

For the Commission by the Division of Trading and Markets, pursuant to delegated authority.³⁵

Kevin M. O'Neill,

Deputy Secretary.

[FR Doc. 2012-22908 Filed 9-17-12; 8:45 am]

BILLING CODE 8011-01-P

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-67836; File No. SR-NYSEArca-2012-100]

Self-Regulatory Organizations; NYSE Arca, Inc.; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Amend NYSE Arca Options Rule 6.96 by Adding a New Paragraph (c) That Addresses the Authority of the Exchange or Archipelago Securities LLC (“Arca Securities”) To Cancel Orders When a Technical or Systems Issue Occurs and To Describe the Operation of an Error Account for Arca Securities

September 12, 2012.

Pursuant to Section 19(b)(1)¹ of the Securities Exchange Act of 1934 (the “Act”)² and Rule 19b-4 thereunder,³ notice is hereby given that, on September 4, 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 and II below, which Items have been prepared by the self-regulatory organization. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

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

The Exchange proposes to amend NYSE Arca Options Rule 6.96 by adding a new paragraph (c) that addresses the authority of the Exchange or Archipelago Securities LLC (“Arca Securities”) to cancel orders when a technical or systems issue occurs and to describe the operation of an error account for Arca Securities. The text of the proposed rule change is available on the Exchange’s Web site at www.nyse.com, at the principal office of the Exchange, and at the Commission’s Public Reference Room.

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

In its filing with the Commission, the self-regulatory organization included statements concerning the purpose of, and basis for, the proposed rule change and discussed any comments it 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 Statutory Basis for, the Proposed Rule Change

1. Purpose

The Exchange proposes to amend NYSE Arca Options Rule 6.96 by adding a new paragraph (c) that addresses the authority of the Exchange or Arca Securities to cancel orders when a technical or systems issue occurs and to describe the operation of an error account for Arca Securities.⁴

Arca Securities is an approved routing broker of the Exchange, subject to the conditions listed in NYSE Arca Options Rule 6.96.⁵ When necessary, the

⁴ Arca Securities is a facility of the Exchange. Accordingly, under NYSE Arca Rule 6.96, the Exchange is responsible for filing with the Commission rule changes and fees relating to Arca Securities’ functions. In addition, the Exchange is using the phrase “Arca Securities or the Exchange” in this rule filing to reflect the fact that a decision to take action with respect to orders affected by a technical or systems issue may be made in the capacity of Arca Securities or the Exchange depending on where those orders are located at the time of that decision.

⁵ The Exchange currently relies on non-affiliate third-party broker-dealers to provide outbound routing services (*i.e.*, third-party Routing Brokers). In those cases, orders are submitted to the third-party Routing Broker through Arca Securities, the third-party Routing Broker routes the orders to the routing destination in its name, and any executions are submitted for clearance and settlement in the name of Arca Securities so that any resulting positions are delivered to Arca Securities upon settlement. As described above, Arca Securities normally arranges for any resulting positions to be delivered to the OTP Holder or OTP Firm that submitted the corresponding order to the Exchange. If error positions (as defined in proposed Rule 6.96(c)(2)) result in connection with the Exchange’s use of a third-party Routing Broker for outbound routing, and those positions are delivered to Arca Securities through the clearance and settlement process, Arca Securities would be permitted to resolve those positions in accordance with proposed Rule 6.96(c). If the third-party Routing Broker received error positions in connection with its role as a routing broker for the Exchange, and the error positions were not delivered to Arca Securities through the clearance and settlement process, then the third-party Routing Broker would resolve the error positions itself, and Arca Securities would not be permitted to accept the

Exchange may utilize Arca Securities to provide outbound routing services from itself to routing destinations of Arca Securities (“routing destinations”). When Arca Securities routes orders to a routing destination, it does so by sending a corresponding order in its own name to the routing destination. In the normal course, routed orders that are executed at routing destinations are submitted for clearance and settlement in the name of Arca Securities, and Arca Securities arranges for any resulting securities positions to be delivered to the OTP Holder or OTP Firm that submitted the corresponding order to the Exchange. However, from time to time, the Exchange and Arca Securities encounter situations in which it becomes necessary to cancel orders and resolve error positions.⁶

Examples of Circumstances That May Lead to Canceled Orders

A technical or systems issue may arise at Arca Securities, a routing destination, or the Exchange that may cause the Exchange or Arca Securities to take steps to cancel orders if the Exchange or Arca Securities determines that such action is necessary to maintain a fair and orderly market. The examples set forth below describe some of the circumstances in which the Exchange or Arca Securities may decide to cancel orders.

