate debt securities (e.g., bonds and debentures) with remaining maturities at the date of purchase of not more than 397 days and that satisfy the rating requirements set forth in Rule 2a–7 under the 1940 Act; and (vi) short-term U.S. dollar-denominated obligations of non-U.S. banks (including U.S. branches) that, in the opinion of BFA, are of comparable quality to obligations of U.S. banks which may be purchased by the Funds. Any of these instruments may be purchased on a current or forward-settled basis. Time deposits are non-negotiable deposits maintained in banking institutions for specified periods of time at stated interest rates.

A Fund may invest a small portion of its net assets in tracking stocks, which primarily will be U.S. exchange-listed. A tracking stock is a separate class of common stock whose value is linked to a specific business unit or operating division within a larger company and is designed to “track” the performance of such business unit or division. The tracking stock may pay dividends to shareholders independent of the parent company. The parent company, rather than the business unit or division, generally is the issuer of tracking stock. However, holders of the tracking stock may not have the same rights as holders of the company’s common stock.

Each Fund will be classified as a “diversified” investment company under the 1940 Act. In addition, the Funds intend to qualify for and to elect treatment as a separate regulated investment company (“RIC”) under Subchapter M of the Internal Revenue Code. The Funds will not purchase the securities of issuers conducting their principal business activity in the same industry if, immediately after the purchase and as a result thereof, the value of a Fund’s investments in that industry would equal or exceed 25% of the current value of a Fund’s total assets, provided that this restriction does not limit a Fund’s: (i) Investments in securities of other investment companies, (ii) investments in securities issued or guaranteed by the U.S. government, its agencies or instrumentalities, or (iii) investments in repurchase agreements collateralized by U.S. government securities.

In accordance with the Exemptive Order, the Funds will not invest in options, futures, or swaps. The Funds

may invest in currency forwards for hedging and trade settlement purposes.⁸ Each Fund’s investments will be consistent with its respective investment objective and will not be used to enhance leverage. The Funds will not invest in non-U.S.-registered equity securities.

The Exchange represents that the Shares will conform to the initial and continued listing criteria under NYSE Arca Equities Rule 8.600. The Exchange further represents that, for initial and/or continued listing, the Funds will be in compliance with Rule 10A–3 under the Exchange Act,⁹ as provided by NYSE Arca Equities Rule 5.3. A minimum of 100,000 Shares for each Fund will be outstanding at the commencement of trading on the Exchange. The Exchange will obtain a representation from the issuer of the Shares that the net asset value (“NAV”) per Share will be calculated daily and that the NAV and the Disclosed Portfolio, as defined in NYSE Arca Equities Rule 8.600(c)(2), will be made available to all market participants at the same time.

Additional information regarding the Trust, the Funds, and the Shares, including investment strategies, risks, creation and redemption procedures, fees, portfolio holdings disclosure policies, distributions, and taxes, among other things, is included in the Notice and Registration Statements.¹⁰

III. Discussion and Commission’s Findings

The Commission has carefully reviewed the proposed rule change and finds that it is consistent with the requirements of Section 6 of the Act¹¹ and the rules and regulations thereunder applicable to a national securities exchange.¹² In particular, the Commission finds that the proposal is consistent with Section 6(b)(5) of the Act,¹³ which requires, among other things, that the Exchange’s rules 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 a national market system, and, in general, to protect investors and the

public interest. The Commission notes that the Funds and the Shares must comply with the requirements of NYSE Arca Equities Rule 8.600 to be listed and traded on the Exchange.

The Commission finds that the proposal to list and trade the Shares on the Exchange is consistent with Section 11A(a)(1)(C)(iii) of the Act,¹⁴ which sets forth Congress’ finding that it is in the public interest and appropriate for the protection of investors and the maintenance of fair and orderly markets to assure the availability to brokers, dealers, and investors of information with respect to quotations for, and transactions in, securities. Quotation and last-sale information for the Shares will be available via the Consolidated Tape Association (“CTA”) high-speed line. In addition, the Indicative Optimized Portfolio Value (“IOPV”), which is the Portfolio Indicative Value, as defined in NYSE Arca Equities Rule 8.600(c)(3), will be widely disseminated by one or more major market data vendors at least every 15 seconds during the Core Trading Session.¹⁵ On each business day, before commencement of trading in Shares during the Core Trading Session on the Exchange, the Funds will disclose on their Web site the Disclosed Portfolio that will form the basis for the Funds’ calculation of the NAV at the end of the business day.¹⁶ The NAV of the Funds will be determined once each business day, generally as of the regularly scheduled close of business of the New York Stock Exchange (“NYSE”) (normally 4 p.m., Eastern time) on each day that the NYSE is open for trading, based on prices at the time of closing provided that (a) any Fund assets or liabilities denominated in currencies other than the U.S. dollar are translated into U.S. dollars at the prevailing market rates on the date of valuation as quoted by one or more data service providers, and (b) U.S. fixed-income assets may be valued as of the announced closing time for trading in fixed-income instruments in a particular market or exchange. A basket composition file, which includes the security names and share quantities required to be delivered in exchange for a Fund’s Shares, together with estimates

⁸ A forward currency contract is an obligation to purchase or sell a specific currency at a future date, which may be any fixed number of days from the date of the contract agreed upon by the parties, at a price set at the time of the contract.

