the Act. Applicants state that the requested relief satisfies the section 6(c) standard. Applicants contend that, because the SBIC Subsidiary would be entitled to rely on section 18(k) if it were a BDC itself, there is no policy reason to deny the benefit of that exemption to the Company.

Applicants' Condition

Applicants agree that any order granting the requested relief will be subject to the following condition:

The Company shall not issue or sell any senior security, and the Company shall not cause or permit Monroe SBIC or any other SBIC Subsidiary to issue or sell any senior security of which the Company, Monroe SBIC or any other SBIC Subsidiary is the issuer except to the extent permitted by section 18 (as modified for BDCs by section 61) of the Act; provided that, immediately after the issuance or sale by any of the Company, Monroe SBIC or any other SBIC Subsidiary of any such senior security, the Company, individually and on a consolidated basis, shall have the asset coverage required by section 18(a) of the Act (as modified by section 61(a)). In determining whether the Company has the asset coverage on a consolidated basis required by section 18(a) of the Act (as modified by section 61(a)), any senior securities representing indebtedness of an SBIC Subsidiary if that SBIC Subsidiary has issued indebtedness that is held or guaranteed by the SBA shall not be considered senior securities and, for purposes of the definition of ''asset coverage'' in Section 18(h), shall be treated as indebtedness not represented by senior securities.

For the Commission, by the Division of Investment Management, pursuant to delegated authority.

Kevin M. O'Neill,
Deputy Secretary.
[FR Doc. 2014–21004 Filed 9–3–14; 8:45 am]
BILLING CODE 8011–01–P

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–72946; File No. SR–BYX–2014–019]

Self-Regulatory Organizations; BATS Y-Exchange, Inc.; Notice of Filing of a Proposed Rule Change to Rules 11.9 of BATS Y-Exchange, Inc.

August 28, 2014.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the ''Act''),[1] and Rule 19b–4 thereunder,[2]

[1] 15 U.S.C. 78s(b)(1).
[2] 17 CFR 240.19b–4.

notice is hereby given that on August 26, 2014, BATS Y-Exchange, Inc. (the ''Exchange'' or ''BYX'') filed with the Securities and Exchange Commission (''Commission'') the proposed rule change as described in Items I, II and III 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 the Substance of the Proposed Rule Change

The Exchange filed a proposal to amend Rule 11.9 to add certain optional price sliding functionality.

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 currently offers various forms of sliding which, in all cases, result in the re-pricing of an order to, or ranking and/or display of an order at, a price other than an order's limit price in order to comply with applicable securities laws and/or Exchange rules. Specifically, the Exchange currently offers price sliding to ensure compliance with Regulation NMS and Regulation SHO. Price sliding currently offered by the Exchange re-prices and displays an order upon entry and in certain cases again re-prices and re-displays an order at a more aggressive price one time if and when permissible (''single display-price sliding''), and optionally continually re-prices an order (''multiple display-price sliding'') based on changes in the national best bid (''NBB'') or national best offer (''NBO'',

and together with the NBB, the ''NBBO''). The Exchange proposes to add another optional process, the Price Adjust process, as described below. Price Adjust in all contexts for which it is being proposed will have to be elected by a User[3] in order to be applied by the Exchange.

In contrast to display-price sliding, which is based solely on Protected Quotations[4] at equities markets other than the Exchange, Price Adjust would be based on Protected Quotations at external markets and at the Exchange. If the Exchange has a Protected Quotation that an incoming order to the Exchange locks or crosses then such order executes against the resting order, or, if the incoming order is a BATS Post Only Order or Partial Post Only at Limit Order, such order would be executed in accordance with Rules 11.9(c)(6) and (c)(7), respectively, or adjusted pursuant to the Price Adjust process, as described in further detail below. Because the Exchange will route orders to external markets with locking or crossing quotations, the Exchange notes that the Price Adjust process would only be applicable to non-routable orders, including BATS Only Orders, BATS Post Only Orders and Partial Post Only at Limit Orders. In turn, because BATS Only Orders will execute against locking or crossing interest on the Exchange (including both Protected Quotations as well as any non-displayed interest), the fact that Price Adjust would be based on Protected Quotations at the Exchange is only relevant for BATS Post Only Orders and Partial Post Only at Limit Orders.

