SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–68725; File No. SR–NYSEARCA–2012–133]

Self-Regulatory Organizations; NYSE Arca, Inc.; Order Approving a Proposed Rule Change Amending NYSE Arca Equities Rule 7.31(h)(7) To Permit PL Select Orders To Interact With Incoming Orders Larger Than the Size of the PL Select Order

January 24, 2013.

I. Introduction

On November 27, 2012, 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'') [1] and Rule 19b–4 thereunder,[2] a proposed rule change to amend NYSE Arca Equities Rule 7.31(h)(7) to permit PL Select Orders to interact with incoming orders larger than the size of the PL Select Order. The proposed rule change was published for comment in the **Federal Register** on December 14, 2012.[3] The Commission received no comment letters regarding the proposed rule change. This order approves the proposed rule change.

II. Description of the Proposal

The Exchange proposes to amend NYSE Arca Equities Rule 7.31(h)(7) to permit PL Select Orders to interact with incoming orders larger than the size of the PL Select Order. Currently the PL Select Order type does not interact with incoming orders that: (i) Have an immediate-or-cancel (''IOC'') time in force condition,[4] (ii) is an ISO,[5] or (iii) is larger than the size of the PL Select Order.[6]

The Exchange has identified an unintended consequence related to the implementation of PL Select Orders. Specifically, as described in greater detail in the Notice,[7] in certain instances an incoming Adding Liquidity Only Order (''ALO Order'') is unable to post to the NYSE Arca Book as required by NYSE Arca Equities Rule 7.31(nn) [8] if there is a resident, contra-side PL Select Order.[9] For example, if an ETP Holder has entered a PL Select Order to sell shares and the Exchange receives a larger incoming buy order at the same price, because the arriving buy order is larger than the resting PL Select Order, the PL Select Order (unlike a regular PL order) would not execute against the arriving buy order and would remain undisplayed on the Arca Book. Further, an incoming ALO Order to buy at the same price, which is seeking to add to the existing bid would be rejected. In such scenario, an ETP Holder seeking to add liquidity to the Arca Book with an ALO order would be unable to do so, even though there is resting interest posted at the same price.

The Exchange proposes to amend NYSE Arca Equities Rule 7.31(h)(7) to delete the requirement that prohibits PL Select Order interaction with larger-sized, incoming orders.

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.[10] In particular, the Commission finds that the proposed rule change is consistent with Section 6(b)(5) of the Act,[11] 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 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; and are not designed to permit unfair discrimination between customers, issuers, brokers or dealers.

The Commission finds the proposed rule change to be consistent with the Act. The Commission notes that the Exchange continues to believe that its rationale for preventing PL Select Orders from interacting with incoming orders larger in size remains valid. In this regard, the Exchange continues to believe that preventing executions with larger-sized incoming interest would incentivize Users to route PL Select Orders to the Exchange because such orders would remain available to provide price improvement and would not be ''swept'' by such larger-sized incoming orders. In addition, the Exchange believes that because such PL Select Orders would remain available to provide price improvement, it could similarly incentivize Users to route displayable interest to the Exchange because the likelihood of receiving price improvement could increase.

The Commission notes that the Exchange believes, however, that the potential for liquidity-posting interest to be rejected, albeit rare, outweighs the Exchange's stated benefit of allowing the PL Select Order not interact with incoming orders that are larger in size than the PL Select Order. In addition, the Commission notes that the Exchange has represented that institutional investors have raised concerns to the Exchange that PL Select Orders currently may bypass trading interest entered on behalf of institutional investors by not executing against larger-sized orders. In this regard, the Commission notes that the Exchange states that its goal is not to prevent the interaction of legitimate trading interest, and to the extent there is a perception that this may be the case, the Exchange believes that the restriction on PL Select Orders should be lifted.

Based on the Exchange's statements, the Commission believes that removing the restriction on PL Select Order as proposed and thereby allowing ALO Orders to post to the Arca Book, as intended, NYSE Arca should help to ensure that trading interest is able to interact on its market in an efficient manner.

Accordingly, the Commission believes that the proposed rule change is consistent with Section 6(b)(5) of the Act.[12]

IV. Conclusion

It is therefore ordered, pursuant to Section 19(b)(2) of the Act,[13] that the proposed rule change (SR–NYSEARCA–2012–133) be, and it hereby is, approved.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.[14]

Kevin M. O'Neill,

Deputy Secretary.

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[1] 15 U.S.C. 78s(b)(1).

[2] 17 CFR 240.19b–4.

[3] *See* Securities Exchange Act Release No. 68385 (December 7, 2012), 77 FR 74528 (December 14, 2012) (SR–NYSEARCA–2012–133) (''Notice'').

[4] *See* NYSE Arca Equities Rule 7.31(e).

[5] *See* NYSE Arca Equities Rule 7.31(jj).

[6] *See* Securities Exchange Act Release No. 67785 (Sept. 5, 2012), 77 FR 55888 (September 11, 2012) (SR–NYSEArca–2012–48) (''Approval Order'').

[7] *See* Notice, *supra* note 3.

[8] *See* NYSE Arca Equities Rule 7.31(nn).

[9] *See* Notice, 77 FR at 74528.

[10] 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).

[11] 15 U.S.C. 78f(b)(5).

[12] 15 U.S.C. 78f(b)(5).

[13] 15 U.S.C. 78s(b)(2).

[14] 17 CFR 200.30–3(a)(12).