Example 1. If Arca Securities or a routing destination experiences a technical or systems issue that results in Arca Securities not receiving responses to immediate or cancel (“IOC”) orders that it sent to the routing destination, and that issue is not resolved in a timely manner, Arca Securities or the Exchange would seek to cancel the routed orders affected by the issue.⁷ For instance, if

error positions, as set forth in proposed Rule 6.96(c)(2)(B).

⁶ The examples described in this filing are not intended to be exclusive. Proposed NYSE Arca Rule 6.96(c) would provide general authority for the Exchange or Arca Securities to cancel orders in order to maintain fair and orderly markets when technical and systems issues are occurring, and Rule 6.96(c) also would set forth the manner in which error positions may be handled by the Exchange or Arca Securities. The proposed rule change is not limited to addressing order cancellation or error positions resulting only from the specific examples described in this filing.

⁷ In a normal situation (*i.e.*, one in which a technical or systems issue does not exist), Arca Securities should receive an immediate response to an IOC order from a routing destination, and would pass the resulting fill or cancellation on to the OTP Holder or OTP Firm. After submitting an order that is routed to a routing destination, if an OTP Holder or OTP Firm sends an instruction to cancel that order, the cancellation is held by the Exchange until a response is received from the routing destination. For instance, if the routing destination executes that order, the execution would be passed on to the OTP

Continued

³⁵ 17 CFR 200.30-3(a)(12).

¹ 15 U.S.C. 78s(b)(1).

² 15 U.S.C. 78a.

³ 17 CFR 240.19b-4.

Arca Securities experiences a connectivity issue affecting the manner in which it sends or receives order messages to or from routing destinations, it may be unable to receive timely execution or cancellation reports from the routing destinations, and Arca Securities or the Exchange may consequently seek to cancel the affected routed orders. Once the decision is made to cancel those routed orders, any cancellation that an OTP Holder or OTP Firm submitted to the Exchange on its initial order during such a situation would be honored.⁸

Example 2. If the Exchange experiences a systems issue, the Exchange may take steps to cancel all outstanding orders affected by that issue and notify affected OTP Holders and OTP Firms of the cancellations. In those cases, the Exchange would seek to cancel any routed orders related to the OTP Holders' and OTP Firms' initial orders.

Examples of Circumstances That May Lead to Error Positions

In some instances, the technical or systems issue at Arca Securities, a routing destination, the Exchange, or a non-affiliate third-party Routing Broker may also result in Arca Securities acquiring an error position that it must resolve. The examples set forth below describe some of the circumstances in which error positions may arise.

Example A. Error positions may result from routed orders that the Exchange or Arca Securities attempts to cancel but that are executed before the routing destination receives the cancellation message or that are executed because the routing destination is unable to process the cancellation message. Using the situation described in Example 1 above, assume that the Exchange seeks to cancel orders routed to a routing destination because it is not receiving timely execution or cancellation reports from the routing destination. In such a situation, Arca Securities may still receive executions from the routing destination after connectivity is restored, which it would not then allocate to OTP Holders or OTP Firms because of the earlier decision to cancel the affected routed orders. Instead, Arca Securities would post those positions into its error account and resolve the

Holder or OTP Firm and the cancellation instruction would be disregarded.

⁸ If an OTP Holder or OTP Firm did not submit a cancellation to the Exchange, however, that initial order would remain "live" and thus be eligible for execution or posting on the Exchange, and neither the Exchange nor Arca Securities would treat any execution of that initial order or any subsequent routed order related to that initial order as an error.

positions in the manner described below.

Example B. Error positions may result from an order processing issue at a routing destination. For instance, if a routing destination experienced a systems problem that affects its order processing, it may transmit back a message purporting to cancel a routed order, but then subsequently submit an execution of that same order to the OCC for clearance and settlement. In such a situation, the Exchange would not then allocate the execution to the OTP Holder or OTP Firm because of the earlier cancellation message from the routing destination. Instead, Arca Securities would post those positions into its error account and resolve the positions in the manner described below.

