

e-Quotes—would further those legitimate Floor functions. Although not articulated by the SROs or commenters, the Commission could envision an argument that allowing DMMs to see information about individual Floor broker e-Quotes, including the identity of the responsible Floor broker, and convey that information to other Floor brokers, could facilitate the bringing together of buyers and sellers of large orders on the Floor more efficiently than through verbal communications. However, neither the SROs nor the commenters have offered any specific explanation, nor has the Commission been able to otherwise discern, how the provision of disaggregated pre-trade and post-trade information about public orders on the Exchange books, including the identity of the entering and clearing firms, would promote a legitimate Floor function. Nor have the SROs or the commenters provided any specific justification for allowing Floor brokers to pass on to their customers the identity of the responsible Floor broker for e-Quotes, or any disaggregated order information (pre-trade or post trade) with respect to orders on the Exchange books that originate off the Exchange floors.

Although the SROs and commenters have taken the position that the disaggregated order information proposed to be provided would afford only a slight benefit to Floor members, given that it must be accessed manually, they have not clearly explained why this is the case, particularly with respect to less liquid securities where order information is less likely to become rapidly stale. In addition, neither the SROs nor the commenters have articulated a rationale for providing disaggregated order information—particularly that relating to public orders on the Exchange books—exclusively to DMMs and Floor brokers and, by extension, exclusively to Floor broker customers, and not to all Exchange members and customers. While the SROs and commenters believe that the proposals are not unfairly discriminatory because DMMs must provide the information to Floor brokers in a non-discriminatory fashion, and Floor brokers must do the same with respect to their customers, they do not explain why it is not unfairly discriminatory to offer this information only through Floor brokers and not through other Exchange members.

The SROs and commenters point out that customers can prevent their disaggregated order information from being accessed by DMMs and Floor brokers by submitting a non-displayable order or, with respect to Floor broker e-

Quotes, instructing that the information be withheld from the DMM. They also note that Floor brokers are not permitted to trade on a proprietary basis, and that DMMs are subject to restrictions that limit their ability to benefit directly from their receipt of disaggregated order information by trading proprietarily. Although these are factors that may mitigate potential harm that may result from the proposals, they do not in themselves offer an affirmative justification as to why the specific proposals under consideration would not permit unfair discrimination, or would promote just and equitable principles of trade and protect investors and the public interest, or would otherwise be consistent with the Act. Similarly, while the SROs and commenters note that specialists historically were permitted to provide disaggregated order information to Floor brokers prior to the Exchanges' conversion to a more automated "Hybrid Market," they do not articulate how this former practice is relevant to whether the proposed provision of disaggregated order information to Floor members in the context of the current market models of the SROs is consistent with the Act.

When the Commission is engaged in rulemaking or the review of a rule filed by a self-regulatory organization, and is required to consider or determine whether an action is necessary or appropriate in the public interest, the Commission shall also consider, in addition to the protection of investors, whether the action will promote efficiency, competition, and capital formation.<sup>55</sup> Based on the evidence presented, the Commission notes that making the information that is proposed to be provided under this filing exclusively available to DMMs and Floor brokers could have a detrimental effect on competition between on-Floor and off-Floor members of the Exchanges. Moreover, while providing DMMs and Floor brokers with order information related to Floor broker interest may promote efficiency, the SROs have not demonstrated that other aspects of these proposals—specifically, providing DMMs and Floor brokers with order information about public orders on the Exchange books—would have a similar effect.

As noted above, Rule 700(b)(3) of the Commission's Rules of Practice states that "[t]he burden to demonstrate that a proposed rule change is consistent with the Exchange Act and the rules and regulations issued thereunder \* \* \* is on the self-regulatory organization that

proposed the rule change" and that a "mere assertion that the proposed rule change is consistent with those requirements \* \* \* is not sufficient."<sup>56</sup> For the reasons set forth above, the Commission does not believe that the SROs have met their burden to demonstrate that the proposed rule changes are consistent with the requirements of the Act and the rules and regulations thereunder.

