

activity that may inadvertently and unknowingly result in executions with no change in beneficial ownership, and that such conduct should not always be treated as a wash sale violation if the market participant did not act with purpose. The Exchange noted that activity involving an off-floor market participant's algorithmic orders that inadvertently execute against themselves due to latency issues could be deemed a violation of the second prong of NYSE Rule 476(a)(8), thus the Exchange has proposed to eliminate NYSE Rule 476(a)(8) because it believes that such conduct should not be treated as a wash sale violation in all instances, and stated that it will instead utilize NYSE Rule 6140 for disciplinary actions involving wash sales.

The Exchange also proposes to make a conforming amendment to NYSE Rule 6140(a) and (b) to expand its coverage to include principal executives, approved persons, registered or non-registered employees of a member or member organization or persons otherwise subject to the jurisdiction of the Exchange. The change to NYSE Rule 6140 will cover the persons originally covered by NYSE Rule 476(a)(8) who would be subject to disciplinary action for wash sales.

### III. Discussion and Commission 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<sup>8</sup> and the rules and regulations thereunder applicable to a national securities exchange.<sup>9</sup> In particular, the Commission finds that the proposal is consistent with Section 6(b)(5) of the Act,<sup>10</sup> which requires, among other things, that the Exchange's rules 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.

The Exchange is deleting NYSE Rule 476(a)(8), a rule which the Exchange explained was adopted to address manual, floor-based trading activity. The Exchange stated that NYSE Rule 6140, which has a scienter standard that the second prong of NYSE Rule 476(a)(8) lacks, substantively covers the

same conduct as NYSE Rule 476(a)(8). The Exchange has explained that in today's markets, algorithmic trading can result in unintended executions with no change in beneficial ownership. The Exchange believes that such executions should not be treated as wash sale violations because they lack the intent to create or induce a false or misleading appearance of activity in a security. In addition, the Exchange is amending NYSE Rule 6140 to cover the same persons that NYSE Rule 476(a)(8) covered.

The Commission understands that algorithmic trading can result in inadvertent executions with no change in beneficial ownership.<sup>11</sup> The Exchange has represented that the proposed rule change would not result in any material change in the surveillance of potentially violative activity nor any material diminution of the Exchange's enforcement authority as it may still bring a disciplinary action in cases where a market participant engages in a significant number of trades without a change of beneficial ownership, even if such activity does not per se violate Rule 6140(b) because the participant did not act with "purpose." The Exchange further represented that such unintended activity could also give rise to other violations, such as a failure to supervise under NYSE Rule 342, or a violation of just and equitable principles of trade or could otherwise constitute unethical activity under NYSE Rule 2010. Accordingly, the Commission expects the Exchange to continue to surveil for potential wash sale activity and to take necessary action as appropriate.

The Commission believes that the proposed deletion of NYSE Rule 476(a)(8) promotes harmonization, consistency and clarity with respect to the Exchange's rules<sup>12</sup> by resolving the inconsistent scienter standards of NYSE Rule 476(a)(8) and NYSE Rule 6140 and FINRA Rule 6140, as well as extending the breadth of persons covered by NYSE Rule 6140 to those persons covered by NYSE Rule 476(a)(8). The Commission further believes that the proposed rule change would result in less burdensome and more efficient regulatory compliance for firms that are members of FINRA and the NYSE. As such, the

Exchange's rules would continue to protect investors and the public interest.

For the foregoing reasons, the Commission finds that the proposed rule change is consistent with Section 6(b)(5) of the Act<sup>13</sup> and the rules and regulations thereunder applicable to a national securities exchange.

### IV. Conclusion

It is therefore ordered, pursuant to Section 19(b)(2) of the Exchange Act,<sup>14</sup> that the proposed rule change (SR-NYSE-2013-29) be, and it hereby is, approved.

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

**Kevin M. O'Neill,**

*Deputy Secretary.*

[FR Doc. 2013-14467 Filed 6-17-13; 8:45 am]

**BILLING CODE 8011-01-P**

## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-69744; File No. SR-BYX-2013-018]

### Self-Regulatory Organizations; BATS Y-Exchange, Inc.; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change To Amend Rule 2.11, Entitled "BATS Trading, Inc. as Outbound Router"

June 12, 2013.

