

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 such 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-NSX-2014-11, and should be submitted on or before May 16, 2014.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>12</sup>

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

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-71982; File No. SR-NYSEARCA-2014-39]

### Self-Regulatory Organizations; NYSE Arca, Inc.; Notice of Filing and Immediate Effectiveness of Proposed Rule Change Amending NYSE Arca Equities Rules 1.1, 7.31, 7.34, 7.35, 7.37 and 7.43 To Update Rules Related to the Exchange's Order Types and Modifiers

April 21, 2014.

Pursuant to Section 19(b)(1)<sup>1</sup> of the Securities Exchange Act of 1934 (the "Act")<sup>2</sup> and Rule 19b-4 thereunder,<sup>3</sup> notice is hereby given that, on April 8, 2014, NYSE Arca, Inc. (the "Exchange" or "NYSE Arca") filed with the Securities and Exchange Commission (the "Commission") the proposed rule change as described in Items I and II below, which Items have been prepared by the self-regulatory organization. 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

The Exchange proposes to amend NYSE Arca Equities Rules 1.1, 7.31, 7.34, 7.35, 7.37 and 7.43 in order to update rules related to the Exchange's order types and modifiers. The text of the proposed rule change is available on

the Exchange's Web site at [www.nyse.com](http://www.nyse.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 self-regulatory organization 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 those 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 the Statutory Basis for, the Proposed Rule Change

###### 1. Purpose

The Exchange proposes to amend NYSE Arca Equities Rules 7.31, 7.34 and 7.35<sup>4</sup> to delete the Timed Modifier and related references. Second, the Exchange proposes to eliminate references in Rules 1.1, 7.31, 7.34, 7.37, and 7.43 to the Directed Order and Directed Fill order types, which were recently deleted.

###### Elimination of Timed Modifier and References to Timed Order Rule 7.31(c)(2)(C)—Timed Modifier

The Exchange proposes to delete Rule 7.31(c)(2)(C), which describes the operation of the Timed Modifier. Because of the lack of use, the Exchange proposes to eliminate the use of the Timed Modifier and therefore proposes to delete this functionality from its rules. The Exchange believes that deleting little-used functionality would streamline its order processing and reduce confusion of available functionality.

The Exchange also proposes to delete references to Timed Order in Rules 7.34 and 7.35. The Exchange recently relocated the Timed Order from former Rule 7.31(q) to its current location in Rule 7.31(c)(2)(C) and changed the description of the functionality to "Modifier" from "Order".<sup>5</sup> Given the elimination of Rule 7.31(c)(2)(C), the

following references to Timed Order should be deleted:

- Rule 7.34(d)(1)(F), describing orders permitted during the Opening Session;
- Rule 7.34(d)(2)(C), providing that Timed Orders designated as good from 1:00 p.m. (Pacific Time) are not eligible to participate in the Closing Auction;
- Rule 7.35(a)(2), providing that Limited Price Orders designated for the Opening Session and entered as a Timed Order good from 1:00 a.m. (Pacific Time) are not eligible for execution during the Opening Auction and Market Order Auction, respectively;
- Rule 7.35(b)(1), providing that Limited Price Orders designated for the Opening Session and entered as a Timed Order good from 1:00 a.m. (Pacific Time) are not eligible for execution during the Opening Auction); and
- Rule 7.35(b)(4), providing that a Limited Price Orders designated for the Opening Session and entered as a Timed Order good from 6:30 a.m. (Pacific Time) are not eligible for execution during the Market Order Auction.

The Exchange will announce by Trader Update the date when the Timed Modifier will no longer be available.

###### Elimination of References to Directed Order and Directed Fill Order Types

The Directed Order and Directed Fill order types were recently eliminated.<sup>6</sup> The Exchange proposes to remove the remaining references to these order types in the following Rules.

###### Rule 1.1(a) and Rule 1.1(bbb)—Definitions

The Exchange proposes to eliminate references to the Directed Order Process in Rule 1.1(a), which defines the NYSE Arca Book, and Rule 1.1(bbb), which defines a "Designated Market Maker" as a registered Market Maker that participates in the Directed Order Process.