#### IV. Conclusion

For the foregoing reasons, the Commission does not find that the proposed rule changes are consistent with the Act and the rules and regulations thereunder applicable to a national securities exchange, and, in particular, with Section 6(b)(5) of the Act.

*It is therefore ordered*, pursuant to Section 19(b)(2) of the Act,<sup>57</sup> that the proposed rule changes (SR-NYSE-2011-56 and SR-NYSEAmex-2011-86) be, and hereby are, disapproved.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>58</sup>

**Kevin M. O'Neill,**  
*Deputy Secretary.*

[FR Doc. 2012-17551 Filed 7-18-12; 8:45 am]

**BILLING CODE 8011-01-P**

## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-67436; File No. SR-NYSEArca-2012-73]

### Self-Regulatory Organizations; NYSE Arca, Inc.; Notice of Filing and Immediate Effectiveness of Proposed Rule Change Establishing a Fee for Television Distribution of the NYSE Arca Trades Data Product

July 13, 2012.

Pursuant to Section 19(b)(1)<sup>1</sup> of the Securities Exchange Act of 1934 (the "Act")<sup>2</sup> and Rule 19b-4 thereunder,<sup>3</sup> notice is hereby given that, on July 3, 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

<sup>56</sup> 17 CFR 201.700(b)(3).

<sup>57</sup> 15 U.S.C. 78s(b)(2).

<sup>58</sup> 17 CFR 200.30-3(a)(12).

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

<sup>2</sup> 15 U.S.C. 78a.

<sup>3</sup> 17 CFR 240.19b-4.

<sup>55</sup> See 15 U.S.C. 78c(f).

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 establish a fee for television distribution of the NYSE Arca Trades data product. The text of the proposed rule change is available on the Exchange's Web site 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 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 proposes to establish a fee for television distribution of the NYSE Arca Trades data product.

In 2009, the Commission approved the NYSE Arca Trades data product and its fees.<sup>4</sup> NYSE Arca Trades is a NYSE Arca-only market data service that allows a vendor to redistribute on a real-time basis the same last sale information that the Exchange reports under the Consolidated Tape Association ("CTA") Plan and the NASDAQ Unlisted Trading Privileges Plan ("NASDAQ UTP Plan") for including in those plans' consolidated data streams and certain other related data elements ("NYSE Arca Last Sale Information").

In 2010, the Commission approved changes to the fees for NYSE Arca Trades that modified the professional subscriber fee to consolidate the per-display device fee for NYSE Arca Last Sale Information relating to Network A and Network B Eligible Securities and securities listed on NASDAQ and provide an alternative to the per-device fee based on the number of "Subscriber Entitlements," rather the basis of the

number of devices.<sup>5</sup> The Exchange charges the datafeed recipients (a) an access fee of \$750 per month (the "Access Fee"), and (b) at the election of the vendor, either (i) a device fee for professional subscribers of \$10.00 per month or (ii) a fee based on the number of "Subscriber Entitlements" (the latter two fees together, "User Fees").<sup>6</sup>

The Exchange proposes to add a new fee category for NYSE Arca Trades to provide television broadcasters<sup>7</sup> with an alternative enterprise fee (the "Broadcast Fee"). For the receipt of access to and the ability to display the datafeeds of the NYSE Arca Trades service by a television broadcaster, the Exchange proposes to charge a flat fee of \$20,000 per month.<sup>8</sup> Broadcasters will not be required to track the number of viewers.

##### 2. Statutory Basis

The Exchange believes that the proposed rule change is consistent with the provisions of Section 6 of the Securities Exchange Act of 1934 (the "Act")<sup>9</sup> in general and with Section 6(b)(4) and 6(b)(5) of the Act<sup>10</sup> in particular in that it provides an equitable allocation of reasonable fees among users and recipients of the data and is not designed to permit unfair discrimination among customers, issuers, and brokers. The proposed Broadcast Fee is reasonable, equitable, and not unfairly discriminatory because it will provide a convenient and easy-to-administer way for a television broadcaster to display real-time NYSE Arca-only data on television, thereby providing public investors and other market participants who watch the broadcaster's channel with another means to obtain current market data. The Exchange believes that the Broadcast Fee will be attractive to television broadcasters because it will enable them to provide market data to their viewers that will complement the broadcasters' news reporting services without the added administrative burden and cost of keeping track of the number of viewers of the datafeed. The proposed distribution method differs, however, from other distribution