⁹ 17 CFR 240.10A–3.

¹⁰ See Notice and Registration Statements, *supra* notes 3 and 4, respectively.

¹¹ 15 U.S.C. 78f.

¹² In approving this proposed rule change, the Commission has considered the proposed rule’s impact on efficiency, competition, and capital formation. See 15 U.S.C. 78c(f).

¹³ 17 U.S.C. 78f(b)(5).

¹⁴ 15 U.S.C. 78k–1(a)(1)(C)(iii).

¹⁵ According to the Exchange, several major market data vendors display and/or make widely available IOPVs published on the CTA or other data feeds.

¹⁶ On a daily basis, the Adviser will disclose for each portfolio security or other financial instrument of the Funds the following information: Ticker symbol (if applicable); name of security and financial instrument; number of shares or dollar value of financial instruments held in the portfolio; and percentage weighting of the security and financial instrument in the portfolio.

and actual cash components, will be publicly disseminated daily prior to the opening of the NYSE via the National Securities Clearing Corporation. Information regarding market price and trading volume of the Shares will be continually available on a real-time basis throughout the day on brokers' computer screens and other electronic services, and information regarding the previous day's closing price and trading volume information for the Shares will be published daily in the financial section of newspapers. The intra-day, closing, and settlement prices or other values of the portfolio securities, currency forwards, and other Fund investments are also generally readily available from the national securities exchanges trading such securities, automated quotation systems, published or other public sources, or on-line information services, such as Bloomberg or Reuters. The Funds' Web site will also include a form of the prospectus for each Fund, information relating to NAV (updated daily), and other quantitative and trading information.

The Commission further believes that the proposal to list and trade the Shares is reasonably designed to promote fair disclosure of information that may be necessary to price the Shares appropriately and to prevent trading when a reasonable degree of transparency cannot be assured. The Commission notes that the Exchange will obtain a representation from the issuer of the Shares that the NAV per Share will be calculated daily and that the NAV and the Disclosed Portfolio will be made available to all market participants at the same time.¹⁷ In addition, the Exchange will halt trading in the Shares under the specific circumstances set forth in NYSE Arca Equities Rule 8.600(d)(2)(D) and may halt trading in the Shares if trading is not occurring in the securities and/or the financial instruments comprising the Disclosed Portfolio of the Funds, or if other unusual conditions or circumstances detrimental to the maintenance of a fair and orderly market are present.¹⁸ Further, the Commission notes that the Reporting Authority that provides the Disclosed Portfolio must implement and maintain, or be subject to, procedures designed to

prevent the use and dissemination of material non-public information regarding the actual components of the portfolio.¹⁹ The Exchange states that it has a general policy prohibiting the distribution of material, non-public information by its employees. Moreover, the Exchange states that the Adviser is affiliated with multiple broker-dealers and represents that the Adviser has implemented a fire wall with respect to such broker-dealers regarding access to information concerning the composition and/or changes to the Funds' portfolios.²⁰ The Commission also notes that the Exchange can obtain information via the Intermarket Surveillance Group ("ISG") from other exchanges that are ISG members, including all U.S. national securities exchanges, or with which the Exchange has in place a comprehensive surveillance sharing agreement.

The Exchange represents that the Shares are deemed to be equity securities, thus rendering trading in the Shares subject to the Exchange's existing rules governing the trading of equity securities. In support of this proposal, the Exchange has made representations, including:

(1) The Shares will conform to the initial and continued listing criteria under NYSE Arca Equities Rule 8.600.

(2) The Exchange has appropriate rules to facilitate transactions in the Shares during all trading sessions.

(3) The Exchange's surveillance procedures applicable to derivative products, which include Managed Fund Shares, are adequate to properly monitor Exchange trading of the Shares

¹⁹ See NYSE Arca Equities Rule 8.600(d)(2)(B)(ii).

