SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-64753; File No. SR-BYX-2011-009]

Self-Regulatory Organizations; BATS Y-Exchange, Inc.; Order Approving a Proposed Rule Change To Amend BYX Rule 11.9, Entitled “Orders and Modifiers” and BYX Rule 11.13, Entitled “Order Execution”

June 27, 2011.

I. Introduction


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and 11.13, is intended to address two specific scenarios that currently exist on the Exchange: (1) Non-Displayed Orders posted opposite same-priced displayed orders and (2) orders subject to price sliding under BYX Rule 11.9(g) that are ranked at a price equal to an opposite-side displayed order (collectively “Resting Orders”). These two scenarios can occur when an order on either side of the market is a BATS Post Only Order.

8 The Exchange has also stated that it will conduct surveillance to ensure that users are not intentionally seeking to create an internally locked book for the purpose of obtaining an execution at a one-half minimum price variation.

9 The Exchange believes this will optimize available liquidity for incoming orders and provide price improvement for market participants at times when such participants are not receiving executions from the Exchange or are receiving less price improvement than is currently available.

10 The Exchange believes that by permitting a Member’s Non-Displayed Order to rest at a locking price on the other side of a displayed order, the Exchange is incenting Members to post aggressively priced liquidity, rather than discouraging such liquidity by leaving it unexecuted. Id.

11 See id. In addition, if the BATS Book changes so that such orders are no longer resting or ranked opposite a displayed order, then such orders will again be executable at their full limit price, and in the case of price slid orders, will be displayed at the same price as an order displayed on the other side of the BATS Book.

12 In approving this proposal, the Commission has considered the proposed rule’s impact on efficiency, competition, and capital formation. See 15 U.S.C. 78c(f).

13 Id.

14 Id.

15 See id. The Exchange further notes that by permitting a Member’s Non-Displayed Order to rest at a locking price on the other side of a displayed order, the Exchange is incenting Members to post aggressively priced liquidity, rather than discouraging such liquidity by leaving it unexecuted. Id.

16 See id. In addition, if the BATS Book changes so that such orders are no longer resting or ranked opposite a displayed order, then such orders will again be executable at their full limit price, and in the case of price slid orders, will be displayed at that price. Id.

17 See id.


19 In approving this proposal, the Commission has considered the proposed rule’s impact on efficiency, competition, and capital formation. See 15 U.S.C. 78c(f).

20 See id.

The Exchange proposes to modify its handling of Resting Orders to allow incoming orders to execute against such aggressively priced liquidity, rather than discouraging such liquidity by leaving it unexecuted. As defined in BYX Rule 1.5(e), the BATS Book is “the System’s electronic file of orders.”

self-regulatory organizations: bats y-exchange, inc.; order approving a proposed rule change to amend byx rule 11.9, entitled “orders and modifiers” and byx rule 11.13, entitled “order execution”
The Commission believes that the proposed order handling rule change providing for the execution, under certain circumstances, of certain Non-Displayed Orders and orders subject to price sliding that are not executable at their most aggressive prices should serve to enhance the quality of execution on the Exchange by facilitating executions that would not occur pursuant to the Exchange’s current order handling process. In addition to facilitating executions that currently would not take place, the proposed rule change will offer price improvement to the orders executed under the new order handling process. The Commission believes that the new order handling process should benefit market participants by, among other things, providing greater opportunities for buy and sell orders to interact with each other and potentially reducing certain trading costs for market participants. The Commission further believes that any potential abuses are mitigated by the Exchange’s addition of Interpretation and Policy .01 to BYX Rule 11.13 and its commitment to monitor relevant trading on its market. Additionally, the Commission believes that this proposed order handling process is consistent with Rule 612 of Regulation NMS because any executions in an increment smaller than $0.01 are the result of bids, offers or orders that are priced in increments at least equal to $0.01. With regard to the proposed rule change clarifying that an order subject to NMS price sliding pursuant to BYX Rule 11.9 can be ranked at the same price as an order displayed on the other side of the BATS Book, the Commission believes that such clarification is consistent with Rule 610(d) of Regulation NMS because the proposed rule change would not result in the display of a locking quotation.

IV. Conclusion

It is therefore ordered, pursuant to Section 19(b)(2) of the Act,25 that the proposed rule change (SR–BYX–2011–009) be, and hereby is, approved.

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

Elizabeth M. Murphy,
Secretary.

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SECURITIES AND EXCHANGE COMMISSION


Self-Regulatory Organizations; The NASDAQ Stock Market LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Amend Rule 7034 Regarding Co-Location Fees for Additional Power and Cable Options

June 24, 2011.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”),1 and Rule 19b–4 thereunder, notice is hereby given that on June 23, 2011, The NASDAQ Stock Market LLC (“NASDAQ” or “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. 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 amend Rule 7034 regarding co-location fees for additional power and cable options. The Exchange proposes to offer a new choice of a pair of power receptacles (60 amps 208 volts), which would provide enough power for a high density cabinet. The proposed fee for installation of the pair of the 60-amp 208-volt power receptacles is $3,000. There are ten other power choices already available and this new receptacle choice is being offered as more clients are requesting higher power density cabinets. Additionally, the Exchange proposes to offer a new choice of patch cable, twinaxial (otherwise known as “Twinax”) cables, in lengths of one meter to five meters. The proposed fee for the Twinax cables is $34 + $10 per meter. The Exchange is making the Twinax cables available as a convenience to customers, and notes that use of Exchange-provided patch cords is completely voluntary, and that such patch cords may be freely obtained from other vendors for use by customers in the datacenter.

2 See Rule 612 of Regulation NMS. 17 CFR 242.612.
23 See Rule 610(d) of Regulation NMS. 17 CFR 242.610(d).