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 June 3, 2013, BATS Y-Exchange, Inc. (the "Exchange" or "BYX") filed with the Securities and Exchange Commission ("Commission") the proposed rule change as described in Items I and II below, which Items have been prepared by the Exchange. The Exchange has designated this proposal as a "non-controversial" proposed rule change pursuant to Section 19(b)(3)(A) of the Act<sup>3</sup> and Rule 19b-4(f)(6)(iii) thereunder,<sup>4</sup> which renders it effective upon filing with the Commission. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

<sup>8</sup> 15 U.S.C. 78f(b)(5).

<sup>9</sup> 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).

<sup>10</sup> 15 U.S.C. 78f(b)(5).

<sup>11</sup> The Commission notes that algorithmic trading resulting in executions with no change in beneficial ownership, even if unintended, raises concerns.

<sup>12</sup> The Exchange stated that it can bring disciplinary actions under NYSE Rule 476(a)(8) for conduct that occurred prior to the time the rule is deleted. Thus, the proposed rule change would have no impact on ongoing disciplinary actions involving violations of NYSE Rule 476(a)(8).

<sup>13</sup> 15 U.S.C. 78f(b)(5).

<sup>14</sup> 15 U.S.C. 78s(b)(2).

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

<sup>4</sup> 17 CFR 240.19b-4(f)(6)(iii).

## I. Self-Regulatory Organization's Statement of the Terms of Substance of the Proposed Rule Change

The Exchange filed a proposal to amend Rule 2.11, entitled "BATS Trading, Inc. as Outbound Router", with respect to the authority of the Exchange or BATS Trading, Inc. ("BATS Trading") to cancel orders on the Exchange's equity securities platform when a technical or system issue occurs, as well as to describe the operation of an error account for BATS Trading.

The text of the proposed rule change is available at the Exchange's Web site at <http://www.batstrading.com>, at the principal office of the Exchange, and at the Commission's Public Reference Room.

## 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 parts of such statements.

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

#### 1. Purpose

The Exchange proposes to amend Rule 2.11(a) by amending subparagraph (4) and adding new subparagraphs (6) and (7) that address the authority of the Exchange or BATS Trading to cancel orders when a technical or systems issue occurs and to describe the operation of an error account for BATS Trading as it relates to the Exchange.<sup>5</sup>

<sup>5</sup> BATS Trading is a facility of the Exchange. Accordingly, under Rule 2.11, the Exchange is responsible for filing with the Commission rule changes and fees relating to the functions of BATS Trading. In addition, the Exchange is using the phrase "BATS Trading or the Exchange" in this rule filing to reflect the fact that a decision to take action with respect to orders affected by a technical or systems issue may be made in the capacity of BATS Trading or the Exchange depending on the circumstances of the issue.

From time to time, the Exchange also uses non-affiliate third-party broker-dealers to provide outbound routing services (*i.e.*, third-party Routing Brokers). In those cases, orders are submitted to the third-party Routing Broker through BATS Trading, the third-party Routing Broker routes the orders to the Routing Destination in its name, and any executions are submitted for clearance and settlement in the name of BATS Trading so that any

BATS Trading is the approved routing broker of the Exchange, subject to the conditions listed in Rule 2.11, 2.12. The Exchange relies on BATS Trading to provide outbound routing services from itself to routing destinations of BATS Trading ("Routing Destinations"). Additionally, the Exchange relies on BATS Trading to provide inbound routing services for BATS Exchange, Inc. ("BZX").<sup>6</sup> When BATS Trading routes orders to a Routing Destination, it does so by sending a corresponding order in its own name to the Routing Destination. In the normal course, routed orders that are executed at Routing Destinations are submitted for clearance and settlement in the name of BATS Trading, and BATS Trading arranges for any resulting securities positions to be delivered to the Member that submitted the corresponding order to the Exchange.