²⁰ See *supra* note 5 and accompanying text. The Commission notes that an investment adviser to an open-end fund is required to be registered under the Investment Advisers Act of 1940 ("Advisers Act"). As a result, the Adviser and its related personnel are subject to the provisions of Rule 204A-1 under the Advisers Act relating to codes of ethics. This Rule requires investment advisers to adopt a code of ethics that reflects the fiduciary nature of the relationship to clients as well as compliance with other applicable securities laws. Accordingly, procedures designed to prevent the communication and misuse of non-public information by an investment adviser must be consistent with Rule 204A-1 under the Advisers Act. In addition, Rule 206(4)-7 under the Advisers Act makes it unlawful for an investment adviser to provide investment advice to clients unless such investment adviser has (i) Adopted and implemented written policies and procedures reasonably designed to prevent violation, by the investment adviser and its supervised persons, of the Advisers Act and the Commission rules adopted thereunder; (ii) implemented, at a minimum, an annual review regarding the adequacy of the policies and procedures established pursuant to subparagraph (i) above and the effectiveness of their implementation; and (iii) designated an individual (who is a supervised person) responsible for administering the policies and procedures adopted under subparagraph (i) above.

in all trading sessions and to deter and detect violations of Exchange rules and applicable federal securities laws.

(4) Prior to the commencement of trading, the Exchange will inform its Equity Trading Permit ("ETP") Holders in an Information Bulletin of the special characteristics and risks associated with trading the Shares. Specifically, the Information Bulletin will discuss the following: (a) The procedures for purchases and redemptions of Shares in Creation Unit aggregations (and that Shares are not individually redeemable); (b) NYSE Arca Equities Rule 9.2(a), which imposes a duty of due diligence on its ETP Holders to learn the essential facts relating to every customer prior to trading the Shares; (c) the risks involved in trading the Shares during the Opening and Late Trading Sessions when an updated IOPV will not be calculated or publicly disseminated; (d) how information regarding the IOPV is disseminated; (e) the requirement that ETP Holders deliver a prospectus to investors purchasing newly issued Shares prior to or concurrently with the confirmation of a transaction; and (f) trading and other information.

(5) For initial and/or continued listing, the Funds will be in compliance with Rule 10A-3 under the Act,²¹ as provided by NYSE Arca Equities Rule 5.3.

(6) With respect to each of the Funds, no less than 80% of the equity securities held by the respective Fund will be listed and traded on a U.S. national securities exchange.

(7) Each Fund may hold up to an aggregate amount of 15% of its net assets in illiquid securities, including Rule 144A securities.

(8) Each Fund will not: (a) invest in non-U.S.-registered equity securities; and (b) pursuant to the terms of the Exemptive Order, invest in options, futures, or swap agreements. In addition, each Fund's investments will be consistent with its respective investment objective and will not be used to enhance leverage.

(9) A minimum of 100,000 Shares of each Fund will be outstanding at the commencement of trading on the Exchange.

This approval order is based on all of the Exchange's representations and description of the Funds, including those set forth above and in the Notice.

For the foregoing reasons, the Commission finds that the proposed rule change is consistent with Section 6(b)(5) of the Act²² and the rules and

²¹ See 17 CFR 240.10A-3.

²² 15 U.S.C. 78f(b)(5).

¹⁷ See NYSE Arca Equities Rule 8.600(d)(1)(B).

¹⁸ See NYSE Arca Equities Rule 8.600(d)(2)(C).

With respect to trading halts, the Exchange may consider other relevant factors in exercising its discretion to halt or suspend trading in the Shares of the Funds. Trading in Shares of the Funds will be halted if the circuit breaker parameters in NYSE Arca Equities Rule 7.12 have been reached. Trading also may be halted because of market conditions or for reasons that, in the view of the Exchange, make trading in the Shares inadvisable.

regulations thereunder applicable to a national securities exchange.

IV. Conclusion

It is therefore ordered, pursuant to Section 19(b)(2) of the Act,²³ that the proposed rule change (SR-NYSEArca-2012-44) be, and it hereby is, approved.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.²⁴

Kevin M. O'Neill,

Deputy Secretary.

[FR Doc. 2012-16524 Filed 7-3-12; 8:45 am]

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-67319; File No. SR-NSX-2012-09]

Self-Regulatory Organizations; National Stock Exchange, Inc.; Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Modify the NSX Fee and Rebate Schedule

June 29, 2012.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the "Act")¹ and Rule 19b-4 thereunder,² notice is hereby given that on June 28, 2012, National Stock Exchange, Inc. 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 National Stock Exchange, Inc. The Commission is publishing this notice to solicit comment on the proposed rule change from interested persons.

