

appoint and remove members of the Administrative Committee and to oversee the Administrative Committee, confirm annually that all charter responsibilities have been carried out, and to evaluate the committee's and PC members' performance on a regular basis.

### III. Discussion

Section 19(b)(2)(C) of the Act<sup>9</sup> directs the Commission to approve a proposed rule change of a self-regulatory organization if it finds that the proposed rule change is consistent with the requirements of the Act and the rules and regulations thereunder applicable to such organization. Section 17A(b)(3)(F) of the Act<sup>10</sup> requires that the rules of a clearing agency that is registered with the Commission be designed to, among other things, protect investors and the public interest.

The Commission finds that the proposed rule change is consistent with Section 17A(b)(3)(F) of the Act<sup>11</sup> because the amendments to the Committee Charters should clarify the role and responsibilities of each of the Committees within OCC's governance structure. Furthermore, consistent with Rule 17Ad-22(d)(8)<sup>12</sup> under the Act, the amendments to the Committee Charters should help ensure that OCC has governance arrangements that are clear and transparent, support the objectives of OCC's owners and participants, and promote the effectiveness of OCC's risk management procedures.

### IV. Conclusion

On the basis of the foregoing, the Commission finds that the proposal is consistent with the requirements of the Act and in particular with the requirements of Section 17A of the Act<sup>13</sup> and the rules and regulations thereunder.

*It is therefore ordered*, pursuant to Section 19(b)(2) of the Act,<sup>14</sup> that the proposed rule change (File No. SR-OCC-2014-01) be and hereby is approved.<sup>15</sup>

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

**Kevin M. O'Neill,**

*Deputy Secretary.*

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-71631; File No. SR-NYSEArca-2014-02]

### Self-Regulatory Organizations; NYSE Arca, Inc.; Order Granting Approval of Proposed Rule Change Amending Its Rules in Order To Clarify the Applicability and Functionality of Certain Order Types on the Exchange

February 27, 2014.

#### I. Introduction

On January 8, 2014, 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")<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> a proposed rule change to amend its rules in order to clarify the applicability and functionality of certain option order types on the Exchange. The proposed rule change was published for comment in the **Federal Register** on January 21, 2014.<sup>3</sup> The Commission received no comment letters regarding the proposed rule change. This order approves the proposed rule change.

#### II. Description of the Proposal

The Exchange has proposed to amend Rule 6.62 in order to clarify the applicability and functionality of certain option order types. The Exchange states that it is not proposing to change or alter any obligations, rights, policies or practices enumerated within its rules. Rather, according to the Exchange, this proposal is designed to reduce the potential for investor confusion as to the functionality and applicability of certain option order types presently available on the Exchange.<sup>4</sup>

The Exchange's proposed revisions to Rule 6.62 would provide greater detail as to the existing functionality of certain order types, including:

- **Rule 6.62(a)—Market Order.** The Exchange has proposed to amend Rule 6.62(a) to specify that: (1) Market Orders

entered before the opening of trading will be eligible for trading during the Opening Auction Process; (2) Market Orders entered during Core Trading Hours will be rejected if, at the time the order is received, there is no National Best Bid ("NBB") and no National Best Offer ("NBO") (collectively, "NBBO") disseminated by the Options Pricing Reporting Authority ("OPRA") for the relevant option series; and (3) if at the time the Exchange receives a Market Order to buy (sell) there is an NBB (NBO) but no NBO (NBB) being disseminated, the Market Order will be processed pursuant to Rule 6.60(a).<sup>5</sup>

- **Rule 6.62(d)(1)–(2)—Stop Orders and Stop Limit Orders.** The Exchange has proposed to amend Rule 6.62(d)(1)–(2) to specify that it will reject Stop Orders and Stop Limit Orders to buy entered with a stop price below the bid at the time the order is entered and Stop Orders and Stop Limit Orders to sell entered with a stop price above the offer at the time the order is entered.<sup>6</sup>