### Examples of Situations That May Lead to Cancelled Orders

A technical or systems issue may arise at BATS Trading, a Routing Destination, or the Exchange that may cause the Exchange or BATS Trading to take steps to cancel orders if the Exchange or BATS Trading determines that such action is necessary to maintain a fair and orderly market. The examples set forth below describe some of the situations in which the Exchange or BATS Trading may decide to cancel orders.<sup>7</sup>

resulting positions are delivered to BATS Trading upon settlement. As described above, BATS Trading normally arranges for any resulting securities positions to be delivered to the Member that submitted the corresponding order to the Exchange. If error positions (as defined in proposed Rule 2.11(a)(7)) result in connection with the Exchange's use of a third-party Routing Broker for outbound routing, and those positions are delivered to BATS Trading through the clearance and settlement process, BATS Trading would be permitted to resolve those positions in accordance with proposed Rule 2.11(a)(7)(B)-(E). If the third-party Routing Broker received error positions in connection with its role as a routing broker for the Exchange, and the error positions were not delivered to BATS Trading through the clearance and settlement process, then the third-party Routing Broker would resolve the error positions itself and BATS Trading would not be permitted to accept the error positions, as set forth in proposed Rule 2.11(a)(7)(B).

<sup>6</sup> The Exchange has authority to receive inbound routes of equities orders by BATS Trading from BZX. See Securities Exchange Act Release No. 66807 (April 13, 2012), 77 FR 23300 (April 18, 2012) (SR-BYX-2012-006).

<sup>7</sup> The examples described in this filing are not intended to be comprehensive or exclusive. Rule 2.11, as proposed, would provide general authority for the Exchange or BATS Trading to cancel orders in order to maintain fair and orderly markets when technical and systems issues occur and would also set forth the manner in which error positions may be handled by the Exchange or BATS Trading. The proposed rule change is not limited to addressing

*Example 1.* If BATS Trading or a Routing Destination experiences a technical or systems issue that results in BATS Trading not receiving responses to immediate or cancel ("IOC") orders that it sent to the Routing Destination and that issue is not resolved in a timely manner, BATS Trading or the Exchange would seek to cancel the routed orders affected by the issue.<sup>8</sup> For instance, if BATS Trading experiences a connectivity issue affecting the manner in which it sends or receives order messages to or from Routing Destinations, it may be unable to receive timely execution or cancellation reports from the Routing Destinations, and BATS Trading or the Exchange may consequently seek to cancel the affected routed orders. Once the decision is made to cancel those routed orders, any cancellation that a Member submitted to the Exchange on its initial order during such a situation would be honored.<sup>9</sup>

*Example 2.* If the Exchange experiences a systems issue, the Exchange may take steps to cancel all outstanding orders affected by that issue and notify affected Members of the cancellations. In those cases, the Exchange would seek to cancel any routed orders related to the Members' initial orders.

### Examples of Situations That May Lead to Error Positions

In some instances, the technical or systems issue at BATS Trading, a Routing Destination, the Exchange, or a non-affiliate third party Routing Broker may also result in BATS Trading acquiring an error position that it must resolve. The examples set forth below describe some of the circumstances in which error positions may arise.

*Example A.* Error positions may result from routed orders that the Exchange or BATS Trading attempts to cancel but that are executed before the Routing Destination receives the cancellation message or that are executed because the Routing Destination is unable to process the cancellation message. Using the situation described in Example 1 above, assume that the Exchange seeks to cancel orders routed to a Routing Destination because it is not receiving timely execution or cancellation reports from the Routing Destination. In such a situation, BATS

order cancellation or error positions resulting only from the specific examples described in this filing.

<sup>8</sup> In a normal situation (*i.e.*, one in which a technical or systems issue does not occur), BATS Trading should receive an immediate response to an IOC order from a Routing Destination and would pass the resulting fill or cancellation on to the Member. After submitting an order that is routed to a Routing Destination, if a Member sends an instruction to cancel that order, the cancellation is held by the Exchange until a response is received from the Routing Destination. For instance, if the Routing Destination executes that order, the execution would be passed on to the Member and the cancellation instruction would be disregarded.

<sup>9</sup> If a Member did not submit a cancellation to the Exchange, however, that initial order would remain "live" and thus be eligible for execution or posting on the Exchange, and neither the Exchange nor BATS Trading would treat any execution of that initial order or any subsequent routed order related to that initial order as an error.