I. Self-Regulatory Organization's Statement of the Terms of Substance of the Proposed Rule Change

National Stock Exchange, Inc. ("NSX" or "Exchange") is proposing to amend its Fee and Rebate Schedule (the "Fee Schedule") issued pursuant to Exchange Rule 16.1(c) to increase the rebates for certain orders executed in the Exchange's Order Delivery Mode.

The text of the proposed rule change is available on the Exchange's Web site at <http://www.nsx.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

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

1. Purpose

With this rule change, the Exchange is proposing to amend the Fee Schedule with respect to the rebates applicable to liquidity adding order executions in securities priced at least one dollar in the Exchange's Order Delivery Mode of order interaction ("Order Delivery"). The proposed changes are further addressed below.

Rebates for Executions of Displayed Orders of Securities Priced at Least One Dollar in Order Delivery

As reflected in Section II of the Fee Schedule, for all liquidity adding displayed orders of securities priced at least one dollar in Order Delivery, the Exchange currently offers four tiers of progressively greater rebates in the amounts of \$0.0008 per share (tier 1), \$0.0024 per share (tier 2), \$0.0027 per share plus 25% of market data revenues attributable to such orders (tier 3), or \$0.0027 per share plus 50% of market data revenues attributable to such orders (tier 4). The applicable rebate tier depends on an ETP Holder's ADV. Endnote 3 provides that "ADV" means, with respect to an ETP Holder, the number of shares such ETP Holder has executed on average per trading day (excluding partial trading days) in AutoEx or Order Delivery, as applicable, across all tapes in securities priced at least one dollar on NSX for the calendar month (or partial month, as applicable) in which the executions occurred. Endnote 3 further clarifies that "ADV" as used with respect to the Exchange's Automatic Execution mode of order interaction ("AutoEx") shall mean only those executed shares of the ETP Holder that are submitted in AutoEx mode, and that ADV as used with respect to Order Delivery shall mean only those executed shares of the ETP Holder that are submitted in Order Delivery mode.

Specifically, the current Fee Schedule provides that a \$0.0008 per share rebate (with no market data revenue sharing) applies to an ETP Holder's Order Delivery, dollar or higher displayed order executions that add liquidity where the ETP Holder's ADV is less than 15,000,000 shares; a \$0.0024 per share rebate (with no market data revenue sharing) applies to an ETP Holder's Order Delivery, dollar or

higher displayed order executions that add liquidity where the ETP Holder's ADV is at least 15,000,000 shares but less than 25,000,000 shares; a \$0.0027 per share rebate (plus 25% market data revenue sharing) applies to an ETP Holder's Order Delivery, dollar or higher displayed order executions that add liquidity where the ETP Holder's ADV is at least 25,000,000 shares but less than 30,000,000 shares; and a \$0.0027 per share rebate (plus 50% market data revenue sharing) applies to an ETP Holder's Order Delivery, dollar or higher displayed order executions that add liquidity where the ETP Holder's ADV is at least 30,000,000 shares. Currently, an ETP Holder's "ADV" with respect to the rebate in Order Delivery for securities priced at least one dollar is calculated to include only the ETP Holder's volumes in Order Delivery, and excludes sub-dollar securities.

The proposed rule change provides that each of the above-referenced four rebate dollar amounts in Order Delivery may be increased by \$0.0003 per share (to the amounts of \$0.0011 per share in tier 1, \$0.0027 per share in tier 2, or \$0.0030 per share in each of tiers 3 and 4) if an ETP Holder achieves, in the same measurement period, a combined ADV in both AutoEx and Order Delivery of at least 11.5 million shares, of which at least one million five hundred thousand are Order Delivery ADV. Endnote 5, which is proposed to apply to each of the four rebate tiers in Order Delivery, provides that an ETP Holder shall receive an additional \$0.0003 per share rebate (with respect to executions of Displayed Orders in Order Delivery that are priced at least \$1) in the event such ETP Holder achieves an Order Delivery ADV of at least 1,500,000 and an AutoEx ADV (in the same period) of at least 10,000,000. No changes are proposed to the market data sharing program component that is applicable to the third and fourth tier.

A conforming edit adding the clause "except as otherwise noted" is proposed to be made to the definition of ADV in Endnote 3 to allow for explicit exceptions (as is contained in proposed Endnote 5) to the general definition of ADV as set forth in Endnote 3. In addition, certain non-substantive formatting edits (rearranging the header "All Tapes") are proposed to the headers in Section I for the purpose of streamlining the text of the Fee Schedule.

Rationale

The proposed increase to the dollar amounts of the rebates applicable to displayed liquidity providing Order

²³ 15 U.S.C. 78s(b)(2).

²⁴ 17 CFR 200.30-3(a)(12).

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.