methods in that the data will be available in temporary, view-only mode on television screens.<sup>11</sup> Other available distribution methods for NYSE Arca Trades and alternative data products may allow the end-user to download and analyze last sale data in order to make trading decisions. For these reasons, the Exchange believes that establishing a different pricing scheme for television broadcasters is justified. The Exchange also believes that its pricing is reasonable in light of other similar products. By way of comparison, for example, the television ticker display fee for CTA Network A market data (i.e., consolidated last sale data for securities listed on the New York Stock Exchange) is based on the number of viewers of the ticker, and is capped at \$125,000 month, and the television ticker display fee for NASDAQ securities, similarly based on the number of households reached by the broadcaster, is capped at \$50,000. Both of these products require the broadcaster to track the number of viewers of the ticker.<sup>12</sup>

The existence of alternatives to the NYSE Arca Trades data product, including real-time consolidated data, free delayed consolidated data, and proprietary last sale data from other sources, ensures that the Exchange cannot set unreasonable fees, or fees that are unreasonably discriminatory, when vendors and subscribers can elect such alternatives. The recent decision of the United States Court of Appeals for the District of Columbia Circuit in *NetCoalition v. SEC*, No. 09-1042 (DC Cir. 2010), upheld the Commission's reliance upon the existence of competitive market mechanisms to set reasonable and equitably allocated fees for proprietary market data:

In fact, the legislative history indicates that the Congress intended that the market system 'evolve through the interplay of competitive forces as unnecessary regulatory restrictions are removed' and that the SEC wield its regulatory power 'in those situations where competition may not be sufficient,' such as in the creation of a 'consolidated transactional reporting system.'

*NetCoalition* at 15 (quoting H.R. Rep. No. 94-229 at 92 (1975), as reprinted in 1975 U.S.C.C.A.N. 321, 323). The court agreed with the Commission's conclusion that "Congress intended that 'competitive forces should dictate the services and practices that constitute the

<sup>5</sup> See Securities Exchange Act Release No. 62188 (May 27, 2010); 75 FR 31484 (June 3, 2010) (SR-NYSEArca-2010-23).

<sup>6</sup> *Id.* at 31485-31486.

<sup>7</sup> Television broadcast can be through cable, satellite, or traditional means.

<sup>8</sup> Although the Broadcast Fee will not vary based on the amount of time that the datafeed is displayed during the day or the number of channels the broadcaster utilizes, it will be prorated if a television broadcaster initiates the service during the middle of a month.

<sup>9</sup> 15 U.S.C. 78f(b).

<sup>10</sup> 15 U.S.C. 78f(b)(4) and (5).

<sup>11</sup> A television broadcaster could elect to combine for broadcast the NYSE Arca Trades data with other data available to it for broadcast.

<sup>12</sup> The Network A Rate Schedule is available at <http://www.nyxdata.com/CTA>. See also NASDAQ Rule 7039, which sets forth fees for the distribution of NASDAQ Last Sale Data Products via Television.

<sup>4</sup> See Securities Exchange Act Release No. 59598 (Mar. 18, 2009); 74 FR 12919 (Mar. 25, 2009) (SR-NYSEArca-2009-05).

U.S. national market system for trading equity securities.’”<sup>13</sup>

As explained below in the Exchange’s Statement on Burden on Competition, the Exchange believes that there is substantial evidence of competition in the marketplace for data and that the Commission can rely upon such evidence in concluding that the fees established in this filing are the product of competition and therefore satisfy the relevant statutory standards.<sup>14</sup>

As the *NetCoalition* decision noted, the Commission is not required to undertake a cost-of-service or ratemaking approach, and the Exchange incorporates by reference into this proposed rule change its analysis of this topic in another recent rule filing.<sup>15</sup>

For these reasons, the Exchange believes that the proposed fee is reasonable, equitable, and not unfairly discriminatory.