Example C. Error positions may result if Arca Securities receives an execution report from a routing destination but does not receive clearing instructions for the execution from the routing destination. For instance, assume that an OTP Holder or OTP Firm sends the Exchange an order to buy 100 contracts overlying ABC stock, which causes Arca Securities to send an order to a routing destination that is subsequently executed, cleared and closed out by that routing destination, and the execution is ultimately communicated back to that OTP Holder or OTP Firm. If the routing destination does not provide clearing instructions for that execution, Arca Securities would still be responsible for settling that OTP Holder's or OTP Firm's purchase, but would be left with a short position in its error account.⁹ Arca Securities would resolve the position in the manner described below.

Example D. Error positions may result from a technical or systems issue that causes orders to be executed in the name of Arca Securities and are not related to any corresponding orders of OTP Holders or OTP Firms. As a result, Arca Securities would not be able to assign any positions resulting from such an issue to OTP Holders or OTP Firms. Instead, Arca Securities would post those positions into its error account and resolve the positions in the manner described below.

Example E. Error positions may result from a technical or systems issue through which the Exchange does not receive sufficient notice that an OTP Holder or OTP Firm that has executed trades on the Exchange has lost the ability to clear trades through OCC. In such a situation, the Exchange would

⁹ To the extent that Arca Securities incurred a loss in covering its position, it may submit a reimbursement claim to that routing destination.

not have valid clearing information, which would prevent the trade from being processed pursuant to Rule 6.79. Accordingly, Arca Securities would assume that OTP Holder's or OTP Firm's side of the trades so that the counterparties can settle the trades. Arca Securities would post those positions into its error account and resolve the positions in the manner described below.

In the circumstances described above, Arca Securities may not learn about an error position until T+1, either: (1) During the clearing process when a routing destination has submitted to OCC a transaction for clearance and settlement for which Arca Securities never received an execution confirmation; or (2) when a routing destination does not recognize a transaction submitted on behalf of Arca Securities to OCC for clearance and settlement. Moreover, the affected OTP Holders' or OTP Firms' trade may not be nullified absent express authority under Exchange rules.¹⁰

Proposed Amendments to NYSE Arca Options Rule 6.96

The Exchange proposes to amend NYSE Arca Options Rule 6.96 to add new paragraph (c) to address the cancellation of orders due to technical or systems issues and the use of an error account by Arca Securities.

Specifically, under paragraph (c)(1) of the proposed rule, the Exchange or Arca Securities would be expressly authorized to cancel orders as may be necessary to maintain fair and orderly markets if a technical or systems issue occurred at the Exchange, Arca Securities, or a routing destination.¹¹ The Exchange or Arca Securities would be required to provide notice of the cancellation to affected OTP Holders and OTP Firms as soon as practicable.

Paragraph (c)(2) of the proposed rule would permit Arca Securities to maintain an error account for the purpose of addressing positions that result from a technical or systems issue at Arca Securities, the Exchange, a routing destination, or a non-affiliate third-party Routing Broker that affects

¹⁰ See, e.g., NYSE Arca Options Rule 6.87 (regarding obvious and catastrophic errors).

¹¹ Such a situation may not cause the Exchange to declare self-help against the routing destination pursuant to NYSE Arca Options Rule 6.94(b)(1). If the Exchange or Arca Securities determines to cancel orders routed to a routing destination under proposed Rule 6.96(c), but does not declare self-help against that routing destination, the Exchange would continue to be subject to the trade-through requirements in the Options Order Protection and Locked/Crossed Markets Plan and NYSE Arca Options Rule 6.94 with respect to that routing destination.

one or more orders (“error positions”). By definition, an error position would not include any position that results from an order submitted by an OTP Holder or OTP Firm to the Exchange that is executed on the Exchange and processed pursuant to NYSE Arca Options Rule 6.79.¹² Arca Securities also would not be permitted to accept any positions in its error account from an account of an OTP Holder or OTP Firm and could not permit any OTP Holder or OTP Firm to transfer any positions from the OTP Holder’s or OTP Firm’s account to Arca Securities’ error account under the proposed rule.¹³ However, if a technical or systems issue results in the Exchange not having valid clearing instructions for an OTP Holder or OTP Firm to a trade, Arca Securities may assume that OTP Holder’s or OTP Firm’s side of the trade so that the trade can be processed pursuant to NYSE Arca Options Rule 6.79.¹⁴

Under paragraph (c)(3), in connection with a particular technical or systems issue, Arca Securities or the Exchange would be permitted to either (i) assign all resulting error positions to OTP Holders or OTP Firms, or (ii) have all resulting error positions liquidated, as described below. Any determination to assign or liquidate error positions, as well as any resulting assignments, would be required to be made in a nondiscriminatory fashion.