- **Rule 6.62(o)—NOW Order.** The Exchange has proposed to clarify that a NOW Order that is not marketable against the NBBO when submitted to the Exchange will be rejected.<sup>7</sup>

- **Rule 6.62(t)—Liquidity Adding Order.** The Exchange has proposed to clarify that this order type may only be entered with a Day time-in-force modifier.<sup>8</sup>

The Exchange's additional proposed revisions to Rule 6.62 would be three-fold. First, the Exchange has proposed to specify in Rules 6.62(d)(5), 6.62(g) and 6.62(i) that Stock Contingency Orders, One-cancels-the-other Orders, and Single Stock Future/Option Orders, respectively, are only eligible for open outcry trading.<sup>9</sup> Second, the Exchange has proposed to decommission the functionality supporting the Inside Limit Order defined in Rule 6.62(c) and the Tracking Order defined in Rule 6.62(d)(6) due to a lack of demand for these order types. The Exchange states that it does not intend to re-introduce these order types in the future, and thus proposes to delete the text of these

<sup>5</sup> See proposed Rule 6.62(a); see also Notice, 79 FR at 3430.

<sup>6</sup> See proposed Rules 6.62(d)(1)–(2); see also Notice, 79 FR at 3430. The Commission notes that proposed Rule 6.62(d)(1)–(2) accurately sets forth this additional specification, but the Exchange's description of this rule change in the purpose section of its filing refers to stop prices above the bid or below the offer (instead of below the bid or above the offer) triggering rejection.

<sup>7</sup> See proposed Rule 6.62(o); see also Notice, 79 FR at 3430.

<sup>8</sup> See proposed Rule 6.62(t); see also Notice, 79 FR at 3430.

<sup>9</sup> See proposed Rules 6.62(d)(5), 6.62(g) and 6.62(i); see also Notice, 79 FR at 3430.

<sup>9</sup> 15 U.S.C. 78s(b)(2)(C).

<sup>10</sup> 15 U.S.C. 78q-1(b)(3)(F).

<sup>11</sup> *Id.*

<sup>12</sup> 17 CFR 240.17Ad-22(d)(8).

<sup>13</sup> 15 U.S.C. 78q-1.

<sup>14</sup> 15 U.S.C. 78s(b)(2).

<sup>15</sup> 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).

<sup>16</sup> 17 CFR 200.30-3(a)(12).

<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. 71293 (January 14, 2014), 79 FR 3429 ("Notice").

<sup>4</sup> See Notice, 79 FR at 3429.

rules.<sup>10</sup> Third, the Exchange has proposed to correct typographical errors in Rules 6.62(r) and 6.62(t), which define the Opening Only Order and Liquidity Adding Order, respectively.

The Exchange has stated that it plans to issue a Trader Update announcing the changes proposed by this rule filing upon approval of the filing.<sup>11</sup>

### III. Discussion and Commission Findings

After careful review, the Commission finds that the proposed rule change is consistent with the requirements of the Act and the rules and regulations thereunder applicable to a national securities exchange.<sup>12</sup> In particular, the Commission finds that the proposed rule change is consistent with Section 6(b)(5) of the Act,<sup>13</sup> which requires, among other things, that the rules of a national securities exchange be designed to prevent fraudulent and manipulative acts and practices, 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; and are not designed to permit unfair discrimination between customers, issuers, brokers or dealers.

The Exchange believes that the proposed rule change is consistent with, and would further the objectives of, Section 6(b)(5) of the Act because it would add transparency and clarity to the Exchange's rules by enhancing the descriptions of certain order type functionality, deleting obsolete or outdated rules, and correcting inaccurate language. The Exchange also believes that the proposal removes impediments to and perfects the mechanism of a free and open market by ensuring that members, regulators and the public can more easily navigate the Exchange's rulebook and better understand the order types available for trading on the Exchange.

