

NASDAQ-2015-036 and should be submitted on or before May 20, 2015.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>26</sup>

**Brent J. Fields,**  
Secretary.

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-74796; File No. SR-NYSEArca-2015-08]

### Self-Regulatory Organizations; NYSE Arca, Inc.; Order Granting Approval of Proposed Rule Change To Eliminate Additional Order Type Combinations, Delete Related Rule Text, Restructure the Remaining Rule Text in NYSE Arca Equities Rule 7.31, and Make Other Clarifying Changes to Its Rules

April 23, 2015.

#### I. Introduction

On February 19, 2015, 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 reorganize, revise and clarify the order type and order modifier definitions found in NYSE Arca Equities Rule (“Rule”) 7.31; make certain conforming and clarifying changes to Rules 7.35, 7.36, 7.37 and 7.38; and eliminate certain order type functionality from the restructured rule. The proposed rule change was published for comment in the **Federal Register** on March 9, 2015. <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

On June 5, 2014, in a speech entitled “Enhancing Our Market Equity Structure,” Mary Jo White, Chair of the Commission, requested that the equity exchanges conduct a comprehensive review of their order types and how they operate in practice, and as part of this review, consider appropriate rule changes to help clarify the nature of their order types. <sup>4</sup> The Exchange has

filed this proposed rule change to continue its efforts to review and clarify its rules governing order types. <sup>5</sup>

The Exchange proposes to reorganize and revise its existing order type and modifier definitions in Rule 7.31. Specifically, proposed Rule 7.31(a) would contain the revised Exchange definitions for Market Orders, Limit Orders, and Inside Limit Orders (collectively “primary order types”). <sup>6</sup> The revised Market Order definition would specify that it cannot be designated Immediate-or-Cancel (“IOC”) and that it would be rejected in the absence of a contra-side bid or offer. <sup>7</sup> The revised Limit Order definition would specify that a “marketable” Limit Order is one to buy (sell) at or above (below) the contra- contra-side Protected Best Bid or Offer for the security. <sup>8</sup> The revised Inside Limit Order definition would clarify how the order is routed, the handling of any returning remainder of such order after routing, and that such orders may not be designated IOC. <sup>9</sup>

Proposed Rule 7.31(b) would contain the definitions for the Exchange’s Time-in-Force (“TIF”) Modifiers: Day, Good Till Cancelled, Good Till Date, IOC, and Fill-or-Kill. <sup>10</sup> The definition for the NOW Order designation would also be relocated and re-designated as a TIF Modifier in proposed Rule 7.31(b)(5). <sup>11</sup>

Proposed Rule 7.31(c) would contain the Exchange’s revised definitions for Limit-on-Open Orders, Market-on-Open Orders, Limit-on-Close Orders, and Market-on-Close Orders (collectively “Auction-Only Orders”). <sup>12</sup> The revised definitions would clarify that the Exchange would reject Auction-Only Orders in securities that are not eligible for an auction, or if an auction is suspended pursuant to Rule 7.35(g). <sup>13</sup>

Proposed Rule 7.31(d) would contain the Exchange’s revised and reformatted definitions for Reserve Orders, Passive Liquidity Orders, and Mid-Point Passive Liquidity (“MPL”) Orders (collectively “Working Orders”). <sup>14</sup> The revised Reserve Order definition would clarify that such an order could not be

designated IOC. <sup>15</sup> Currently, the All-or-None (“AON”) Order is offered as a Working Order, however the Exchange proposes to eliminate the functionality. <sup>16</sup>

Proposed Rule 7.31(e) would contain the Exchange’s revised definitions for Adding Liquidity Only (“ALO”) Orders, Intermarket Sweep Orders, Post No Preference (“PNP”) Orders, PNP Blind Orders, Cross Orders, and Tracking Orders (collectively “non-routable orders”). <sup>17</sup> Proposed Rule 7.31(e)(4) would clarify that PNP Blind Orders combined with the ALO modifier may not also be designated as a Reserve Order. <sup>18</sup>

Proposed Rule 7.31(f) would contain the Exchange’s revised definitions for Primary Only Orders, Primary Until 9:45 Orders, and Primary After 3:55 Orders (collectively “specified routing instructions”). <sup>19</sup> The Primary Sweep Order is currently offered as a specified routing instruction, however the Exchange proposes to eliminate the functionality. <sup>20</sup>

Proposed Rule 7.31(g) would contain the Exchange’s definitions for other existing order types and modifiers, including the Pegged Order, Proactive if Locked Modifier, Do Not Reduce Modifier, Do Not Increase Modifier, and Self-Trade Prevention (“STP”) Modifier. <sup>21</sup>

Proposed Rule 7.31(h) would contain the Exchange’s revised Q Order definition clarifying that such orders do not route. <sup>22</sup>

The Exchange also proposes to amend and conform Rules 7.35, 7.36, 7.37 and 7.38 to proposed Rule 7.31 as it relates cross references, term usage and capitalization. <sup>23</sup> In addition to certain technical changes, proposed Rule 7.35 would be updated to reflect that the Exchange no longer conducts a closing auction for certain NYSE-listed securities, does not run a Market Order Auction in Nasdaq-listed securities, and only runs a Trading Halt Auction in securities that are listed on the Exchange. <sup>24</sup> In addition to certain technical changes, proposed Rule 7.36 would be amended to clarify how, for

Exchange and Brokerage Conference (June 5, 2014) (available at [www.sec.gov/News/Speech/Detail/Speech/1370542004312#.U5HI-fmwJiw](http://www.sec.gov/News/Speech/Detail/Speech/1370542004312#.U5HI-fmwJiw)).