###### Rule 7.34(d)(1)(C) and Rule 7.34(d)(2)(A)—Trading Sessions

The Exchange proposes to eliminate references to Directed Orders in Rule 7.34 to clarify that these order types are no longer available during the Opening and Core Trading Sessions on the Exchange. Specifically, the Exchange proposes to amend Rule 7.34(d)(1)(C) to remove references to "market Directed Orders", which are no longer included in the Market Order Auction for purposes of the Opening Session. Similarly, the Exchange proposes to amend Rule 7.34(d)(2)(A) to remove the

<sup>6</sup> See *id.*

<sup>12</sup> 17 CFR 200.30-3(a)(12).

<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 15 U.S.C. 78a.

<sup>3</sup> 17 CFR 240.19b-4.

<sup>4</sup> All references to rules in this filing are to the rules of NYSE Arca Equities.

<sup>5</sup> See Securities Act Release No. 71331 (January 16, 2014), 79 FR 3907 (January 23, 2014) (SR-NYSEArca-2013-92).

reference to Directed Order and clarify that such orders are no longer eligible for entry and execution on the Exchange during the Core Trading Session.

#### Rule 7.37(a)—Trading Sessions

The Exchange proposes to eliminate the Directed Order Process in Rule 7.37(a), currently Step 1 in the process of matching and executing like-priced orders, bids and offers under the Rule. With the elimination of the Directed Order process, the Exchange proposes to reduce the number of steps from 5 to 4 beginning with the Display Order Process (formerly Step 2) as new Step 1 and continuing with the Working Order Process (formerly Step 3) as new Step 2, the Tracking Order Process (formerly Step 4) as new Step 3, and Routing Away (formerly Step 5) as the new Step 4. The proposed revision to Rule 7.37(a) will also eliminate references to the Directed Fill order type, which is no longer available to Users on Exchange systems.

#### Rule 7.43—Use of Directed Order Process

The Exchange proposes to eliminate Rule 7.43, which prohibits the use of the Directed Order Process for the purpose of bypassing otherwise applicable fees. The Exchange is proposing eliminating references to the Directed Order Process since Directed Orders are order types not available to Users on Exchange systems.

#### 2. Statutory Basis

The proposed rule change is consistent with Section 6(b)<sup>7</sup> of the Act, in general, and furthers the objectives of Section 6(b)(5),<sup>8</sup> in particular, 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, and to remove impediments to and perfect the mechanism of a free and open market and a national market system. Specifically, the Exchange believes that removing cross-references to the Directed Order and Directed Fill order types, which the Exchange recently eliminated in a separate rule filing,<sup>9</sup> would remove impediments to and perfect the mechanism of a free and open market because it would reduce potential confusion that may result from having such cross references in the Exchange's rulebook. Removing such obsolete cross references will also

further the goal of transparency and add clarity to the Exchange's rules. The Exchange also believes that removing the Timed Modifier time-in-force condition removes impediments to and perfects a national market system by eliminating little-used functionality from its rulebook. The Exchange believes that removing the Timed Modifier would not be inconsistent with the public interest and the protection of investors because investors will not be harmed by the removal of little-utilized functionality.

#### B. Self-Regulatory Organization's Statement on Burden on Competition

The Exchange does not believe that the proposed rule change imposes any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. The proposed change is not designed to address any competitive issue but rather would remove obsolete cross-references and remove little-used functionality, thereby reducing confusion and making the Exchange's rules easier to understand and navigate.

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

No written comments were solicited or received with respect to the proposed rule change.

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

The Exchange has filed the proposed rule change pursuant to Section 19(b)(3)(A)(iii) of the Act<sup>10</sup> and Rule 19b-4(f)(6) thereunder.<sup>11</sup> Because the 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 prior to 30 days from the date on which it was filed, or such shorter time as the Commission may designate, if consistent with the protection of investors and the public interest, the proposed rule change has become effective pursuant to Section 19(b)(3)(A) of the Act and Rule 19b-4(f)(6)(iii) thereunder.<sup>12</sup>

<sup>10</sup> 15 U.S.C. 78s(b)(3)(A)(iii).

<sup>11</sup> 17 CFR 240.19b-4(f)(6).

<sup>12</sup> 17 CFR 240.19b-4(f)(6). As required under Rule 19b-4(f)(6)(iii), the Exchange provided the Commission with written notice of its intent to file the proposed rule change, along with a brief description and the text of 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.

At any time within 60 days of the filing of such 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 under Section 19(b)(2)(B)<sup>13</sup> of the Act to determine whether the proposed rule change 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-NYSEARCA-2014-39 on the subject line.