Arca Securities or the Exchange would be required to assign all error positions resulting from a particular technical or systems issue to the

applicable OTP Holders or OTP Firms affected by that technical or systems issue if Arca Securities or the Exchange:

- Determined that it has accurate and sufficient information (including valid clearing information) to assign the positions to all of the applicable OTP Holders or OTP Firms affected by that technical or systems issue;
- Determined that it has sufficient time pursuant to normal clearance and settlement deadlines to evaluate the information necessary to assign the positions to all of the applicable OTP Holders or OTP Firms affected by that technical or systems issue; and
- Had not determined to cancel all orders affected by that technical or systems issue.

For example, a technical or systems issue of limited scope or duration may occur at a routing destination, and the resulting trades may be submitted for clearance and settlement by such routing destination to OCC. If there were a small number of trades, there may be sufficient time to match positions with OTP Holder or OTP Firm orders and avoid using the error account.

There may be scenarios, however, where Arca Securities determines that it is unable to assign all error positions resulting from a particular technical or systems issue to all of the affected OTP Holders or OTP Firms, or determines to cancel all affected routed orders. For example, in some cases, the volume of questionable executions and positions resulting from a technical or systems issue might be such that the research necessary to determine which OTP Holder or OTP Firm to assign those executions to could be expected to extend past the normal settlement cycle for such executions. Furthermore, if a routing destination experiences a technical or systems issue after Arca Securities has transmitted IOC orders to it that prevents Arca Securities from receiving responses to those orders, Arca Securities or the Exchange may determine to cancel all routed orders affected by that issue. In such a situation, Arca Securities or the Exchange would not pass on to the OTP Holders or OTP Firms any executions on the routed orders received from the routing destination.

The proposed rule also would require Arca Securities to liquidate error positions as soon as practicable.¹⁵ In

liquidating error positions, Arca Securities would be required to provide complete time and price discretion for the trading to liquidate the error positions to a third-party broker-dealer and could not attempt to exercise any influence or control over the timing or methods of trading to liquidate the error positions. Arca Securities also would be required to establish and enforce policies and procedures reasonably designed to restrict the flow of confidential and proprietary information between the third-party broker-dealer and Arca Securities/the Exchange associated with the liquidation of the error positions.

Under proposed paragraph (c)(4), Arca Securities and the Exchange would be required to make and keep records to document all determinations to treat positions as error positions and all determinations for the assignment of error positions to OTP Holders or OTP Firms or the liquidation of error positions, as well as records associated with the liquidation of error positions through the third-party broker-dealer.

2. Statutory Basis

The proposed rule change is consistent with Section 6(b)¹⁶ of the Securities Exchange Act of 1934 (the “Act”), in general, and furthers the objectives of Section 6(b)(5),¹⁷ in particular, in that it is designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in facilitating transactions in securities, 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, and it is not designed to permit unfair discrimination among customers, brokers, or dealers. The Exchange believes that this proposal is in keeping with those principles since Arca Securities’ or the Exchange’s ability to cancel orders during a technical and systems issue and to maintain an error account facilitates the smooth and efficient operations of the market. Specifically, the Exchange believes that allowing Arca Securities or the Exchange to cancel orders during a technical or systems issue would allow the Exchange to maintain fair and orderly markets. Moreover, the Exchange believes that allowing Arca Securities to assume error positions in an error account and to liquidate those positions, subject to the conditions set

¹² As provided in NYSE Arca Options Rule 6.79, “[a]ll transactions made on the Exchange shall be submitted for clearance to the [OCC], and all such transactions shall be subject to the Rules of the [OCC].”

¹³ The purpose of this provision is to clarify that Arca Securities may address error positions under the proposed rule that are caused by a technical or systems issue, but that Arca Securities may not accept from an OTP Holder or OTP Firm positions that are delivered to the OTP Holder or OTP Firm through the clearance and settlement process, even if those positions may have been related to a technical or systems issue at Arca Securities, the Exchange, a routing destination of Arca Securities, or a non-affiliate third-party Routing Broker. This provision would not apply, however, to situations like the one described above in which Arca Securities incurred a short position to settle an OTP Holder or OTP Firm purchase, as the OTP Holder or OTP Firm did not yet have a position in its account as a result of the purchase at the time of Arca Securities’ action (*i.e.*, Arca Securities’ action was necessary for the purchase to settle into the OTP Holder’s or OTP Firm’s account). Moreover, to the extent an OTP Holder or OTP Firm receives positions pursuant to Rule 6.79 in connection with a technical or systems issue, that OTP Holder or OTP Firm may seek to rely on NYSE Arca Options Rule 14.2 if it experiences a loss. That rule provides OTP Holders and OTP Firms with the ability to file claims against the Exchange “for the failure of its systems or facilities.”