Trading may still receive executions from the Routing Destination after connectivity is restored, which it would not then allocate to Members because of the earlier decision to cancel the affected routed orders. Instead, BATS Trading would post those positions into its error account and resolve the positions in the manner described below.

*Example B.* Error positions may result from an order processing issue at a Routing Destination. For instance, if a Routing Destination experienced a systems problem that affects its order processing, it may transmit back a message purporting to cancel a routed order, but then subsequently submit an execution of that same order (*i.e.*, a locked-in trade) to The Depository Trust & Clearing Corporation (“DTCC”) for clearance and settlement. In such a situation, the Exchange would not then allocate the execution to the Member because of the earlier cancellation message from the Routing Destination. Instead, BATS Trading would post those positions into its error account and resolve the positions in the manner described below.

*Example C.* Error positions may result if BATS Trading receives an execution report from a Routing Destination but does not receive clearing instructions for the execution from the Routing Destination. For instance, assume that a Member sends the Exchange an order to buy 100 shares of ABC stock, which causes BATS Trading to send an order to a Routing Destination that is subsequently executed, cleared, and closed out by that Routing Destination, and the execution is ultimately communicated back to that Member. On the next trading day (T+1), if the Routing Destination does not provide clearing instructions for that execution, BATS Trading would still be responsible for settling that Member’s purchase, but would be left with a short position in its error account.<sup>10</sup> BATS Trading would resolve the position in the manner described below.

*Example D.* Error positions may result from a technical or systems issue that causes orders to be executed in the name of BATS Trading that are not related to BATS Trading’s function as the Exchange’s routing broker and are not related to any corresponding orders of Members. As a result, BATS Trading would not be able to assign any positions resulting from such an issue to Members. Instead, BATS Trading would post those positions into its error account and resolve the positions in the manner described below.

*Example E.* Error positions may result from a technical or systems issue at the Exchange through which the Exchange does not receive sufficient notice that a Member that has executed trades on the Exchange has lost the ability to clear trades through DTCC, as well as where the Exchange received notice of such Member’s loss of ability to clear trades through DTCC, but, because of a technical or systems issue at the Exchange, the Exchange was unable to react to such notice in a timely

<sup>10</sup>To the extent that BATS Trading incurred a loss in covering its positions, short or long, it would submit reimbursement claim to that Routing Destination.

manner. In such a situation, the Exchange would not have valid clearing information, which would prevent the trade from being automatically processed for clearance and settlement on a locked-in basis. Accordingly, BATS Trading would assume that Member’s side of the trades so that the counterparties can settle the trades. BATS Trading would post those positions into its error account and resolve the positions in the manner described below.

*Example F.* Error positions may result from a technical or systems issue at the Exchange that does not involve routing of orders through BATS Trading. For example, a situation may arise in which a posted order was validly cancelled, but the system erroneously matched that order with an order that was seeking to access it. In such a situation, BATS Trading would have to assume the side of the trade opposite the order seeking to access the cancelled order. BATS Trading would post the position in its error account and resolve the position in the manner described below.

In each of the circumstances described above, it is possible that neither the Exchange nor BATS Trading may learn about an error position until T+1, either: (1) During the clearing process when a Routing Destination has submitted to DTCC a transaction for clearance and settlement for which BATS Trading never received an execution confirmation; or (2) when a Routing Destination does not recognize a transaction submitted by BATS Trading to DTCC for clearance and settlement. Moreover, the affected Members’ trades may not be nullified absent express authority under BYX rules.<sup>11</sup>

#### Proposed Amendments to Rule 2.11

The Exchange proposes to amend Rule 2.11(a) to add new paragraphs (6) and (7) and to add certain language to Rule 2.11(a)(4). Specifically, the Exchange proposes to amend Rule 2.11(a)(4) to state that BATS Trading may employ an error account in compliance with proposed paragraph (a)(7). Under paragraph (6) of the proposed rule, the Exchange or BATS Trading would be expressly authorized to cancel orders as may be necessary to maintain fair and orderly markets if a technical or systems issue occurred at the Exchange, BATS Trading, or a Routing Destination.<sup>12</sup> The Exchange or

<sup>11</sup>See, e.g., Rule 11.17 (regarding clearly erroneous executions).