With respect to price sliding offered to ensure compliance with Regulation NMS (''display-price sliding''), under the Exchange's current rules, if, at the time of entry, a non-routable order would cross a Protected Quotation displayed by another trading center the Exchange re-prices and ranks such order at the locking price, and displays such order at one minimum price variation below the NBO for bids and above the NBB for offers. Similarly, in the event a non-routable order that, at the time of entry, would lock a Protected Quotation displayed by another trading center, the

[3] As defined in BYX Rule 1.5(cc), a User is ''any Member or Sponsored Participant who is authorized to obtain access to the System pursuant to Rule 11.3.''

[4] As defined in BYX Rule 1.5(t), a ''Protected Quotation'' is ''a quotation that is a Protected Bid or Protected Offer.'' In turn, the term ''Protected Bid'' or ''Protected Offer'' means ''a bid or offer in a stock that is (i) displayed by an automated trading center; (ii) disseminated pursuant to an effective national market system plan; and (iii) an automated quotation that is the best bid or best offer of a national securities exchange or association.''

Exchange ranks such order at the locking price and displays the order at one minimum price variation below the NBO for bids and above the NBB for offers.

As proposed, under the Price Adjust process, an order eligible for display by the Exchange that, at the time of entry, would create a violation of Rule 610(d) of Regulation NMS by locking or crossing a Protected Quotation of an external market or the Exchange will be ranked and displayed by the System at one minimum price variation below the current NBO (for bids) or to one minimum price variation above the current NBB (for offers). Thus, in contrast to the display-price sliding process, the Price Adjust process would both rank and display an order at one minimum price variation below the current NBO or above the current NBB (rather than ranking an order at the locking price). Further, as noted above, the Price Adjust process would adjust the price of a BATS Post Only Order or Partial Post Only at Limit Order that would lock or cross an order displayed by the Exchange unless such order is permitted to remove liquidity as described in Rules 11.9(c)(6) and (c)(7), respectively, whereas the display-price sliding process would cancel an order back to the User unless it removed liquidity on entry.

The Exchange also proposes to state that in the event the NBBO changes[5] such that an order subject to Price Adjust would not lock or cross a Protected Quotation, the order will receive a new timestamp, and will be displayed at the price that originally locked the NBO (for bids) or NBB (for offers) on entry.

As an example of the Price Adjust process, assume the Exchange has a posted and displayed bid to buy 100 shares of a security priced at $10.10 per share and a posted and displayed offer to sell 100 shares at $10.13 per share. Assume the NBBO is $10.10 by $10.12. If the Exchange receives a non-routable bid to buy 100 shares at $10.12 per share the Exchange will rank and display the order to buy at $10.11 because displaying the bid at $10.12 would lock an external market's Protected Offer to sell for $10.12. If the NBO then moved to $10.13, the

Exchange would un-slide the bid to buy and rank and display it at its limit price of $10.12.

As an example of an order executed while subject to the Price Adjust process before being un-slid by the Exchange, assume the Exchange has a posted and displayed bid to buy 100 shares of a security priced at $10.10 per share and a posted and displayed offer to sell 100 shares at $10.13 per share. Assume the NBBO is $10.10 by $10.12. If the Exchange receives a non-routable bid to buy 100 shares at $10.12 per share the Exchange will rank and display the order to buy at $10.11 because displaying the bid at $10.12 would lock an external market's Protected Offer to sell for $10.12. Assume next that the Exchange receives an offer to sell 100 shares at $10.11. The incoming order to sell will execute at $10.11 against the resting bid to buy 100 shares (originally priced at $10.12) that has been slid pursuant to the Price Adjust process. Thus, the order executes at a full penny per share better than if it were ranked at the locking price of $10.12 (buying for $10.11 rather than $10.12 per share).

Similarly, assume the Exchange has a posted and displayed bid to buy 100 shares of a security priced at $10.10 per share and a posted and displayed offer to sell 100 shares at $10.12 per share. Assume the NBBO is also $10.10 by $10.12. Assume the Exchange receives a BATS Post Only bid to buy 100 shares at $10.12 per share. The Exchange notes that under its current pricing structure, which pays a rebate to orders that remove liquidity and charges a fee to orders that add liquidity, the incoming bid to buy at $10.12 would remove liquidity pursuant to Rule 11.9(c)(6). However, if the Exchange has a different pricing structure that does not allow the incoming BATS Post Only Order to remove liquidity then the Exchange will rank and display the order to buy at $10.11 because displaying the bid at $10.12 would lock the Exchange's Protected Offer to sell for $10.12. If the NBO, including the Exchange's best offer, then moved to $10.13, the Exchange would un-slide the bid to buy and rank and display it at its limit price of $10.12.

