SECURITIES AND EXCHANGE COMMISSION


Self-Regulatory Organizations; New York Stock Exchange LLC; Order Approving a Proposed Rule Change To Establish an NYBX Immediate-or-Cancel Order

March 12, 2012.

I. Introduction

On January 11, 2012, the New York Stock Exchange LLC (“NYSE” or “Exchange”) filed with the Securities and Exchange Commission (“Commission”), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”) and Rule 19b–4 thereunder, a proposed rule change to amend NYSE Rule 1600 to establish a new order type, the NYBX IOC order, which is a limit order to buy or sell that is designated as immediate or cancel and would be cancelled if the order is not immediately able to execute, in whole or in part, exclusively against contra-side liquidity in the DBK and/or NYBX at a price that is at or within the national best bid or offer (“NBBO”). Any unexecuted portion of an NYBX IOC order would be immediately cancelled. No portion of an NYBX IOC order would be routed elsewhere, placed on the DBK, or remain in the NYBX Facility. Instead the order would be cancelled back to the User. Unlike other NYBX order types, the NYBX IOC order will not allow a minimum triggering volume (“MTV”) designation.

A NYBX IOC order would be entered in the same manner as other NYBX orders, as provided under NYSE Rule 1600(c)(1), and, except for the optional time in force order parameters of NYSE Rule 1600(c)(3)(B)(i), would be required to contain the order parameters listed in NYSE Rule 1600(c)(3)(A). A NYBX IOC order would be subject to order processing set forth in NYSE Rule 1600(d)(1). In a situation in which the size of the NYBX IOC order is less than the total available contra side liquidity that is potentially executable within the limit price in the NYBX and the DBK, the existing “tie breaker” rules set forth in NYSE Rule 1600(d)(1)(C)(i) for routing decision purposes will provide that an execution in the DBK has priority over an execution at the same price in the NYBX.

II. Description of the Proposed Rule Change

NYBX is a facility of the Exchange and provides for electronic matching and execution of non-displayed orders with the aggregate of all displayed and non-displayed orders residing within NYBX and the DBK.

listed on NYSE are eligible to trade on NYBX. NYSE proposes to establish a new order type, the NYBX IOC order, which is a limit order to buy or sell that is designated as immediate or cancel and would be cancelled if the order is not immediately able to execute, in whole or in part, exclusively against contra-side liquidity in the DBK and/or NYBX at a price that is at or within the national best bid or offer (“NBBO”). Any unexecuted portion of an NYBX IOC order would be immediately cancelled. No portion of an NYBX IOC order would be routed elsewhere, placed on the DBK, or remain in the NYBX Facility. Instead the order would be cancelled back to the User. Unlike other NYBX order types, the NYBX IOC order will not allow a minimum triggering volume (“MTV”) designation.

A NYBX IOC order would be entered in the same manner as other NYBX orders, as provided under NYSE Rule 1600(c)(1), and, except for the optional time in force order parameters of NYSE Rule 1600(c)(3)(B)(i), would be required to contain the order parameters listed in NYSE Rule 1600(c)(3)(A). A NYBX IOC order would be subject to order processing set forth in NYSE Rule 1600(d)(1). In a situation in which the size of the NYBX IOC order is less than the total available contra side liquidity that is potentially executable within the limit price in the NYBX and the DBK, the existing “tie breaker” rules set forth in NYSE Rule 1600(d)(1)(C)(i) for routing decision purposes will provide that an execution in the DBK has priority over an execution at the same price in the NYBX.

III. Discussion and Commission’s 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. In particular, the Commission finds that the proposed rule change is consistent with Section 6(b)(5) of the Act, which requires, among other things, that the rules of a national securities exchange be designed to prevent fraudulent and manipulative acts, promote just and equitable principles of trade, remove $10.05, and 200 shares would execute in the Facility at $10.05, for a total execution of 900 shares. The remaining 100 shares of the buy NYBX IOC order would be cancelled. Assuming the buy NYBX IOC order is instead for 700 shares, pursuant to the tie-breaker rule in NYSE Rule 1600(d)(1)(C)(i), the full volume of the order would route to the DBK, executing 300 shares at $10.04 and 400 shares at $10.05, and the Facility’s 200 share contra-side order at $10.05 would not be filled.