<sup>12</sup>Such a situation may not cause the Exchange to declare self-help against the routing destination pursuant to Rule 611 of Regulation NMS. If the Exchange or BATS Trading determines to cancel orders routed to a routing destination under proposed Rule 2.11(a)(7), but does not declare self-help against that routing destination, the Exchange would continue to be subject to the trade-through requirements in Rule 611 with respect to that routing destination.

BATS Trading would be required to provide notice of the cancellation to affected Members as soon as is practicable.

Paragraph (a)(7)(A) of the proposed rule would permit BATS Trading to maintain an error account for the purpose of addressing positions that are the result of an execution or executions that are not clearly erroneous<sup>13</sup> under Rule 11.17 and result from a technical or systems issue at BATS Trading, the Exchange, a Routing Destination, or a non-affiliate third-party Routing Broker that affects one or more orders (“Error Positions”). By definition, an Error Position would not include any position that results from an order submitted by a Member to the Exchange that is executed on the Exchange and automatically processed for clearance and settlement on a locked-in basis. Under paragraph (a)(7)(B) of the proposed rule, BATS Trading also would not be permitted to accept any positions in its error account from an account of a Member and could not permit any Member to transfer any positions from the Member’s account to BATS Trading’s error account under the proposed rule.<sup>14</sup> However, under paragraph (a)(7)(C) of the proposed rule, if a technical or systems issue results in the Exchange not having valid clearing instructions for a Member to a trade, BATS Trading may assume that

<sup>13</sup>As defined in Rule 11.17(a), a transaction executed on the Exchange is “clearly erroneous” when there is an obvious error in any term, such as price, number of shares or other unit of trading, or identification of the security.

<sup>14</sup>The purpose of this provision is to clarify that BATS Trading may address error positions under the proposed rule that are caused by a technical or systems issue, but that BATS Trading may not accept from a Member positions that are delivered to the Member through the clearance and settlement process, even if those positions may have been related to a technical or systems issue at BATS Trading, the Exchange, a Routing Destination of BATS Trading, or a non-affiliate third-party Routing Broker. This provision would not apply, however, to situations like the one described in Example C in which BATS Trading incurred a short position to settle a Member’s purchase, as the Member did not yet have a position in its account as a result of the purchase at the time of BATS Trading’s action (*i.e.*, BATS Trading’s action was necessary for the purchase to settle into the Member’s account). Similarly, the provision would not apply to situations like the one described in Example F, where a system issue caused one Member to receive an execution for which there was not an available contra-party, in which case action by BATS Trading would be necessary for the position to settle into that Member’s account. Moreover, to the extent a Member receives locked-in positions in connection with a technical or systems issue, that Member may seek to rely on BYX Rule 11.16 if it experiences a loss. That rule provides Members with the ability to file claims against the Exchange for “losses resulting directly from the malfunction of the Exchange’s physical equipment, devices and/or programming or the negligent acts or omissions of its employees.”

Member's side of the trade so that the trade can be processed for clearing and settlement on a locked-in basis.<sup>15</sup>

Under paragraph (a)(7)(D), in connection with a particular technical or systems issue, BATS Trading or the Exchange would be permitted to either (i) assign all resulting Error Positions to Members; or (ii) have all resulting Error Positions liquidated, as described below. Any determination to assign or liquidate Error Positions, as well as any resulting assignments, would be required to be made in a nondiscriminatory fashion.

BATS Trading or the Exchange would be required to assign all Error Positions resulting from a particular technical or systems issue to the applicable Members affected by that technical or systems issue if BATS Trading or the Exchange: (i) Determines that it has accurate and sufficient information (including valid clearing information) to assign the positions to all of the applicable Members affected by that technical or systems issue; (ii) determines that it has sufficient time pursuant to normal clearance and settlement deadlines to evaluate the information necessary to assign the positions to all of the applicable Members affected by that technical or systems issue; and (iii) does not determine to cancel all orders affected by that technical or systems issue.

