

**SECURITIES AND EXCHANGE COMMISSION**

[Release No. 34-62485; File No. SR-NYSEArca-2010-67]

**Self-Regulatory Organizations; Notice of Filing and Immediate Effectiveness of Proposed Rule Change by NYSE Arca, Inc. To Establish Trading Collars for Market Orders**

July 13, 2010.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the “Act”) <sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that, on July 9, 2010, 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 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 proposes to amend NYSE Arca Equities Rule 7.31 to add trading collars for market orders at the Exchange. The text of the proposed rule change is available at the Exchange’s principal office, the Commission’s Web site at <http://www.sec.gov>, the Commission’s Public Reference Room, and <http://www.nyse.com>.

**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 the Statutory Basis for, the Proposed Rule Change*

**1. Purpose**

The Exchange is proposing to amend NYSE Arca Equities Rule 7.31(a), governing Market Orders, to add trading collars that would prevent a market

order from trading more than a certain percentage away from a calculated reference price that would be continuously updated based on market activity. The proposed trading collars are distinct from the five-minute trading pauses pursuant to NYSE Arca Equities Rule 7.11 that, as a consequence of recent extreme market volatility, will now be issued by listing markets if the transaction price of a security moves ten percent or more from a price in the preceding five-minute period. The Exchange believes that the proposed trading collars will serve as an additional safeguard that could help limit potential harm from extreme price volatility such as that recently experienced on May 6, 2010 by preventing executions that occur a specified percentage away from the last sale in the first place.

Under the proposed rule change, during Core Trading Hours, a market order to buy (sell) will not execute or route to another market center at a price above (below) the Trading Collar. As proposed, Trading Collars will apply only to market orders and not limit orders.

As proposed, the Trading Collar will be based on a price that is a specified percentage away from the consolidated last sale price, which can be a price either reported on the Consolidated Tape or the UTP Trade Data Feed, depending on which market the security is listed. The upper boundary of the Trading Collar will be calculated by increasing the consolidated last sale price by a specific percentage, and the lower boundary will be calculated by decreasing the consolidated last sale price by the same specified percentage.

The numerical percentage proposed to be used in the Trading Collar price calculations will be equal to the appropriate “numerical guideline” percentage set forth in paragraph (c)(1) of NYSE Arca Equity Rule 7.10 (Clearly Erroneous Executions) for the Core Trading Session, as applied to the Consolidated Last Sale Price. The current values of those percentages for various price ranges are indicated in the following table, but the percentages for Trading Collars will automatically be adjusted to match any future changes in the numerical guidelines in NYSE Arca Equity Rule 7.10. The Exchange notes that leveraged ETF/ETN securities will follow the 10%, 5%, and 3% percentage guidelines below, and will not be multiplied by a leverage multiplier, as provided for in NYSE Arca Equity Rule 7.10 for leveraged ETF/ETN securities.

Consolidated last sale price	Collar price percentage deviation
\$25.00 or less .....	10
Above \$25.00 to (and including) \$50.00 .....	5
Above \$50.00 .....	3

The Exchange believes that the numerical guidelines applicable for clearly erroneous executions provide an appropriate threshold for determining whether to trigger a Trading Collar. These numerical guidelines have already been vetted through the notice and comment process as appropriate thresholds for when an execution may be found to be clearly erroneous. As proposed, because the Trading Collar will be based on an execution that is outside of a price that is already established as appropriate for being considered an erroneous execution, the Trading Collar will provide for a mechanism to prevent such clearly erroneous executions in the first instance.

Collar prices will be continuously calculated and published for all securities traded on the Exchange regardless of listing market. A trading halt in a security will zero out the collar values, and calculations will restart with the first print after trading resumes.

Market orders will interact with the Trading Collars on a given equity security in the following manner. A market order to sell will not execute at a price below the bottom Trading Collar price, but will execute at prices equal to or above it, including prices displayed by other automated markets that involve the routing of volume from the order to the other markets. Similarly, a market order to buy will not execute at a price above the top Trading Collar price but will execute at prices equal to or below it, including prices displayed by other automated markets that involve the routing of volume from the order to the other markets.