The Exchange also proposes to state that all orders that are re-ranked and re-displayed pursuant to Price Adjust will retain their priority as compared to other orders subject to Price Adjust based upon the time such orders were initially received by the Exchange. Further, as proposed, following the initial ranking and display of an order subject to Price Adjust, an order will only be re-ranked and re-displayed to

the extent it achieves a more aggressive price.

In order to offer multiple price sliding to Exchange Users that select Price Adjust, the Exchange proposes to make clear that the ranked and displayed prices of an order subject to Price Adjust may be adjusted once or multiple times depending upon the instructions of a User and changes to the prevailing NBBO. As is true for display-price sliding, multiple price sliding pursuant to Price Adjust would be optional and would have to be explicitly selected by a User before it will be applied. Orders subject to multiple price sliding for Price Adjust will be permitted to move all the way back to their most aggressive price, whereas orders subject to Price Adjust may not be adjusted to their most aggressive price, depending upon market conditions and the limit price of the order upon entry.

As an example of multiple price sliding for Price Adjust assume the Exchange has a posted and displayed bid to buy 100 shares of a security priced at $10.10 per share and a posted and displayed offer to sell 100 shares at $10.14 per share. Assume the NBBO is $10.10 by $10.12. If the Exchange receives a non-routable bid to buy 100 shares at $10.13 per share, the Exchange would rank and display the order to buy at $10.11 because displaying the bid at $10.13 would cross an external market's Protected Offer to sell for $10.12. If the NBO then moved to $10.13, the Exchange would un-slide the bid to buy and rank and display it at $10.12. Under the proposed single Price Adjust functionality, the Exchange would not further adjust the ranked or displayed price following this un-slide. However, under multiple price sliding for Price Adjust if the NBO then moved to $10.14, the Exchange would un-slide the bid to buy and rank and display it at its full limit price of $10.13.

The Exchange currently offers display-price sliding functionality to avoid locking or crossing other markets' Protected Quotations, but does not price slide to avoid executions on the Exchange's order book (''BATS Book''). Specifically, when the Exchange receives an incoming order that could execute against resting displayed liquidity but an execution does not occur because such incoming order is designated as an order that will not remove liquidity (*i.e.,* a BATS Post Only Order),[6] then the Exchange will cancel

---

[5] The Exchange notes that it recently filed a proposal clarifying the methodology used by the Exchange to calculate the NBBO, including the data feeds used to calculate the NBBO as well as various types of feedback that update the Exchange's view of the NBBO, such as feedback from receipt of Intermarket Sweep Orders with a time-in-force of Day and feedback from the Exchange's routing broker-dealer, BATS Trading, Inc. *See* Securities Exchange Act Release No. 72687 (July 28, 2014), 79 FR 44926 (August 1, 2014) (SR–BYX–2014–012).

[6] The Exchange again notes that BATS Post Only Orders are permitted to remove liquidity from the BATS Book if the value of price improvement associated with such execution equals or exceeds the sum of fees charged for such execution and the

the incoming order. As noted above, the Exchange proposes to make clear in the description of Price Adjust that any display-eligible BATS Post Only Order that locks or crosses a Protected Quotation displayed by the Exchange upon entry will be executed as set forth in Rule 11.9(c)(6) or adjusted pursuant to the Price Adjust process. Similarly, the Exchange proposes to make clear that any display-eligible Partial Post Only at Limit Order that locks or crosses a Protected Quotation displayed by the Exchange upon entry will be executed as set forth in Rule 11.9(c)(7) or adjusted pursuant to the Price Adjust process. The Exchange reiterates that in contrast to the proposed operation of Price Adjust, the existing display-price sliding process would instead cancel BATS Post Only orders and BATS Partial Post Only at Limit orders that would lock or cross a Protected Quotation displayed by the Exchange to the extent such orders are not executed on entry.