For example, a technical or systems issue of limited scope or duration may occur at a Routing Destination and the resulting trades may be submitted for clearance and settlement by such Routing Destination to DTCC. If there were a small number of trades, there may be sufficient time to match positions with Member orders and avoid using the error account.

There may be scenarios, however, where BATS Trading determines that it is unable to assign all Error Positions resulting from a particular technical or systems issue to all of the affected Members, or determines to cancel all affected routed orders. For example, in some cases, the volume of questionable executions and positions resulting from a technical or systems issue might be such that the research necessary to determine which Members to assign those executions could be expected to extend past the normal settlement cycle for such executions. Furthermore, if a Routing Destination experiences a technical or systems issue after BATS Trading has transmitted IOC orders to it that prevents BATS Trading from receiving responses to those orders, BATS Trading or the Exchange may

determine to cancel all routed orders affected by that issue. In such a situation, BATS Trading or the Exchange would not pass on to the Members any executions on the routed orders received from the Routing Destination.

Proposed Rule 2.11(a)(7)(D) would require BATS Trading to liquidate Error Positions as soon as practicable.<sup>16</sup> In liquidating Error Positions, BATS Trading would be required to provide complete time and price discretion for the trading to liquidate the Error Positions to a third-party broker-dealer and could not attempt to exercise any influence or control over the timing or methods of trading to liquidate the Error Positions.<sup>17</sup> BATS Trading also would be required to establish and enforce policies and procedures reasonably designed to restrict the flow of confidential and proprietary information between the third-party broker-dealer and BATS Trading/the Exchange associated with the liquidation of the Error Positions.

Under proposed paragraph (a)(7)(E), BATS Trading and the Exchange would be required to make and keep records to document all determinations to treat positions as Error Positions and all determinations for the assignment of Error Positions to Members or the liquidation of Error Positions, as well as records associated with the liquidation of Error Positions through the third-party broker-dealer.

## 2. Statutory Basis

The Exchange believes that the proposed rule change is consistent with the requirements of the Act and the rules and regulations thereunder that are applicable to a national securities exchange, and, in particular, with the requirements of Section 6 of the Act.<sup>18</sup> Specifically, the Exchange believes that the proposed rule change is consistent with Section 6(b)(5) of the Act,<sup>19</sup> in that it is designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of

trade, to foster cooperation and coordination with persons engaged in facilitating transactions in securities, 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 it is not designed to permit unfair discrimination among customers, brokers, or dealers. The Exchange believes that this proposal is in keeping with those principles since BATS Trading's or the Exchange's ability to cancel orders during a technical and systems issue and to maintain an error account facilitates the smooth and efficient operation of the market. Specifically, the Exchange believes that allowing BATS Trading or the Exchange to cancel orders during a technical or systems issue would allow the Exchange to maintain fair and orderly markets. Moreover, the Exchange believes that allowing BATS Trading to assume Error Positions in an error account and to liquidate those positions, subject to the conditions set forth in the proposed amendments to Rule 2.11, would be the least disruptive means to correct these errors, except in cases where BATS Trading can assign all such Error Positions to all affected Members of the Exchange. Overall, the proposed amendments are designed to ensure full trade certainty for market participants and to avoid disrupting the clearance and settlement process. The proposed amendments are also designed to provide a consistent methodology for handling Error Positions in a manner that does not discriminate among Members. The proposed amendments are also consistent with Section 6 of the Act insofar as they would require BATS Trading to establish controls to restrict the flow of any confidential information between the third-party broker and BATS Trading/the Exchange associated with the liquidation of Error Positions.

## *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 not necessary or appropriate in furtherance of the purposes of the Act. To the contrary, the proposed amendment will align the Exchange's rules with other competing market centers. Specifically, the rule change proposed herein is substantially similar to the rules of other exchanges, including NASDAQ Stock Market LLC ("Nasdaq") Rule 4758(d), NYSE Arca Equities, Inc. ("Arca") Rule 7.45(d)(2), and EDGX Exchange, Inc. ("EDGX") Rule 2.11(a).

<sup>15</sup> See Example E above.

<sup>16</sup> 15 U.S.C. 78f.

<sup>17</sup> 15 U.S.C. 78f(b)(5).