Specifically, the Exchange believes that clarifying the definitions of Market Orders, Stop Orders, NOW Orders and Liquidity Adding Orders removes impediments to and perfects the mechanism of a free and open market by helping to ensure that investors better understand the functionality of these order types. Additionally, the Exchange believes that specifying that Stock

Contingency Orders, Single Stock Future/Option Orders and One-cancels-the-other Orders are only for trading in open outcry will help to protect investors and the public interest by reducing the potential for confusion when routing orders to NYSE Arca. Lastly, the Exchange believes that deleting the definitions applicable to Inside Limit Orders and Tracking Orders provides clarity to Exchange rules by eliminating outdated and obsolete functionality.

The Commission notes that the instant proposal does not add any new functionality but instead enhances and clarifies the descriptions of the option order type functionality currently available on the Exchange. The Exchange's proposed revisions would provide greater detail as to the operation of certain option order types, including the circumstances in which certain order types are rejected, order types and modifiers that are compatible or incompatible with each other, and the eligibility of certain order types for only open outcry trading. Further, the Exchange proposes to update its rules by deleting obsolete order type provisions. The Commission believes that these proposed changes are reasonably designed to provide greater specificity, clarity and transparency with respect to the order type functionality available on the Exchange, and therefore should help to prevent fraudulent and manipulative acts and practices, promote just and equitable principles of trade, remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general, protect investors and the public interest.

### IV. Conclusion

*It is therefore ordered*, pursuant to Section 19(b)(2) of the Act,<sup>14</sup> that the proposed rule change (SR-NYSEArca-2014-02) be, and it hereby is, approved.

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

**Kevin M. O'Neill,**

*Deputy Secretary.*

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-71629; File No. SR-FINRA-2013-039]

### Self-Regulatory Organizations; Financial Industry Regulatory Authority, Inc; Notice of Filing of Amendment No. 1 to Proposed Rule Change To Clarify the Classification and Reporting of Certain Securities to FINRA

February 27, 2014.

#### I. Introduction

On September 16, 2013, the Financial Industry Regulatory Authority, Inc. ("FINRA") 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> a proposed rule change to clarify the classification and reporting of certain securities to FINRA. The proposed rule change was published for comment in the *Federal Register* on September 30, 2013.<sup>3</sup> The Commission received two comments on the proposal.<sup>4</sup> On November 12, 2013, FINRA granted the Commission an extension of time to act on the proposal until December 29, 2013.

On December 24, 2013, the Commission instituted proceedings to determine whether to disapprove the proposed rule change.<sup>5</sup> On February 12, 2014, FINRA submitted Amendment No. 1 to respond to the comment letters and amend the proposed rule change, as described below in Item II, which Item has been prepared by FINRA. The Commission is publishing this notice to solicit comment from interested persons on the proposed rule change, as modified by Amendment No. 1.

#### II. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change, as Modified by Amendment No. 1

In its filing with the Commission, FINRA included statements concerning the purpose of and basis for the proposed rule change and discussed any

<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. 70482 (September 23, 2013), 78 FR 59995 (September 30, 2013) ("Notice").

<sup>4</sup> See Letters to the Commission from Sean Davy, Managing Director, Capital Markets, SIFMA, dated October 21, 2013 ("SIFMA Letter"); and Manisha Kimmel, Executive Director, Financial Information Forum, dated October 31, 2013 ("FIF Letter").

<sup>5</sup> See Securities Exchange Act Release No. 71180 (December 24, 2013), 78 FR 79716 (December 31, 2013).

<sup>10</sup> See Notice, 79 FR at 3430.

<sup>11</sup> *Id.* at 3431.

<sup>12</sup> 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).

<sup>13</sup> 15 U.S.C. 78f(b)(5).

<sup>14</sup> 15 U.S.C. 78s(b)(2).

<sup>15</sup> 17 CFR 200.30-3(a)(12).