The Exchange currently applies display-price sliding to Non-Displayed Orders that cross Protected Quotations of external markets. The Exchange proposes language that makes clear that this functionality will apply to all orders for which a User has selected either display-price sliding or Price Adjust. The proposed rule states that Non-Displayed Orders that are subject to display-price sliding or Price Adjust are ranked at the locking price on entry. The proposed description also makes clear that price sliding for Non-Displayed Orders is functionally equivalent to the handling of displayable orders except that such orders will not have a displayed price and will not be re-priced again unless such orders cross a Protected Quotation of an external market (*i.e.,* such orders are not un-slid). Other than updating the language of the rule to reflect that Non-Displayed Orders for which a User has selected Price Adjust will be handled in the same way as orders subject to display-price sliding, the Exchange is not proposing to change its handling of Non-Displayed Orders.

As an example of the Exchange's handling of Non-Displayed Orders in the context of Price Adjust, assume the Exchange has a posted and displayed bid to buy 100 shares of a security priced at $10.10 per share and a posted

and displayed offer to sell 100 shares at $10.13 per share. Assume the NBBO is $10.10 by $10.11. If the Exchange receives a Non-Displayed Order bid to buy 100 shares at $10.12 per share, the Exchange would re-price the order to a $10.11 bid to buy to avoid potentially trading through the $10.11 offer displayed as the NBO (*i.e.,* to ensure the Exchange will not allow the bid to trade at $10.12 per share). In the event the NBBO moved to $10.09 by $10.10, the Exchange would re-price the Non-Displayed bid to buy 100 shares to $10.10 per share. If the NBBO then moved to $10.10 by $10.11, the Non-Displayed bid would not be re-priced to $10.11, but would remain on the Exchange's order book at $10.10. This proposed handling is identical to handling of a Non-Displayed Order for which a User has selected display-price sliding.

The Exchange also proposes that in the event the NBBO changes such that display eligible orders subject to display-price sliding and Price Adjust would not lock or cross a Protected Quotation and are eligible to be displayed at a more aggressive price, the System will first display all orders subject to display-price sliding at their ranked price followed by orders subject to Price Adjust, which will be re-ranked and re-displayed as set forth above. The Exchange believes it is reasonable to un-slide orders subject to display-price sliding before it un-slides orders subject to Price Adjust because Price Adjust is a less aggressive form of price sliding than display-price sliding, in that an order submitted by a User that elects Price Adjust will be displayed and ranked at the same price rather than ranked at the locking price and displayed at a less aggressive price.

The Exchange also proposes to make clear that if a User elects to apply Price Adjust to an order submitted to the Exchange, price sliding will apply short sale price sliding in connection with the handling of the order by the Exchange. The Exchange does not propose to modify its short sale price sliding functionality.

2. Statutory Basis

The Exchange believes that the proposed rule changes are consistent with Section 6(b) of the Securities Exchange Act of 1934 (the "Act")[7] and further the objectives of Section 6(b)(5) of the Act[8] because they are designed to promote just and equitable principles of trade, to remove impediments to and perfect the mechanism of a free and

open market and a national market system, to foster cooperation and coordination with persons engaged in facilitating transactions in securities, and, in general, to protect investors and the public interest. The proposed rule change also is designed to support the principles of Section 11A(a)(1)[9] of the Act in that it seeks to assure fair competition among brokers and dealers and among exchange markets.

The Exchange believes that the proposed changes to offer Price Adjust are consistent with Section 6(b)(5) of the Act,[10] as well as Rule 610 of Regulation NMS[11] and Rule 201 of Regulation SHO.[12] The Exchange is not modifying the overall functionality of price sliding, which, to avoid locking or crossing quotations of other market centers or to comply with applicable short sale restrictions, displays orders at permissible prices while retaining a price at which the User is willing to buy or sell, in the event display at such price or an execution at such price becomes possible. Instead, the Exchange is making changes to adopt an optional form of price sliding, Price Adjust, which will rank orders at their displayed price rather than the locking price, as described above. Thus, while subject to Price Adjust sliding, an order is ranked at a less aggressive price, which may be preferable to certain Users that wish to provide liquidity but do not wish to cross the spread (*i.e.,* if buying, do not wish to trade at the NBO or if selling, do not wish to trade at the NBB). The Exchange believes it is reasonable to un-slide display-price sliding orders before it un-slides Price Adjust orders because Price Adjust is a less aggressive form of price sliding than display-price sliding, in that an order submitted by a User would be displayed and ranked at the same price rather than ranked at the locking price and displayed at a less aggressive price. Thus, because orders subject to display-price sliding are ranked at and subject to execution at higher prices when buying and lower prices when selling, the Exchange believes that such orders should be re-displayed before orders subject to Price Adjust orders in response to changes to the NBBO.