#### *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. An exchange’s ability to price its datafeed products is constrained by (1) competition among exchanges and other trading platforms that compete with one another in a variety of dimensions, (2) the existence of inexpensive real-time consolidated data and free delayed consolidated data, and (3) the inherent contestability of the market for proprietary last sale data.

The market for proprietary last sale data products is currently competitive and inherently contestable because there is fierce competition for the inputs necessary to the creation of proprietary data and strict pricing discipline for the proprietary products themselves. Numerous exchanges compete with each other for listings, trades, and market data itself, providing virtually limitless opportunities for entrepreneurs who wish to produce and distribute their own market data. This proprietary data is produced by each individual exchange, as well as other entities, in a vigorously competitive market.

It is common for broker-dealers to further exploit this competition by

sending their order flow and transaction reports to multiple markets, rather than providing them all to a single market. As a recent Commission Concept Release noted, the “current market structure can be described as dispersed and complex” with “trading volume \* \* \* dispersed among many highly automated trading centers that compete for order flow in the same stocks” and “trading centers offer[ing] a wide range of services that are designed to attract different types of market participants with varying trading needs.”<sup>16</sup>

Competitive markets for order flow, executions, and transaction reports provide pricing discipline for the inputs of proprietary data products and therefore constrain markets from overpricing proprietary market data. The U.S. Department of Justice recently acknowledged the aggressive competition among exchanges. In announcing the abandoned bid for NYSE Euronext by NASDAQ OMX Group Inc. and IntercontinentalExchange Inc., Assistant Attorney General Christine Varney stated that exchanges “compete head to head to offer real-time equity data products. These data products include the best bid and offer of every exchange and information on each equity trade, including the last sale.”<sup>17</sup>

Transaction execution and proprietary data products are complementary in that market data is both an input and a byproduct of the execution service. In fact, market data and trade execution are a paradigmatic example of joint products with joint costs. The decision whether and on which platform to post an order will depend on the attributes of the platform where the order can be posted, including the execution fees, data quality, and price and distribution of its data products. Without trade executions, exchange data products cannot exist.

Further, data products are valuable to many end users only insofar as they provide information that end users expect will assist them or their customers in making trading decisions. The Exchange notes in that respect that

<sup>16</sup> Concept Release on Equity Market Structure, Securities Exchange Act Release No. 61358 (Jan. 14, 2010), 75 FR 3594 (Jan. 22, 2010) (File No. S7-02-10). This Concept Release included data from the third quarter of 2009 showing that no market center traded more than 20% of the volume of listed stocks, further evidencing the dispersal of and competition for trading activity. *Id.* at 3598.

<sup>17</sup> Press Release, U.S. Department of Justice, Assistant Attorney General Christine Varney Holds Conference Call Regarding NASDAQ OMX Group Inc. and IntercontinentalExchange Inc. Abandoning Their Bid for NYSE Euronext (May 16, 2011), available at <http://www.justice.gov/iso/opa/atr/speeches/2011/at-speech-110516.html>.

making the NYSE Arca Trades service available on television at a more economical and easier to administer fee would encourage more television broadcasters to choose to offer the datafeed and thereby benefit public investors and other market participants who follow market developments through that medium by providing them with a convenient way to track price trends while watching news programs during the course of the trading day, thereby complementing NYSE Arca Trades offerings through other means.

The costs of producing market data include not only the costs of the data distribution infrastructure, but also the costs of designing, maintaining, and operating the exchange’s transaction execution platform and the cost of regulating the exchange to ensure its fair operation and maintain investor confidence. The total return that a trading platform earns reflects the revenues it receives from both products and the joint costs it incurs. Moreover, an exchange’s broker-dealer customers view the costs of transaction executions and of data as a unified cost of doing business with the exchange.

