would increase the maximum term for
all LEAPS to fifteen years.

Accordingly, the Commission,
pursuant to Section 19(b)(2) of the Act,6
designates November 8, 2012 as the date by
which the Commission should either
approve or disapprove or institute
proceedings to determine whether to
disapprove the proposed rule change.

For the Commission, by the Division of
Trading and Markets, pursuant to delegated
authority.7

Kevin M. O’Neill,
Deputy Secretary.

[FR Doc. 2012–23537 Filed 9–24–12; 8:45 am]

BILLING CODE 8011–01–P

SECURITIES AND EXCHANGE
COMMISSION

[Release No. 34–67888; File No. SR–BATS–
2012–030]

Self-Regulatory Organizations; BATS
Exchange, Inc.; Order Approval
Approval of Proposed Rule Change To
Amend BATS Rule 14.11, Entitled
“Other Securities”

September 19, 2012.

I. Introduction

On July 20, 2012, BATS Exchange,
Inc. (“Exchange” or “BATS”) filed with the
Securities and Exchange
Commission (“Commission”), pursuant to
Section 19(b)(1) of the Securities
Exchange Act of 1934 (“Act” or
“Exchange Act”)8 and Rule 19b–4
thereunder,9 a proposed rule change to
amend BATS Rule 14.11, entitled
“Other Securities” to modify the criteria
for certain securities listed on BATS as
Index Fund Shares. The proposed rule
change was published for comment in the
Federal Register on August 8, 2012.3
The Commission received no comments
on the proposal. This order grants
approval of the proposed rule change.

II. Description of the Proposed Rule
Change

Proposal To Amend Index Fund Shares Rules

The Exchange proposes certain
changes to Rule 14.11(c) relating to
Index Fund Shares, commonly referred to
to as exchange-traded funds, to conform
the Exchange’s listings criteria for
Index Fund Shares with the analogous criteria
in place for NYSE Arca Equities, Inc.

(”NYSE Arca”)4 and to correct a
typographical error. Specifically, the
Exchange proposes to amend Exchange
Rule 14.11(c) to: (1) Modify the weight
and volume requirements for
component stocks comprising the
applicable index or portfolio for any
U.S. index or portfolio and any
international or global index or portfolio
upon which Index Fund Shares are
based; (2) exclude Index Fund Shares,
Portfolio Depositary Receipts, Trust
Issued Receipts, and Managed Fund Shares
(collectively, “Derivative Securities Products”2) while
applying the quantitative generic listing
criteria in Rule 14.11(c); and (3) modify the
minimum number of component stocks
for any U.S. index or portfolio and any
international or global index or portfolio
upon which Index Fund Shares are
based to adopt certain exceptions for
any index or portfolio that is partially or
wholly comprised of Index Fund Shares
or other Derivative Securities Products.

Rule 14.11(c)(3) provides that the
Exchange may approve a series of Index
Fund Shares for listing and trading
pursuant to Rule 19b–4(e) under the
Act10 if such series satisfies the criteria
set forth in that rule. The Exchange
proposes to amend Rule 14.11(c)(3) to
amend the index weight requirements
and adopt notional volume traded per
month7 to the initial listing standards
for Index Fund Shares. The Exchange
proposes to amend the minimum
component stock weight requirement
for monthly trading volumes from 90% to
70% of the weight of the underlying
index. In addition, the Exchange
proposes to adopt an alternative
notional volume traded per month.

Rule 14.11(c)(3)(A)(i)(b) provides that, for
U.S. component stock indexes,
component stocks that in the aggregate
account for at least 90% of the weight
of the underlying index, each shall have
a minimum monthly trading volume
during each of the last six months of at
least 250,000 shares. The Exchange
proposes to reduce the minimum
component stock weight requirement
from 90% to 70% of the weight of the
underlying index or portfolio. The
Exchange is also proposing to adopt an
average minimum trading volume
requirement of 250,000 shares over a
six-month period instead of each of the
last six months, and to adopt a
notional volume traded per month of
$25,000,000 averaged over the last six
months as an option for meeting the
listing requirements.