<sup>5</sup> See Notice, 80 FR at 12537.

<sup>6</sup> See Notice, 80 FR at 12538.

<sup>7</sup> *Id.*

<sup>8</sup> *Id.* The Exchange also proposes to capitalize the term “Limit Orders” where used in the rule. *Id.*

<sup>9</sup> *Id.* The Exchange also proposes to state in proposed Rule 7.31(a)(3) that Inside Limit Orders may be designated with a NOW Modifier. *Id.*

<sup>10</sup> See Notice, 80 FR at 12539.

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

<sup>12</sup> *Id.*

<sup>13</sup> *Id.*

<sup>14</sup> *Id.*

<sup>15</sup> See Notice, 80 FR at 12538.

<sup>16</sup> See Notice, 80 FR at 12537–38. The Exchange also proposes conforming changes to other rules to reflect the elimination of AON Orders. See Notice, 80 FR at 12358; see also proposed Rules 7.36 and 7.37.

<sup>17</sup> See Notice, 80 FR at 12539–40.

<sup>18</sup> See Notice, 80 FR at 12538.

<sup>19</sup> See Notice, 80 FR at 12540.

<sup>20</sup> See Notice, 80 FR at 12538.

<sup>21</sup> See Notice, 80 FR at 12540.

<sup>22</sup> *Id.*

<sup>23</sup> See Notice, 80 FR at 12540–41.

<sup>24</sup> See Notice, 80 FR at 12540.

<sup>26</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. 74415 (March 3, 2015), 80 FR 12537 (“Notice”).

<sup>4</sup> See Mary Jo White, Chair, Commission, Speech at the Sandler, O’Neill & Partners, L.P. Global

purposes of determining the best ranked displayed order(s) on the Exchange for dissemination on the public data feeds, the Exchange handles non-marketable odd-lot orders that are priced better than the best-priced round lot interest at the Exchange.<sup>25</sup> Specifically, proposed Rule 7.36(c) would be amended to explain the current Exchange functionality where non-marketable odd-lot sized orders that can be aggregated to equal at least a round lot are displayed as the best ranked displayed orders to sell (buy) at the least aggressive price at which such odd-lot sized orders can be aggregated to equal at least a round lot.<sup>26</sup> Proposed Rule 7.37 would be amended to make conforming and other non-substantive, technical changes.<sup>27</sup> Proposed Rule 7.38(a)(1) would be amended to specify the order types that cannot be entered as odd-lots, namely Reserve Orders, MPL–IOC Orders, Tracking Orders, and Q Orders.<sup>28</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>29</sup> In particular, the Commission finds that the proposed rule change is consistent with Section 6(b)(5) of the Act,<sup>30</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 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.

The Commission notes that the proposed rule change reflects the Exchange's continued efforts to review and clarify its rules governing order types.<sup>31</sup> In addition, the Commission notes that the Exchange believes that the proposal is consistent with Section 6(b)(5) of the Act because it provides greater specificity, clarity and transparency with regard to the

Exchange's order handling processes and functionalities, including how otherwise non-marketable odd-lot sized orders are aggregated for purposes of determining the best bid or offer for display on the public data feeds.<sup>32</sup> According to the Exchange, these amendments, both clarifying and technical, should remove impediments to and perfect the mechanism of a free and open market, and are consistent with the protection of investors and the public interest.<sup>33</sup> The Exchange believes that this proposal should help reduce the potential for investor confusion and facilitate a better understanding of the Exchange's order handling operations and navigation of its rulebook.<sup>34</sup>

The Commission notes that the proposal reduces the number of order types that will be accepted by the Exchange. The Commission also notes that the proposal provides additional detail regarding certain order type and modifier functionality that remain available on the Exchange. The Commission further notes that the Exchange has restructured and reorganized proposed Rule 7.31 such that order types with similar functionality are grouped together by subsection. The Commission believes that these proposed changes should provide greater specificity, clarity and transparency with respect to the order type and modifier functionality available on the Exchange, as well as the Exchange's methodology for handling certain order types. Accordingly, the Commission believes that the proposal 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>35</sup> that the proposed rule change (SR–NYSEArca–2015–08) be, and it hereby is, approved.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>36</sup>

**Brent J. Fields,**

*Secretary.*

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<sup>32</sup> See Notice, 80 FR at 12541.

<sup>33</sup> *Id.*

<sup>34</sup> *Id.*

<sup>35</sup> 15 U.S.C. 78s(b)(2).

<sup>36</sup> 17 CFR 200.30–3(a)(12).

## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–74795; File No. SR–NASDAQ–2015–038]

### Self-Regulatory Organizations; The NASDAQ Stock Market LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Postpone Implementation of Changes to Rules 4751(h) and 4754(b) Relating to the Closing Process

April 23, 2015.

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> notice is hereby given that on April 13, 2015, 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 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 the Substance of the Proposed Rule Change

The Exchange proposes to postpone implementation of changes to Rules 4751(h) and 4754(b) relating to the closing process.

The text of the proposed rule change is available on the Exchange's Web site at <http://nasdaq.cchwallstreet.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 aspects of such statements.

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

<sup>2</sup> 17 CFR 240.19b–4.

<sup>25</sup> See Notice, 80 FR at 12540–41.

<sup>26</sup> *Id.*

<sup>27</sup> See Notice, 80 FR at 12540.

<sup>28</sup> See Notice, 80 FR at 12541.

<sup>29</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>30</sup> 15 U.S.C. 78f(b)(5).

<sup>31</sup> See Notice, 80 FR at 12537.