Similarly, in the case of products that are distributed through market data vendors, the vendors provide price discipline for proprietary data products because they control the primary means of access to certain end users. Vendors impose price restraints based upon their business models. For example, vendors such as Bloomberg and Thomson Reuters that assess a surcharge on data they sell may refuse to offer proprietary products that end users will not purchase in sufficient numbers. Internet portals, such as Google, impose a discipline by providing only data that will enable them to attract “eyeballs” that contribute to their advertising revenue. Similarly, television broadcasters will not elect to display NYSE Arca Trades unless they believe it will help them attract or maintain viewers.

Other market participants have noted that the liquidity provided by the order book, trade execution, core market data, and non-core market data are joint products of a joint platform and have common costs.<sup>18</sup> The Exchange agrees

<sup>18</sup> See Securities Exchange Act Release No. 62887 (Sept. 10, 2010), 75 FR 57092, 57095 (Sept. 17, 2010) (SR-Phlx-2010-121); Securities Exchange Act Release No. 62907 (Sept. 14, 2010), 75 FR 57314, 57317 (Sept. 20, 2010) (SR-NASDAQ-2010-110); and Securities Exchange Act Release No. 62908 (Sept. 14, 2010) (SR-NASDAQ-2010-111), 75 FR 57321, 57324 (Sept. 20, 2010) (“all of the exchange’s costs are incurred for the unified purposes of attracting order flow, executing and/or routing orders, and generating and selling data

<sup>13</sup> *NetCoalition* at 16.

<sup>14</sup> Section 916 of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (“Dodd-Frank Act”) amended paragraph (A) of Section 19(b)(3) of the Act, 15 U.S.C. 78s(b)(3), to make clear that all exchange fees for market data may be filed by exchanges on an immediately effective basis.

<sup>15</sup> See Securities Exchange Act Release No. 63291 (Nov. 9, 2010), 75 FR 70311 (Nov. 17, 2010) (SR-NYSEArca-2010-97).

with and adopts those discussions and the arguments therein. The Exchange also notes that the economics literature confirms that there is no way to allocate common costs between joint products that would shed any light on competitive or efficient pricing.<sup>19</sup>

Analyzing the cost of market data distribution in isolation from the cost of all of the inputs supporting the creation of market data will inevitably underestimate the cost of the data. Thus, because it is impossible to create data without a fast, technologically robust, and well-regulated execution system, system costs and regulatory costs affect the price of market data. It would be equally misleading, however, to attribute all of an exchange's costs to the market data portion of an exchange's joint product. Rather, all of an exchange's costs are incurred for the unified purposes of attracting order flow, executing and/or routing orders, and generating and selling data about market activity. The total return that an exchange earns reflects the revenues it receives from the joint products and the total costs of the joint products.

Competition among trading platforms can be expected to constrain the aggregate return that each platform earns from the sale of its joint products, but different platforms may choose from a range of possible, and equally reasonable, pricing strategies as the means of recovering total costs. For example, some platforms may choose to

about market activity. The total return that an exchange earns reflects the revenues it receives from the joint products and the total costs of the joint products.”); *see also* August 1, 2008 Comment Letter of Jeffrey S. Davis, Vice President and Deputy General Counsel, NASDAQ OMX Group, Inc., Statement of Janusz Ordover and Gustavo Bamberger (“because market data is both an input to and a byproduct of executing trades on a particular platform, market data and trade execution services are an example of ‘joint products’ with ‘joint costs.’”), attachment at pg. 4, available at [www.sec.gov/comments/34-57917/3457917-12.pdf](http://www.sec.gov/comments/34-57917/3457917-12.pdf).

<sup>19</sup> *See generally* Mark Hirschey, *Fundamentals of Managerial Economics*, at 600 (2009) (“It is important to note, however, that although it is possible to determine the separate marginal costs of goods produced in variable proportions, it is impossible to determine their individual average costs. This is because common costs are expenses necessary for manufacture of a joint product. Common costs of production—raw material and equipment costs, management expenses, and other overhead—cannot be allocated to each individual by-product on any economically sound basis. \* \* \* Any allocation of common costs is wrong and arbitrary.”). This is not new economic theory. *See, e.g.,* F.W. Taussig, “A Contribution to the Theory of Railway Rates,” *Quarterly Journal of Economics* V(4) 438, 465 (July 1891) (“Yet, surely, the division is purely arbitrary. These items of cost, in fact, are jointly incurred for both sorts of traffic; and I cannot share the hope entertained by the statistician of the Commission, Professor Henry C. Adams, that we shall ever reach a mode of apportionment that will lead to trustworthy results.”).