The Exchange is proposing the same
modifications for international or
global indexes. Rule 14.11(c)(3)(A)(ii)(b)
provides that, for international or
global indexes, component stocks that in
the aggregate account for at least 90% of
the weight of the index or portfolio each
shall have a minimum worldwide
monthly trading volume during each of the
last six months of at least 250,000
shares. The Exchange proposes to
reduce the minimum component stock
weight requirement from 90% to 70% of
dility of the underlying index or
portfolio. Further, the Exchange is
proposing to adopt an average minimum
trading volume requirement of 250,000
shares over a six-month period instead of
in each of the last six months, and to
adopt a worldwide notional volume
traded per month of $25,000,000
averaged over the last six months as an
option for meeting the listing
requirements. Further, the Exchange
also proposes to clarify that the
component stock trading volumes are
determined on a global basis.

The Exchange believes that reducing
the minimum component stock weight
requirement for monthly trading
volumes from 90% to 70% of the weight
of the underlying index reasonably
ensures that securities with substantial
monthly trading volumes account for a
substantial portion of the underlying
index and, when applied in conjunction
with the other applicable listing
requirements, remain sufficiently
broad-based in scope to minimize potential
manipulation. The Exchange notes that
the Commission has previously
approved the listing and trading of
exchange-traded funds based upon
indices that were composed of stocks
that did not meet the 90% monthly
trading volume weight, but were above
the proposed 70% monthly trading
volume weight criteria.8 In addition,

(August 1, 2012), 77 FR 47444.
10 The Exchange notes that NYSE Arca uses the
term “Investment Company Units” to describe the
same products that the Exchange calls “Index Fund Shares.”
11 Rule 14.11 includes criteria for derivative
securities that may be listed or traded on the
Exchange, such as Portfolio Depositary Receipts,
Trust Issued Receipts, and Managed Fund Shares.
that the listing and trading of a new derivative
securities product by a self-regulatory organization
(“SRQ”) shall not be deemed a proposed rule
change, pursuant to Rule 19b–4(c)(1), if the
Commission has approved, pursuant to Section
19(b) of the Exchange Act, the SRQ’s trading rules,
procedures, and listing standards for the product
class that would include the new derivatives
securities product, and the SRQ has a surveillance
program for the product class.
(August 2, 2002), 67 FR 51916 (August 9, 2002)
(SR–NYSE–2002–28) (approving the following funds for trading pursuant to unlisted trading
privileges on NYSE: (1) Vanguard Total Stock
Market VIPERs; (2) iShares Russell 2000 Index
Funds; (3) iShares Russell 2000 Value Index Funds;
this standard would conform BATS’s listing requirements to existing NYSE Arca requirements approved by the Commission.9

With respect to adopting, as an alternative to monthly trading volume, the notional volume traded for each of the last six months to the initial listing standards for both domestic and international indexes, the Exchange believes that notional volume traded averaged per month is a better measure of the liquidity of component stocks of the underlying index or indexes. Specifically, notional volume nullifies the volume discrepancies that generally occur between low priced and high priced stocks.10

With respect to requiring a six-month average, instead of a minimum requirement in each of the last six months, for volume and notional volume, the Exchange believes that an averaged six-month period better indicates the current liquidity on an index and helps eliminate seasonal volume fluctuations of component securities.

The Exchange also proposes to exclude Derivative Securities Products when applying the quantitative listing requirements of Rule 14.11(c)(3)(A)(i)(a), (b), and (c) and 14.11(c)(3)(A)(ii)(a), (b), and (c) relating to listing of Index Fund Shares based on a U.S. index or portfolio or an international or global index or portfolio, respectively. Component stocks in the aggregate, excluding Derivative Securities Products, would be required to meet the criteria of these provisions. Thus, when determining the component weight for the most heavily weighted stock and the five most heavily weighted component stocks for an underlying index that includes a Derivative Securities Product, the weight of any Derivative Securities Products in the underlying index or portfolio would not be considered.

The Exchange proposes to similarly modify the requirement in Rule 14.11(c)(3)(A)(i)(d) that an index or portfolio shall include a minimum of 13 component stocks for an index or portfolio that includes Derivative Securities Products. Specifically, the Exchange proposes that no minimum number of component stocks is required if (a) one or more series of Index Fund Shares or Portfolio Depositary Receipts (as defined in Exchange Rule 14.11(b)) constitute, at least in part, components underlying a series of Index Fund Shares, or (b) one or more series of Derivative Securities Products account for 100% of the weight of the index or portfolio. Thus, if the index or portfolio underlying a series of Index Fund Shares includes one or more series of Index Fund Shares or Portfolio Depositary Receipts, or if it consists entirely of other Derivative Securities Products, then there would not be any minimum number of component stocks required (i.e., one or more components would be acceptable). If, however, the index or portfolio consists of Derivative Securities Products other than Index Fund Shares or Portfolio Depositary Receipts (e.g., Managed Fund Shares) as well as securities that are not Derivative Securities Products (e.g., common stocks), then there must be at least 13 components in the underlying index or portfolio.