Rule 610(d) requires exchanges to establish, maintain, and enforce rules that require members reasonably to avoid "[d]isplaying quotations that lock or cross any protected quotation in an NMS stock."[13] Such rules must be

---

value of any rebate that would be provided if the order posted to the BATS Book and subsequently provided liquidity. *See* Rule 11.9(c)(6). Similarly, Partial Post Only at Limit Orders are permitted to remove price improving liquidity as well as a User-selected percentage of the remaining order at the limit price if, following such removal, the order can post at its limit price. *See* Rule 11.9(c)(7).

[7] 15 U.S.C. 78f(b).
[8] 15 U.S.C. 78f(b)(5).

[9] 15 U.S.C. 78k-1(a)(1).
[10] *Id.*
[11] 17 CFR 242.610.
[12] 17 CFR 242.201.
[13] 17 CFR 242.610(d).

"reasonably designed to assure the reconciliation of locked or crossed quotations in an NMS stock," and must "prohibit . . . members from engaging in a pattern or practice of displaying quotations that lock or cross any quotation in an NMS stock." [14] Thus, the Price Adjust process proposed by the Exchange will assist Users by displaying orders at permissible prices. Similarly, Rule 201 of Regulation SHO [15] requires trading centers to establish, maintain, and enforce written policies and procedures reasonably designed to prevent the execution or display of a short sale order at a price at or below the current NBB under certain circumstances. The Exchange's short sale price sliding will continue to operate the same for Users of Price Adjust as it does for Users that select the display-price sliding process offered by the Exchange.

As noted above, in contrast to display-price sliding, which is based solely on Protected Quotations at equities markets and options exchanges other than the Exchange, the proposed Price Adjust process would be based on Protected Quotations at external markets and at the Exchange. Thus, if the Exchange has a Protected Quotation that an incoming order to the Exchange locks or crosses then such order executes against the resting order, or, if the incoming order is a BATS Post Only Order or Partial Post Only at Limit Order, such order would be executed in accordance with Rules 11.9(c)(6) and (c)(7), respectively, or adjusted pursuant to the Price Adjust process. The Exchange believes that it is reasonable and consistent with the Act to apply the Price Adjust process to orders on entry that cannot executed or displayed at their limit price because this will contribute to additional displayed liquidity on the Exchange than if such orders were cancelled back to the User. Therefore, the Exchange believes the proposal to apply the Price Adjust process to orders that cannot be displayed because they would lock or cross displayed contra-side interest on the Exchange (and not just external markets) will 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. The Exchange also reiterates that the proposed Price Adjust process will enable the System to avoid displaying a locking or crossing quotation in order to ensure compliance with Rule 610(d) of Regulation NMS. The Exchange again notes that under its current pricing structure, which pays a rebate to orders that remove liquidity and charges a fee to orders that add liquidity, this provision is currently inapplicable because even BATS Post Only Orders will remove on entry if it is in their economic best interest to do so, and thus, if there is locking or crossing interest on the Exchange's order book, such orders will remove liquidity rather than being subject to the Price Adjust process. However, in order to maintain a technology offering that is consistent with technology offered by its affiliates irrespective of fees,[16] the Exchange is proposing to implement Price Adjust as proposed.

The Exchange notes that similar functionality was recently proposed by the Exchange's affiliate, EDGX Exchange, Inc. and that the proposed rules are based on the Price Adjust functionality set forth in such proposal.[17]

B. Self-Regulatory Organization's Statement on Burden on Competition

The Exchange does not believe that the proposed rule change will result in any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. The proposed rule change is being proposed as an additional option for Users that wish to utilize Exchange price sliding functionality and that the functionality is consistent with that offered by the Exchange today as well as affiliates and competitors of the Exchange. Thus, the Exchange believes this proposed rule change is necessary to permit fair competition among national securities exchanges.

C. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received from Members, Participants, or Others

The Exchange has neither solicited nor received written comments on the proposed rule change.