pay rebates to attract orders, charge relatively low prices for market information (or provide information free of charge), and charge relatively high prices for accessing posted liquidity. Other platforms may choose a strategy of paying lower rebates (or no rebates) to attract orders, setting relatively high prices for market information, and setting relatively low prices for accessing posted liquidity. In this environment, there is no economic basis for regulating maximum prices for one of the joint products in an industry in which suppliers face competitive constraints with regard to the joint offering.

The level of competition and contestability in the market is evident in the numerous alternative venues that compete for order flow, including 12 equities self-regulatory organization (“SRO”) markets, as well as internalizing broker-dealers (“BDs”) and various forms of alternative trading systems (“ATs”), including dark pools and electronic communication networks (“ECNs”). Each SRO market competes to produce transaction reports via trade executions, and two FINRA-regulated Trade Reporting Facilities (“TRFs”) compete to attract internalized transaction reports.

The large number of SROs, TRFs, BDs, and ATs that currently produce proprietary data or are currently capable of producing it provides further pricing discipline for proprietary data products. Each SRO, TRF, AT, and BD is currently permitted to produce proprietary data products, and many currently do or have announced plans to do so, including but not limited to the Exchange, NYSE, NYSE Amex, NASDAQ OMX, BATS, and Direct Edge.

The fact that proprietary data from ATs, BDs, and vendors can bypass SROs is significant in two respects. First, non-SROs can compete directly with SROs for the production and sale of proprietary data products. Second, because a single order or transaction report can appear in an SRO proprietary product, a non-SRO proprietary product, or both, the amount of data available via proprietary products is greater in size than the actual number of orders and transaction reports that exist in the marketplace. Because market data users can thus find suitable substitutes for most proprietary market data products (in this case both a CTA product and a NASDAQ proprietary product are direct alternatives), a market that overprices its market data products stands a high risk that users may substitute another source of market information for its own.

Moreover, consolidated data provides two additional measures of pricing discipline for proprietary data products that are a subset of the consolidated data stream. First, the consolidated data is widely available in real-time at \$1 per month for non-professional users. Second, consolidated data is also available at no cost with a 15- or 20-minute delay. Because consolidated data contains marketwide information, it effectively places a cap on the fees assessed for proprietary data (such as last sale data) that is simply a subset of the consolidated data. The mere availability of low-cost or free consolidated data provides a powerful form of pricing discipline for proprietary data products that contain data elements that are a subset of the consolidated data, by highlighting the optional nature of proprietary products. The Exchange notes that its Broadcast Fee for NYSE Arca Trades is substantially less than the fee for a similar CTA product.

In addition to the competition and price discipline described above, the market for proprietary data products is also highly contestable because market entry is rapid, inexpensive, and profitable. The history of electronic trading is replete with examples of entrants that swiftly grew into some of the largest electronic trading platforms and proprietary data producers: Archipelago, Bloomberg Tradebook, Island, REDIBook, Attain, TrackECN, BATS Trading and Direct Edge. Today, BATS and Direct Edge provide data at no charge on their Web sites in order to attract more order flow, and use market data revenue rebates from resulting additional executions to maintain low execution charges for their users.<sup>20</sup>

In establishing the Broadcast Fee for the NYSE Arca Trades Service, the Exchange considered the competitiveness of the market for data and all of the implications of that competition. The Exchange believes that it has considered all relevant factors and has not considered irrelevant factors in order to establish fair, reasonable, and not unreasonably discriminatory fees and an equitable allocation of fees among all users. The existence of numerous alternatives to the Exchange's product, including real-time consolidated data, free delayed consolidated data, and proprietary data from other sources, ensures that the

<sup>20</sup> This is simply a securities market-specific example of the well-established principle that in certain circumstances more sales at lower margins can be more profitable than fewer sales at higher margins; this example is additional evidence that market data is an inherent part of a market's joint platform.