The Exchange proposes to modify the requirement in 14.11(c)(3)(A)(ii)(d) that an index or portfolio shall include a minimum of 20 component stocks for an international or global index or portfolio that includes Derivative Securities Products. Specifically, the Exchange proposes that no minimum number of component stocks shall be required so long as (a) one or more series of Index Fund Shares or Portfolio Depositary Receipts (as defined in Exchange Rule 14.11(b)) constitute, at least in part, components underlying a series of Index Fund Shares, or (b) one or more series of Derivative Securities Products account for 100% of the weight of the index or portfolio. For example, if the index or portfolio underlying a series of Index Fund Shares includes one or more series of Index Fund Shares or Portfolio Depositary Receipts, or if it consists entirely of other Derivative Securities Products, then there would not be any minimum number of component stocks required (i.e., one or more components would be acceptable). If, however, the index or portfolio consists of Derivative Securities Products other than Index Fund Shares or Portfolio Depositary Receipts (e.g., Managed Fund Shares) as well as securities that are not Derivative Securities Products (e.g., common stocks), then there must be at least 20 components in the underlying index or portfolio.

The Exchange believes it is appropriate to exclude Derivative Securities Products from the generic criteria specified above for Index Fund Shares and to adopt the above-described exceptions in so far as Derivative Securities Products that may be included in an index or portfolio underlying a series of Index Fund Shares are themselves subject to specific listing and continued listing requirements of the national securities exchange on which they are listed. Such Derivative Securities Products would have been listed and traded on a national securities exchange pursuant to a filing submitted pursuant to Section 19(b) of the Act11 or would have been listed by a national securities exchange pursuant to the requirements of Rule 19b–4(e) under the Act.12 Finally, Derivative Securities Products are derivatively priced, and, therefore, the Exchange believes that it would not be necessary to apply the generic quantitative criteria (market capitalization, trading volume, index or portfolio component weighting) applicable to non-Derivative Securities Products (e.g., common stocks) to such products.

In addition to the changes set forth above, the Exchange proposes to correct a typographical error in Rule 14.11(c)(4) where there currently are two sub-sections “(c)(4)(B).” The Exchange proposes to change the second reference to (c)(4)(C).

General Provisions

To the extent not specifically addressed in the proposed rules discussed above, the following general provisions of the Exchange’s rules will continue to apply to all subject securities affected by the proposed rules (“securities”).

Information Circular

Prior to the commencement of trading, the Exchange will inform its Members in an Information Circular of the special characteristics and risks associated with trading the securities. Specifically, the Information Circular will discuss the following: (1) The procedures for purchases and redemptions of the securities (and/or that the securities are not individually redeemable); (2) Exchange Rule 3.7, which imposes suitability obligations on Exchange Members with respect to

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9 See NYSE Arca Rule 5.2(j)(3), Commentary .01(a); and .01(b); see also Securities Exchange Act Release No. 61240 (December 24, 2009), 75 FR 168 (January 4, 2010) (SR–NYSEArca–2009–101) (approving proposed rule change to amend NYSE Arca Equities Rule 5.2(j)(3)).

10 For example, a stock priced at $10 per share that trades 2,500,000 shares in a month has a notional volume of $25,000,000. Conversely, a stock priced at $100 per share that trades 250,000 shares in a month has a notional volume of $25,000,000.


The Pre-Opening Session is from 8:00 a.m. to 9:30 a.m. Eastern Time.

The After Hours Trading Session is from 4:00 p.m. to 5:00 p.m. Eastern Time.
periods of time greater than one day typically will not be a leveraged multiple (+200%), the inverse (−100%), or a leveraged inverse multiple (−200%) of the period return of the applicable benchmark and may differ significantly from these multiples. The Exchange’s Information Circular, as well as the applicable registration statement, will provide information regarding the suitability of an investment in such securities.

III. Discussion and Commission’s Findings

The Commission has carefully reviewed the proposed rule change and finds that it is consistent with the requirements of Section 6 of the Act and the rules and regulations thereunder applicable to a national securities exchange. In particular, the Commission finds that the proposal is consistent with Section 6(b)(5) of the Act, which requires, among other things, that the Exchange’s rules be designed to prevent fraudulent and manipulative acts and practices, to foster cooperation and 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 Commission notes that the proposal is narrowly tailored to conform BATS’s listing criteria for Index Fund Shares to the analogous criteria of another national securities exchange. The Commission notes that it has previously approved the same criteria in question and believes that BATS’s proposal will benefit investors by increasing competition among markets listing and trading exchange-traded funds, to the benefit of investors and other market participants.

