

designates the proposal operative upon filing.¹⁴

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. If the Commission takes such action, the Commission shall institute proceedings under Section 19(b)(2)(B) of the Act¹⁵ to determine whether the proposed rule change should be approved or disapproved.

IV. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act. Comments may be submitted by any of the following methods:

Electronic Comments

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>); or
- Send an email to rule-comments@sec.gov. Please include File Number SR-NYSE-2013-69 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-NYSE-2013-69. 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 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-NYSE-2013-69 and should be submitted on or before November 12, 2013.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.¹⁶

Kevin M. O'Neill,
Deputy Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-70675; File No. SR-DTC-2013-10]

Self-Regulatory Organizations; The Depository Trust Company; Order Approving Proposed Rule Change To Terminate the Sealed Envelope Service, Which Is Part of The Depository Trust Company's Custody Service

October 11, 2013.

I. Introduction

On August 22, 2013, The Depository Trust Company ("DTC") filed with the Securities and Exchange Commission ("Commission") proposed rule change SR-DTC-2013-10 ("Proposed Rule Change") pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act")¹ and Rule 19b-4 thereunder.² The Proposed Rule Change was published in the **Federal Register** on September 5, 2013.³ The Commission received one comment to the Proposed Rule Change.⁴ This order approves the Proposed Rule Change.

II. Description

DTC filed the Proposed Rule Change to terminate its Sealed Envelope Service

("Service"), which is part of its Custody Service, as described below.

A. Sealed Envelope Service

In 2002, DTC launched the Service as an addition to its Custody Service in response to requests from DTC participants ("Participants") to assist in fully outsourcing their vaults to DTC. The Service is designed to provide physical custody to Participants for documents or instruments that are not securities, such as loan agreements, wills, deeds, mortgages, contracts, and option agreements.⁵

DTC allows for the sealed envelopes containing instruments or documents that are not securities to be held in custody in one of DTC's vaults. DTC assigns each sealed envelope a user-CUSIP number for tracking and record keeping purposes. Participants balance their sealed envelopes daily with DTC in the same manner as for securities held in the Custody Service. The depositing Participant is required to list the contents of the envelope on the outside of the envelope, as DTC does not open any sealed envelopes or verify the contents therein other than an examination for dangerous contents.

Proposed Rule Change

DTC has determined to discontinue the Service for multiple reasons. First, the Service is not widely used, as only 15 Participants currently use the Service and one of those Participants represents approximately 85% of the total volume. Second, since DTC does not verify the content of the envelope submitted by a Participant under the Service, it cannot confirm that a sealed envelope contains instruments and document qualifying for the Service.

DTC has stated that all 15 Participants of the Service were notified of DTC's intention to discontinue the Service and none of the Participants objected. DTC will work with those Participants to develop a timeline to return sealed envelopes that it currently has in custody.

III. Comments Received

The Commission received one comment on the Proposed Rule Change.⁶ The commenter supports the Proposed Rule Change and notes that terminating the Service would mitigate risk, promote transparency and integrity in the markets, provide seamless clearing and settlement services, mitigate existing conflicts of interest, and enhance know your customer and

¹⁴ For purposes only of waiving the 30-day operative delay, the Commission has considered the proposed rule's impact on efficiency, competition, and capital formation. See 15 U.S.C. 78c(f).

¹⁵ 15 U.S.C. 78s(b)(2)(B).

¹⁶ 17 CFR 200.30-3(a)(12).

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ Release No. 34-70291 (Aug. 30, 2013), 78 FR 54696 (Sept. 5, 2013).

⁴ See Comment from Sheila Waddell dated September 2, 2013 ("Waddell Comment"), <http://www.sec.gov/comments/sr-dtc-2013-10/dtc201310-1.htm>.

⁵ The deposit of securities certificates, as well as tangible assets such as currency, gold coins, or jewelry, is strictly prohibited by DTC.