Exchange cannot set unreasonable fees, or fees that are unreasonably discriminatory, when vendors and subscribers can elect these alternatives. Accordingly, the Exchange believes that the acceptance of datafeed products in the marketplace demonstrates the consistency of these fees with applicable statutory standards.

*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)<sup>21</sup> of the Act and subparagraph (f)(2) of Rule 19b-4<sup>22</sup> thereunder, because it establishes a due, fee, or other charge imposed by the NYSE Arca.

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](mailto:rule-comments@sec.gov). Please include File Number SR-NYSEArca-2012-73 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-2012-73. 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 10:00 a.m. and 3:00 p.m. Copies of such filing also will be available for inspection and copying at the principal offices 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-2012-73, and should be submitted on or before August 9, 2012.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>23</sup>

Kevin M. O'Neill,  
Deputy Secretary.

[FR Doc. 2012-17550 Filed 7-18-12; 8:45 am]

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-67435; File No. SR-NYSEArca-2012-45]

### Self-Regulatory Organizations; NYSE Arca, Inc.; Order Granting Approval of Proposed Rule Change Amending Its Rules To Reflect the Merger of Archipelago Holdings, Inc. ("Archipelago Holdings"), An Intermediate Holding Company, Into and With NYSE Group, Inc., Thereby Eliminating Archipelago Holdings From the Ownership Structure of the Exchange

July 13, 2012.

#### I. Introduction

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

Commission ("Commission"), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act")<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> proposed rule changes to reflect the merger of Archipelago Holdings, Inc. ("Archipelago Holdings"), an intermediate holding company, into and with NYSE Group, Inc. ("NYSE Group"), thereby eliminating Archipelago Holdings from the ownership structure of the Exchange (the "Merger"). The proposed rule changes were published for comment in the **Federal Register** on May 31, 2012.<sup>3</sup> The Commission received no comment letters on the proposal. The Commission has reviewed carefully the proposed rule changes and finds that the proposed rule changes are consistent with the requirements of the Act and the rules and regulations thereunder applicable to a national securities exchange.<sup>4</sup> This order approves the proposed rule changes.

#### II. Description

NYSE Euronext intends to merge Archipelago Holdings with and into NYSE Group, effective following approval of the proposed rule change.<sup>5</sup> According to the Exchange, the reason for the Merger is to eliminate an unnecessary intermediate holding company.<sup>6</sup> Following the Merger, the Exchange would continue to be wholly-owned by NYSE Arca Holdings, which in turn would be wholly-owned by NYSE Group, which in turn would be wholly-owned by NYSE Euronext.

The Exchange has submitted its proposal to (i) Amend and restate the Amended and Restated Certificate of Incorporation of NYSE Arca Holdings, Inc. (the "NYSE Arca Holdings Certificate"), (ii) amend and restate the NYSE Arca Holdings, Inc. Bylaws ("NYSE Arca Holdings Bylaws") as required by the NYSE Arca Holdings Certificate, (iii) amend the rules of NYSE Arca and NYSE Arca Equities, Inc., (iv) delete in its entirety the Amended and Restated Certificate of Archipelago Holdings ("Archipelago

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

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

<sup>3</sup> See Securities Exchange Act Release No. 67058 (May 31, 2012), 77 FR 32155 ("Notice").

<sup>4</sup> In approving the proposed rule changes, the Commission has considered their impact on efficiency, competition, and capital formation. See 15 U.S.C. 78c(f).

<sup>5</sup> Currently, NYSE Arca Holdings, Inc. ("NYSE Arca Holdings") owns all of the equity interest of the Exchange. Archipelago Holdings owns all of the equity interest of NYSE Arca Holdings, and NYSE Group owns all of the equity interest of Archipelago Holdings. NYSE Euronext owns all of the equity interest of NYSE Group.

<sup>6</sup> See Notice, 77 FR at 32156.

<sup>21</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>22</sup> 17 CFR 240.19b-4(f)(2).

<sup>23</sup> 17 CFR 200.30-3(a)(12).