In addition, the Commission notes the following with respect to Index Fund Shares listed and traded under Exchange Rule 14.11(c), as proposed to be amended:

1. Prior to the commencement of trading, the Exchange will inform Members in an Information Circular of the special characteristics, risks, and other information associated with trading Index Fund Shares;

2. The Exchange represents that Index Fund Shares are deemed to be equity securities and, as such, trading in Index Fund Shares are subject to the Exchange’s existing rules governing the trading of equity securities and that it has appropriate rules to facilitate transactions in Index Fund Shares during all trading sessions;

3. Trading of Index Fund Shares on the Exchange are subject to the Exchange’s surveillance procedures for derivative products, and the Exchange believes that its surveillance procedures are adequate to address any concerns about the trading of Index Fund Shares on the Exchange. Further, the Exchange represents that it may obtain information via ISG from other exchanges who are members or affiliates of the ISG or with which the Exchange has entered into a comprehensive surveillance sharing agreement;

4. Trading in the securities will be subject to trading halts caused by extraordinary market volatility pursuant to Rule 11.18 or by the halt or suspension of the trading of the current underlying asset or assets. Trading in Index Fund Shares may also be halted because of market conditions or for reasons that, in the view of the Exchange, make trading in the securities inadvisable. These may include: (a) The extent to which trading in the underlying asset or assets is not occurring; or (b) whether other unusual conditions or circumstances detrimental to the maintenance of a fair and orderly market are present. Moreover, if the applicable Intraday Indicative Value, value of the underlying index, or the value of the underlying asset or assets is not being disseminated as required, the Exchange may halt trading during the day in which such interruption to the dissemination occurs. If the interruption to the dissemination of the applicable Intraday Indicative Value, value of the underlying index, or the value of the underlying asset or assets persists past the trading day in which it occurred, the Exchange will halt trading no later than the beginning of the trading day following the interruption. In addition, if the Exchange becomes aware that the NAV with respect to a series of the securities is not disseminated to all market participants at the same time, it will halt trading in such series until such time as the NAV is available to all market participants.

5. The Commission also notes that the listing standards applicable to Index Fund Shares currently permit the listing and trading of Index Fund Shares that seek leveraged, inverse, or inverse leveraged returns on a daily basis. Prior to the commencement of trading of any inverse, leveraged, or inverse leveraged securities, the Exchange will inform its Members of the suitability requirements under Exchange Rule 3.7 in the Information Circular, as discussed in more detail above, as well as reference the FINRA Regulatory Notices regarding sales practice and customer margin requirements for FINRA members applicable to inverse, leveraged, and inverse leveraged securities and options on such securities.

The Commission also believes that the Exchange’s proposal to correct a typographical error in the numbering of its rules is consistent with Section 6(b)(5) of the Act as this should allow for greater clarity and accuracy of the Exchange’s listing rules. This approval order is based on all of the Exchange’s representations.

IV. Conclusion

It is therefore ordered, pursuant to Section 19(b)(2) of the Act, that the proposed rule change [SR–BATS–2012–030] be, and it hereby is, approved.

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

Kevin M. O’Neill,
Deputy Secretary.

[FR Doc. 2012–23564 Filed 9–24–12; 8:45 am]

BILLING CODE 8011–01–P

DEPARTMENT OF STATE

[Public Notice 8041]

Advisory Committee Meeting

ACTION: Notice of meeting.

SUMMARY: Pursuant to the provisions of the Federal Advisory Committee Act (FACA), the Advisory Committee on the Secretary of State’s Strategic Dialogue with Civil Society will convene in Washington, DC on October 24, 2012. The Committee provides advice on the formulation of U.S. policies, proposals, and strategies for engagement with, and protection of, civil society worldwide. The objective of this meeting is to review the progress of the Committee’s five subcommittees. The meeting is open to public participation through live stream at http://www.state.gov/s/sacced/c47725.htm.

DATES: The meeting will be held on October 24, 2012, from 10 a.m. to 11:30 a.m.

ADDRESSES: The meeting will be held at the U.S. Department of State, 2201 C Street NW., Washington, DC.