Exchange systems will hold market orders, or portions thereof, that become restricted by the Trading Collar (unless marked immediate-or-cancel) until (i) additional opportunities for execution consistent with the Trading Collar become available, either on the Exchange or on other markets, or (ii) a new Trading Collar is calculated based on a new consolidated last sale price, and the remaining portion of the order is then able to execute at prices consistent with the new Trading Collar. If there are multiple market orders that become restricted by the collar price, they will be ranked in time priority.

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

<sup>2</sup> 17 CFR 240.19b-4.

The following example illustrates the operation of the Trading Collar:

Consolidated last sale price of XYZ Corp. is 40.00.

Bottom Trading Collar price is 38.00 (5% below 40.00).

*Market Evaluation (Buy Orders):*

NYSE Arca 2000 shares at 39.00.

NYSE Arca 2000 shares at 38.60.

NYSE Arca 1000 shares at 38.40.

BATS 1000 shares at 38.20.

NYSE Arca 1000 shares at 38.00.

NYSE Arca 2000 shares at 37.50.

NYSE Arca 1000 shares at 37.00.

Assume arrival of an order to Sell 10,000 shares at Market.

*Results:*

- 2000 shares execute on NYSE Arca at 39.00.

- 2000 shares execute on NYSE Arca at 38.60.

- 1000 shares execute on NYSE Arca at 38.40.

- 1000 shares routed to BATS and execute there at 38.20.

- 1000 shares execute on NYSE Arca at 38.00.

The Sell Order is then restricted by the bottom Trading Collar and cannot execute below 38.00.

Next, assume the first trade above at 39.00 is printed to the tape and becomes the new consolidated last sale price. Bottom collar price is now 37.05 (5% below 39.00).

*Results:*

- 2000 shares execute on NYSE Arca at 37.50.

The Sell Order is then restricted by the new bottom Trading Collar and cannot execute below 37.05.

Next, assume the second trade above at 38.60 is printed to the tape and becomes the new consolidated last sale price. Bottom collar price is now 36.67 (5% below 38.60).

*Results:*

- 1000 shares execute on NYSE Arca at 37.00, completing the order.

The Trading Collar for the security will continue to adjust as each of the remaining executions above (as well as any executions in the security on other markets) is printed to the tape and becomes the new consolidated last sale price.

## 2. Statutory Basis

The statutory basis for the proposed rule change is Section 6(b)(5) of the Securities Exchange Act of 1934 (the "Act"),<sup>3</sup> which requires the rules of an exchange 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. The proposed rule change also is designed to support the principles of Section 11A(a)(1)<sup>4</sup> 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 rule meets these requirements in that it ensures that market orders will not cause the price of a security to move beyond prices that could otherwise be determined to be a clearly erroneous execution, thereby protecting investors from receiving executions away from the prevailing prices at any given time.

### *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 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 from the date on which it was filed, or such shorter time as the Commission may designate, if consistent with the protection of investors and the public interest, the proposed rule change has become effective pursuant to Section 19(b)(3)(A) of the Act<sup>5</sup> and Rule 19b-4(f)(6) thereunder.<sup>6</sup>

The Exchange has asked the Commission to waive the 30-day operative delay so that the proposal may become operative immediately upon filing. The Commission believes that waiving the 30-day operative delay is consistent with the protection of investors and the public interest, because it will allow the Exchange to

<sup>4</sup> 15 U.S.C. 78k-1(a)(1).

<sup>5</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>6</sup> 17 CFR 240.19b-4(f)(6). In addition, Rule 19b-4(f)(6) requires the Exchange to give the Commission written notice of the Exchange's intent to file the proposed rule change, along with a brief description and text of 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 Commission has waived the five-day pre-filing requirement.

implement immediately a measure designed to reduce market volatility, and because the proposal is generally consistent with the rules of other exchanges.<sup>7</sup> Therefore, the Commission designates the proposed rule change as operative upon filing.<sup>8</sup>

At any time within 60 days of the filing of the proposed rule change, the Commission may summarily abrogate 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 e-mail to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include File Number SR-NYSEArca-2010-67 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-2010-67. This file number should be included on the subject line if e-mail 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

<sup>7</sup> See BATS Rule 11.9(a)(2) and NYSE Arca Equities Rule 7.10.