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

Within 45 days of the date of publication of this notice in the **Federal Register** or within such longer period (i) as the Commission may designate up to 90 days of such date if it finds such longer period to be appropriate and publishes its reasons for so finding or (ii) as to which the Exchange consents, the Commission will: (a) by order approve or disapprove such proposed rule change, or (b) institute proceedings to determine whether the proposed rule change should be 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–BYX–2014–019 on the subject line.

Paper Comments

• Send paper comments in triplicate to Secretary, Securities and Exchange Commission, 100 F Street NE., Washington, DC 20549–1090.

All submissions should refer to File Number SR–BYX–2014–019. 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 at 100 F Street NE., Washington, DC 20549–1090 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 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–BYX–

---

[14] *Id.*

[15] 17 CFR 242.201.

[16] The Exchange notes that its affiliate, BATS Exchange, Inc. is simultaneously proposing to adopt the Price Adjust process.

[17] *See* Securities Exchange Act Release No. 72676 (July 25, 2014), 79 FR 44520 (July 31, 2014) (SR–EDGX–2014–18).

2014–019, and should be submitted on or before September 25, 2014.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.[18]

Kevin M. O'Neill,

Deputy Secretary.

[FR Doc. 2014–21003 Filed 9–3–14; 8:45 am]

BILLING CODE 8011–01–P

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–72942; File No. SR–NYSEArca–2014–75]

Self-Regulatory Organizations; NYSE Arca, Inc.; Order Granting Approval of Proposed Rule Change Amending NYSE Arca Equities Rules 7.6, 7.11, 7.16, 7.31, 7.34, 7.35, 7.37 and 7.65 to Eliminate Certain Order Types, Modifiers and Related References

August 28, 2014.

I. Introduction

On June 27, 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")[1] and Rule 19b–4 thereunder,[2] a proposed rule change to to eliminate certain order types, modifiers and related references from the Exchange's rules. The proposed rule change was published for comment in the **Federal Register** on July 16, 2014.[3] 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 NYSE Arca Equities Rules ("Rule(s)") 7.6, 7.11, 7.16, 7.31, 7.34, 7.35, 7.37 and 7.65 to eliminate certain order types, modifiers and related references. The Exchange states that it is proposing these rule changes in order to streamline its rules and reduce complexity among its order type offerings.[4]

Working Orders. The Exchange has proposed to eliminate five types of working orders[5]—Passive Discretionary Orders, Discretion Limit Orders, Sweep Reserve Orders, Random Reserve Orders, and PL Select Orders—and to

delete the definitions of these order types currently set forth in Rule 7.31(h), as well as references to these order types currently in Rules 7.11 and 7.37.[6] In addition, in connection with the proposed elimination of Passive Discretionary Orders and Sweep Reserve Orders, the Exchange has proposed not to accept certain combined orders that currently involve these order types, namely, the Passive Discretionary Reserve Order (a Passive Discretionary Order used in combination with a Reserve Order), Sweep Reserve with Discretion Order (a Sweep Reserve Order entered with a discretionary price), and Inside Limit Sweep Reserve Order (a Sweep Reserve Order entered with an inside limit price).[7]

Cross Orders. The Exchange has proposed to accept only one type of cross order—Cross Orders designated IOC—and to revise its rules accordingly. Currently, the Exchange defines a Cross Order in Rule 7.31(s), separately defines an IOC Cross Order in Rule 7.31(aa), and separately defines additional types of cross orders in other provisions of Rule 7.31. To effect the proposed change, the Exchange has proposed to consolidate Rule 7.31(aa) into Rule 7.31(s), thereby creating one provision that describes Cross Orders designated IOC, and to eliminate the additional types of cross orders currently available on the Exchange.[8] Rule 7.31(aa) would be Consolidated into Rule 7.31(s) by: (i) Adding the clause "designated IOC" to the definition of Cross Order in Rule 7.31(s), (ii) moving to Rule 7.31(s) from Rule 7.31(aa) text stating that Cross Orders that would lock or cross the PBBO or BBO will be cancelled,[9] and (iii) deleting Rule 7.31(aa).[10] The Exchange also has proposed to delete certain rule provisions that would be

rendered moot or inapplicable by this proposed change.[11]