¹⁴ See Example E above.

¹⁵ If Arca Securities determines in connection with a particular technical or systems issue that some error positions can be assigned to some affected OTP Holders or OTP Firms but other error positions cannot be assigned, Arca Securities would be required under the proposed rule to liquidate all such error positions (including those positions that could be assigned to the affected OTP Holders or OTP Firms).

¹⁶ 15 U.S.C. 78f(b).

¹⁷ 15 U.S.C. 78f(b)(5).

forth in the proposed amendments to NYSE Arca Options Rule 6.96, would be the least disruptive means to correct these errors, except in cases where Arca Securities can assign all such error positions to all affected OTP Holders or OTP Firms of the Exchange. Overall, the proposed amendments are designed to ensure full trade certainty for market participants and to avoid disrupting the clearance and settlement process. The proposed amendments are also designed to provide a consistent methodology for handling error positions in a manner that does not discriminate among OTP Holders or OTP Firms. The proposed amendments are also consistent with Section 6 of the Act insofar as they would require Arca Securities to establish controls to restrict the flow of any confidential information between the third-party broker and Arca Securities/the Exchange associated with the liquidation of error positions.

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

Because the foregoing proposed rule change does not: (i) Significantly affect the protection of investors or the public interest; (ii) impose any significant burden on competition; and (iii) become operative for 30 days after the date of the filing, or such shorter time as the Commission may designate, it has become effective pursuant to Section 19(b)(3)(A) of the Act¹⁸ and Rule 19b-4(f)(6)¹⁹ thereunder.

NYSE Arca has requested that the Commission waive the 30-day operative delay.²⁰ The Commission believes that waiver of the operative delay is consistent with the protection of

investors and the public interest. Such waiver would allow the Exchange, without delay, to implement the proposed rule change, which is designed to provide a consistent methodology for handling error positions in a manner that does not discriminate among OTP Holders or OTP Firms. The Commission also notes that the proposed rule change is based on, and substantially similar to, NYSE Arca Equities Rule 7.45(d), which the Commission recently approved.²¹ Accordingly, the Commission designates the proposal operative upon filing.²²

At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act.

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-NYSEArca-2012-100 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-2012-100. 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 the filing also will be available for inspection and copying at the principal office of the Exchange. All comments received will be posted without change; the Commission does not edit personal identifying information from submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR-NYSEArca-2012-100 and should be submitted on or before October 9, 2012.

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

Kevin M. O'Neill,
Deputy Secretary.

[FR Doc. 2012-22909 Filed 9-17-12; 8:45 am]

BILLING CODE 8011-01-P

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-67837; File No. SR-NASDAQ-2012-102]

Self-Regulatory Organizations; The NASDAQ Stock Market LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change Relating to Pricing of Options on Facebook, Inc., Google, Inc. and Groupon, Inc.

September 12, 2012.

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 31, 2012, The NASDAQ Stock Market LLC ("NASDAQ" or "Exchange") filed with the Securities and Exchange Commission ("SEC" or "Commission") the proposed rule change as described in Items I, II, and III, 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.

²³ 17 CFR 200.30-3(a)(12).

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

¹⁸ 15 U.S.C. 78s(b)(3)(A).

¹⁹ 17 CFR 240.19b-4(f)(6). In addition, Rule 19b-4(f)(6) requires a self-regulatory organization to give the Commission written notice of its intent to file the proposed rule change at least five business days prior to the date of filing of the proposed rule change, or such shorter time as designated by the Commission. The Exchange has satisfied this requirement.

²⁰ 17 CFR 240.19b-4(f)(6)(iii).

²¹ See Securities Exchange Act Release No. 66963 (May 10, 2012), 77 FR 28919 (May 16, 2012) (SR-NYSEArca-2012-22).

²² For purposes only of waiving the 30-day operative delay, the Commission has considered the proposed rule change's impact on efficiency, competition, and capital formation. 15 U.S.C. 78c(f).