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

impediments to and perfect the mechanism of a free and open market and a national market system. The proposal appears reasonably designed to provide NYBX users flexibility and greater control over how their orders interact with available liquidity. The Commission notes that the proposal is consistent with the order protection rule of Regulation NMS, because an NYBX IOC order would not be permitted to trade through a protected quotation of another automated trading center.

IV. Conclusion

It is therefore ordered, pursuant to Section 19(b)(2) of the Act,14 that the proposed rule change (SR–NYSE–2012–01) be, and it hereby is, approved.

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

Kevin M. O’Neill,
Deputy Secretary.

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SECURITIES AND EXCHANGE COMMISSION


Self-Regulatory Organizations; Financial Industry Regulatory Authority, Inc.; Notice of Filing of Proposed Rule Change Relating to Post-Trade Transparency for Agency Pass-Through Mortgage-Backed Securities Traded TBA

March 12, 2012.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the “Act”)1 and Rule 19b–4 thereunder,2 notice is hereby given that, on March 1, 2012, the Financial Industry Regulatory Authority, Inc. (“FINRA”) 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 FINRA. 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

FINRA is proposing to amend the TRACE rules and dissemination protocols to provide greater transparency in TBA transactions. First, FINRA proposes to amend Rule 6730, to establish distinct requirements for reporting TBA transactions for which good delivery may be made (“TBA transactions GD”) and for reporting TBA transactions in products that are not traded for good delivery (“TBA transactions NGD”), and, in two stages, to reduce the time frames to report each type of TBA transaction and to make a related amendment to Rule 6710(u), the definition of “TBA,” to incorporate the concepts “for good delivery” and “not for good delivery.” Second, FINRA proposes to amend Rule 6750 to provide for the dissemination of TBA transactions and to establish, as part of TRACE dissemination protocols, a $25 million dissemination cap for TBA transactions GD and a $10 million dissemination cap for TBA transactions NGD.

2 The term Historic TRACE Data is defined in Rule 7790(f) and refers to aged TRACE transaction data, which will include TBA transaction data.

3 As defined in Rule 6710(v), an Agency Pass-Through Mortgage-Backed Security means: A mortgage-backed security issued by an Agency or a Government-Sponsored Enterprise, for which the timely payment of principal and interest is guaranteed by an Agency or a Government-Sponsored Enterprise, representing ownership interests in a pool or pools of residential mortgage loans with the security structured to “pass through” the principal and interest payments made by the mortgagees to the owners of the pool(s) on a pro rata basis. The terms Agency and Government-Sponsored Enterprise (“GSE”) are defined in, respectively, Rule 6710(k) and Rule 6710(a).

3 The term Historic TRACE Data is defined in Rule 7790(f) and refers to aged TRACE transaction data, which will include TBA transaction data.

4 As defined in Rule 6710(v), an Agency Pass-Through Mortgage-Backed Security means: A mortgage-backed security issued by an Agency or a Government-Sponsored Enterprise, for which the timely payment of principal and interest is guaranteed by an Agency or a Government-Sponsored Enterprise, representing ownership interests in a pool or pools of residential mortgage loans with the security structured to “pass through” the principal and interest payments made by the mortgagees to the owners of the pool(s) on a pro rata basis. The terms Agency and Government-Sponsored Enterprise (“GSE”) are defined in, respectively, Rule 6710(k) and Rule 6710(a).

5 As defined in Rule 6710(v), an Agency Pass-Through Mortgage-Backed Security means: A mortgage-backed security issued by an Agency or a Government-Sponsored Enterprise, for which the timely payment of principal and interest is guaranteed by an Agency or a Government-Sponsored Enterprise, representing ownership interests in a pool or pools of residential mortgage loans with the security structured to “pass through” the principal and interest payments made by the mortgagees to the owners of the pool(s) on a pro rata basis. The terms Agency and Government-Sponsored Enterprise (“GSE”) are defined in, respectively, Rule 6710(k) and Rule 6710(a).

6 As defined in Rule 6710(v), an Agency Pass-Through Mortgage-Backed Security means: A mortgage-backed security issued by an Agency or a Government-Sponsored Enterprise, for which the timely payment of principal and interest is guaranteed by an Agency or a Government-Sponsored Enterprise, representing ownership interests in a pool or pools of residential mortgage loans with the security structured to “pass through” the principal and interest payments made by the mortgagees to the owners of the pool(s) on a pro rata basis. The terms Agency and Government-Sponsored Enterprise (“GSE”) are defined in, respectively, Rule 6710(k) and Rule 6710(a).