Additional Order Types and Rule Reference Deletions. In addition to the foregoing proposed changes with respect to working orders and cross orders, the Exchange has proposed to eliminate or limit the operation of five other order types. First, the Exchange has proposed to eliminate the Market to Limit ("MTL") Order, and thus to delete Rule 7.31(rr), which currently sets forth the definition of this order type. Second, the Exchange has proposed to amend the definition of an Auction-Only Order in Rule 7.31(t) to provide that the Exchange will only accept the Auction-Only Orders specified therein, namely, Limit-on-Open Orders ("LOO Order"), Market-on-Open Orders ("MOO Order"), Limit-on-Close Orders ("LOC"), and Market-on-Close Orders ("MOC").[12] Third, the Exchange proposes not to accept NOW Orders with a Reserve Modifier, and thus to amend the definition of a NOW Order in Rule 7.31(v) to provide that NOW Orders entered with a Reserve modifier will be rejected. Fourth, the Exchange proposes not to accept market orders with a NOW or IOC modifier, and thus to delete the reference to market orders in the definition of the IOC modifier in Rule 7.31(c)(3),[13] and to amend the definition of a NOW Order in Rule 7.31(v) to provide that NOW Orders entered with a Market modifier will be rejected. Lastly, the Exchange proposes to eliminate the use of a Fill or Kill ("FOK") modifier with a Mid-Point Liquidity ("MPL") Order, and thus to amend the definition of an MPL Order in Rule 7.31(h)(5) to provide that an

---

[18] 17 CFR 200.30–3(a)(12).

[1] 15 U.S.C. 78s(b)(1).

[2] 17 CFR 240.19b–4.

[3] *See* Securities Exchange Act Release No. 72591 (July 10, 2014), 79 FR 41613 ("Notice").

[4] *See* Notice, 79 FR at 41614.

[5] According to the Exchange, workings orders are orders with a conditional or undisplayed price and/ or size. *Id.; see also* Rule 7.31(h).

[6] A more detailed description of these order types and the provisions of Rules 7.11, 7.31(h) and 7.37 that would be deleted is set forth in the Notice. *See* Notice, 79 FR at 41614; *see also* proposed Rules 7.11, 7.31(h) and 7.37.

[7] *See* Notice, 79 FR at 41614 n. 8 and 9.

[8] The additional types of cross orders currently available on the Exchange, and which would be eliminated under the proposal, are the Midpoint Cross Order (currently defined in Rule 7.31(y)), Post No Preference ("PNP") Cross Order (currently defined in Rule 7.31(bb)), Cross-and-Post Order (currently defined in Rule 7.31(ff)), and Portfolio Crossing Service ("PCS") Order (currently defined in Rule 7.31(ii)). The definitions of these cross order types currently set forth in Rule 7.31 would be deleted, as would references to certain of these cross order types currently set forth in Rules 7.34(g), 7.37(d) and 7.65. *Id.* at 41615.

[9] The terms "PBBO" and "BBO" are defined in Rules 1.1(h) and (dd), respectively.

[10] *See* Notice, 79 FR at 41614–15; *see also* proposed Rule 7.31(s).

[11] *See* Notice, 79 FR at 41615. Subparagraphs (1)– (6) of current Rule 7.31(s) describe Cross Order functionality that is applicable only when Cross Orders are not designated IOC, and thus, according to the Exchange, the proposal would render those subparagraphs moot. Similarly, the Exchange proposes to delete Rule 7.16(f)(v)(G) as that rule, which provides that short sale cross orders priced at or below the current national best bid will be rejected during a Short Sale Period (defined in Rule 7.16(f)(iv)), would be inapplicable because Cross Orders designated IOC cannot execute at or below the current national best bid. Further, by virtue of the proposed restriction of Cross Orders to those with an IOC designation, the Exchange has proposed to eliminate the Day Cross Order, and thus a Cross Order with a Day modifier would be rejected as a result of the proposal. *Id.*

[12] *See* Notice, 79 FR at 41615. The Exchange also proposes to replace the references in Rule 7.35 to Auction-Only Limit with LOO and to Auction-Only Market with MOO, and to delete the references to Auction Only Limit Orders in Rule 7.35(f)(3)(E). *Id.; see also* proposed Rule 7.35.

[13] As a result, the use of the IOC modifier would be limited to limit orders, and a market order entered with an IOC modifier would be rejected. *See* proposed Rule 7.31(c)(3); *see also* Notice, 79 FR at 41615.