**C. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received From Members, Participants, or Others**

The Exchange has neither solicited nor received written comments on the proposed rule change.

**III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action**

Because the foregoing 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 after the date of the filing, or such shorter time as the Commission may designate, it has become effective pursuant to Section 19(b)(3)(A) of the Act<sup>20</sup> and Rule 19b-4(f)(6)<sup>21</sup> thereunder.

The Exchange has asked the Commission to waive the 30-day operative delay. The Commission believes that waiver of the operative delay is consistent with the protection of investors and the public interest. Such waiver would allow the Exchange, without delay, to implement the proposed rule change, which is designed to provide a consistent methodology for handling Error Positions in a manner that does not discriminate among Members. The Commission also notes that the proposed rule change is based on, and substantially similar to, rules of NYSE Arca, Inc.,<sup>22</sup> EDGX Exchange, Inc.,<sup>23</sup> and NASDAQ Stock Market LLC,<sup>24</sup> which the Commission previously approved. Accordingly, the Commission designates the proposal operative upon filing.<sup>25</sup>

At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend 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. If the Commission takes such action, the Commission shall institute proceedings to determine whether the proposed rule should be approved or disapproved.

**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 email to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include File Number SR-BYX-2013-018 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-BYX-2013-018. This file number should be included on the subject line if email 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 Reference Room, 100 F Street NE., Washington, DC 20549, on official business days between the hours of 10:00 a.m. and 3:00 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-BYX-2013-018 and should be submitted on or before July 9, 2013.

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

**Kevin M. O'Neill,**  
*Deputy Secretary.*

[FR Doc. 2013-14391 Filed 6-17-13; 8:45 am]

**BILLING CODE 8011-01-P**

**SECURITIES AND EXCHANGE COMMISSION**

[Release No. 34-69741; File No. SR-DTC-2013-03]

**Self-Regulatory Organizations; The Depository Trust Company; Order Approving Proposed Rule Change in Connection With the Implementation of The Foreign Account Tax Compliance Act (FATCA)**

June 12, 2013.

On April 22, 2013, The Depository Trust Company ("DTC") filed with the Securities and Exchange Commission ("Commission") the proposed rule change SR-DTC-2013-03 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> The proposed rule change was published for comment in the **Federal Register** on May 8, 2013.<sup>3</sup> The Commission did not receive comments on the proposed rule change. This order approves the proposed rule change.

**I. Description**

DTC is amending various DTC rules "in connection with the implementation of sections 1471 through 1474 of the Internal Revenue Code of 1986, as amended, which sections were enacted as part of the Foreign Account Tax Compliance Act, and the Treasury Regulations or other official interpretations thereunder (collectively "FATCA")."<sup>4</sup> In its filing with the Commission, DTC provided information concerning FATCA background, implementation, and DTC's proposed rule changes.

*DTCC's Background Statement*

FATCA was enacted on March 18, 2010, as part of the Hiring Incentives to Restore Employment Act, and became effective, subject to transition rules, on

<sup>26</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> Securities Exchange Act Release No. 69494 (May 2, 2013), 78 FR 26823 (May 8, 2013) (SR-DTC-2013-03).

<sup>4</sup> *Id.* at 26823.

<sup>20</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>21</sup> 17 CFR 240.19b-4(f)(6). In addition, Rule 19b-4(f)(6) requires a self-regulatory organization to give the Commission written notice of its intent to file 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 Exchange has satisfied this requirement.

<sup>22</sup> See Securities Exchange Act Release No. 66963 (May 10, 2012), 77 FR 28919 (May 16, 2012) (SR-NYSEArca-2012-22).

<sup>23</sup> See Securities Exchange Act Release No. 67010 (May 17, 2012), 77 FR 30564 (May 23, 2012) (SR-EDGX-2012-08).

<sup>24</sup> See Securities Exchange Act Release No. 67281 (June 27, 2012), 77 FR 39543 (July 3, 2012) (SR-NASDAQ-2012-057).

<sup>25</sup> For purposes only of waiving the 30-day operative delay, the Commission has considered the proposed rule change's impact on efficiency, competition, and capital formation. 15 U.S.C. 78c(f).