<sup>8</sup> 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).

<sup>3</sup> 15 U.S.C. 78f(b)(5).

Reference Room, 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-2010-67 and should be submitted on or before August 9, 2010.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>9</sup>

**Florence E. Harmon,**

*Deputy Secretary.*

[FR Doc. 2010-17490 Filed 7-16-10; 8:45 am]

**BILLING CODE 8011-01-P**

**SECURITIES AND EXCHANGE COMMISSION**

[Release No. 34-62490; File No. SR-NASDAQ-2010-078]

**Self-Regulatory Organizations; The NASDAQ Stock Market LLC; Notice of Filing of a Proposed Rule Change as Modified by Amendment No. 1 Thereto To Modify Rule 7019 Governing Market Data Distribution Fees**

July 13, 2010.

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 June 29, 2010, The NASDAQ Stock Market LLC (“Nasdaq” or the “Exchange”) 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. On July 13, 2010, Nasdaq filed

Amendment No. 1 to the proposed rule change. The Commission is publishing this notice to solicit comments on the proposed rule change as amended from interested persons.

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

Nasdaq proposes to modify Rule 7019 governing market data distribution fees to harmonize distributor and direct access fees for depth products.

The text of the proposed rule change is below. Proposed new language is in italics; proposed deletions are in brackets.<sup>3</sup>

\* \* \* \* \*

**7019. Market Data Distributor Fees**

(a) No change.

(b) The charge to be paid by Distributors of the following Nasdaq Market Center real time data feeds shall be:

	Monthly direct access fee	Monthly internal distributor fee	Monthly external distributor fee
Issue Specific Data			
Dynamic Intraday			
<i>NASDAQ-listed security depth entitlements [TotalView]</i> .....	\$2,000	\$1,000	\$2,500
<i>Non NASDAQ-listed security depth entitlements [OpenView]</i> .....	1,000	500	1,250

(c)-(d) No change.

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**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.

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

**1. Purpose**

Nasdaq is proposing to modify Rule 7019 governing market data distribution fees to harmonize the depth distributor fees by including Level 2, also known as NQDS, into the current fee (TotalView)

for Nasdaq-listed securities. Currently, the data feed that contains the Nasdaq Level 2 entitlement and OpenView entitlement includes distributor fees for non-Nasdaq listed securities (under the OpenView entitlement) but does not include distributor fees for Nasdaq listed securities as TotalView does. Harmonization of the depth distributor fee entitlement for Nasdaq-listed securities on the Level 2 data product, consistent with other Nasdaq depth products such as TotalView, ensures product and policy consistency. As mentioned above, the Nasdaq Level 2 data feed contains two different entitlements (the OpenView entitlement and Level 2 entitlement). The data feed is the physical stream of data, whereas the entitlement is the subscription for which customers sign-up.

The Nasdaq Level 2 entitlement was created in 1983 at a time that all real-time products fell under the auspices of the UTP Plan. Subsequently, Nasdaq created a separate security information processor for UTP data in 2002 and petitioned the SEC to remove the Level 2 entitlement from the UTP Plan. When Nasdaq received exchange status in

2006, Level 2 data was removed from the UTP plan. Currently, the Level 2 data feed carries top-of-file exchange participant quotations for both Nasdaq and Consolidated Quotation System issues. This information is also carried in TotalView along with the full participant quotes. As such, Level 2 is a subset of TotalView data.

Like Nasdaq’s other products, the Level 2 data feed is fed directly by the Nasdaq execution system and is offered in a full range of network protocols just as with TotalView. Meaning the Nasdaq Level 2 data feed uses the same system infrastructure as TotalView and as such, the entitlement for the distributor fees should be the same.

In addition to the new distributor fees, Nasdaq is looking to expand the direct access fee to customers who subscribe to the Level 2 entitlement. As with the disparity in the TotalView distributor fee, customers who only access the Level 2 information through the Level 2 entitlement directly from the Exchange are not charged a direct access fee (as “Direct Access” is defined in Nasdaq Rule 7019). Nasdaq is seeking to remedy this so that these customers are

<sup>9</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> Changes are marked to the rule text that appears in the electronic Nasdaq Manual found at <http://nasdaqomx.cchwallstreet.com>.