⁶ Waddell Comment, *supra* note 4.

customer identification programs.⁷ Furthermore, the commenter states that the Service places an undue burden and risk on DTC because it has no way of verifying the contents of a sealed envelope.⁸

IV. Discussion

Section 19(b)(2)(C) of the Act directs the Commission to approve a proposed rule change of a self-regulatory organization if it finds that such proposed rule change is consistent with the requirements of the Act and the rules and regulations thereunder applicable to such organization.⁹ Section 17A(b)(3)(F) of the Act requires that, among other things, “[t]he rules of the clearing agency are designed to promote the prompt and accurate clearance and settlement of securities transactions and . . . to assure the safeguarding of securities and funds which are in the custody or control of the clearing agency or for which it is responsible.”¹⁰

Here, as described above, DTC’s proposed rule change to terminate the Service should help further safeguard the securities and settlement process as a whole, as required by Section 17A(b)(3)(F) of the Act,¹¹ by eliminating the risk presented by the fact that DTC does not verify the contents of sealed envelopes placed in its custody. Moreover, terminating the Service will allow DTC to reallocate resources towards promoting other clearing and settlement processes.

V. Conclusion

On the basis of the foregoing, the Commission finds the Proposed Rule Change is consistent with the requirements of the Act, particularly with the requirements of Section 17A of the Act,¹² and the rules and regulations thereunder.

It is therefore ordered, pursuant to Section 19(b)(2) of the Act,¹³ that the proposed rule change SR-DTC-2013-10 be, and hereby is, APPROVED.¹⁴

For the Commission by the Division of Trading and Markets, pursuant to delegated authority.¹⁵

Kevin M. O’Neill,

Deputy Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-70662; File No. SR-BATS-2013-056]

Self-Regulatory Organizations; BATS Exchange, Inc.; Notice of Filing of a Proposed Rule Change To Amend Rule 12.6 To Conform to FINRA Rule 5320 Relating to Trading Ahead of Customer Orders

October 11, 2013.

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 October 3, 2013, BATS Exchange, Inc. (the “Exchange” or “BATS”) 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 Exchange. 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 filed a proposal to amend Rule 12.6 to make it substantially the same as Financial Industry Regulatory Authority (“FINRA”) Rule 5320.

The text of the proposed rule change is available at the Exchange’s Web site at <http://www.batstrading.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 Exchange included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. 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 Rule 12.6, which limits trading ahead of customer orders by Members,³ to make the rule substantially the same as FINRA Rule 5320.⁴ As with FINRA Rule 5320, amended Rule 12.6 would prohibit Members from trading ahead of customer orders, subject to specified exceptions. The amended rule would include exceptions for large orders and institutional accounts, proprietary transactions effected by a trading unit of a Member with no knowledge of customer orders held by another trading unit of the Member, riskless principal transactions, intermarket sweep orders (“ISOs”), and odd lot and bona fide error transactions, discussed in detail below. Amended Rule 12.6 would also provide the same guidance as FINRA Rule 5320 on minimum price improvement standards, order handling procedures, and trading outside normal market hours.

Background

Current Rule 12.6, the customer order protection rule, generally prohibits Members from trading on a proprietary basis ahead of, or along with, customer orders that are executable at the same price as the proprietary order. The rule contains several exceptions that make it permissible for a Member to enter a proprietary order while representing a customer order that could be executed at the same price, including permitting transactions for the purposes of facilitating the execution, on a riskless principal basis, of one or more customer orders.

Proposal To Adopt Text of FINRA Rule 5320

To harmonize its rules with FINRA, the Exchange proposes to delete the current text of Rule 12.6 and its supplementary material and adopt the text and supplementary material of FINRA Rule 5320, with certain technical changes, as Rule 12.6. FINRA Rule 5320 generally provides that a FINRA member that accepts and holds an order in an equity security from its own

³ Members are registered brokers or dealers that have been admitted to membership at the Exchange. BATS Rule 1.5(n).

⁴ See Securities Exchange Act Release No. 63895 (February 11, 2011), 76 FR 9386 (February 17, 2011) (SR-FINRA-2009-90).

⁷ See *id.*

⁸ See *id.*

⁹ 15 U.S.C. 78(s)(b)(2)(C).

¹⁰ 15 U.S.C. 78q-1(b)(3)(F).

¹¹ 15 U.S.C. 78q-1(b)(3)(F).

¹² 15 U.S.C. 78q-1.

¹³ 15 U.S.C. 78s(b)(2).

¹⁴ In approving the Proposed Rule Change, the Commission considered the proposal’s impact on efficiency, competition, and capital formation. 15 U.S.C. 78c(f).

¹⁵ 17 CFR 200.30-3(a)(12).

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.