##### Paper Comments

- Send paper comments in triplicate to Secretary, Securities and Exchange Commission, 100 F Street NE., Washington, DC 20549-1090.

All submissions should refer to File Number SR-NYSEARCA-2014-39. 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 Section, 100 F Street NE., Washington, DC 20549-1090. Copies of the filing will also be available for inspection and copying at the NYSE's principal office and on its Internet Web

<sup>13</sup> 15 U.S.C. 78s(b)(2)(B).

<sup>7</sup> 15 U.S.C. 78f(b).

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

<sup>9</sup> See *supra* note 5.

site at [www.nyse.com](http://www.nyse.com). 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–NYSEARCA–2014–39 and should be submitted on or before May 16, 2014.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>14</sup>

**Kevin M. O'Neill,**

*Deputy Secretary.*

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–71981; File No. SR–FINRA–2014–019]

### Self-Regulatory Organizations; Financial Industry Regulatory Authority, Inc.; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change Relating to Amending the Security Futures Risk Disclosure Statement

April 21, 2014.

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> notice is hereby given that on April 8, 2014, 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, II, and III below, which Items have been substantially prepared by FINRA. FINRA has designated the proposed rule change as constituting a “non-controversial” rule change under paragraph (f)(6) of Rule 19b–4 under the Act, <sup>3</sup> which renders the proposal effective upon receipt of this filing by the Commission. 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 security futures risk disclosure statement (“Statement”).

Below is the text of the proposed supplement to the Statement reflecting amendments to the current Section 5.2

(Settlement by Physical Delivery). The text of the proposed supplement is new.

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#### April 2014 Supplement to the Security Futures Risk Disclosure Statement

The October 2002 Security Futures Risk Disclosure Statement is amended as provided below.

The first paragraph under Section 5.2 (Settlement by Physical Delivery) is replaced with the following paragraph:

Settlement by physical delivery is carried out by clearing brokers or their agents with National Securities Clearing Corporation (NSCC), an SEC-regulated securities clearing agency. Such settlements are made in much the same way as they are for purchases and sales of the underlying security. Promptly after the last day of trading, the regulated exchange’s clearing organization will report a purchase and sale of the underlying stock at the previous day’s settlement price (also referred to as the “invoice price”) to NSCC. In general, if NSCC does not reject the transaction by a time specified in its rules, settlement is effected pursuant to the rules of the exchange and NSCC’s Rules and Procedures within the normal clearance and settlement cycle for securities transactions, which currently is three business days. However, settlement may be effected on a shorter timeframe based on the rules of the exchange and subject to NSCC’s Rules and Procedures.

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

In its filing with the Commission, FINRA 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. FINRA has prepared summaries, set forth in sections A, B, and C below, of the most significant aspects of such statements.

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

###### 1. Purpose

In 2002, FINRA developed sales practice rules governing security futures. <sup>4</sup> Among those rules’ requirements is the obligation of a

member to deliver the current Statement to each customer at or prior to the time such customer’s account is approved for trading security futures. <sup>5</sup> Thereafter, the member must distribute each new or revised Statement to each customer having an account approved for such trading or, in the alternative, not later than the time a confirmation of a transaction is delivered to each customer that enters into a security futures transaction. <sup>6</sup> FINRA guidance provides that firms may separately distribute new supplements to such customers; firms are not required to redistribute the entire Statement or earlier supplements. <sup>7</sup>

The original Statement was approved by the SEC in 2002, <sup>8</sup> and the first supplement to the Statement was added in 2010. <sup>9</sup> FINRA is proposing a second supplement to the Statement (“proposed supplement”) to accommodate proposed changes by OneChicago, LLC, to list a product with a physical delivery settlement cycle shorter than three business days. The proposed supplement discloses that settlement by physical delivery may be effected on a timeframe shorter than three business days based on the rules of the exchange and subject to NSCC’s Rules and Procedures. As with the previous supplement to the Statement, the proposed supplement is intended to be read in conjunction with the Statement.

FINRA will announce the implementation date of the proposed rule change in a *Regulatory Notice* to be published no later than 60 days following Commission notice of the filing of the rule change for immediate effectiveness. The implementation date will be no later than 90 days after the date of the filing.

###### 2. Statutory Basis

FINRA believes that the proposed rule change is consistent with the provisions of Section 15A(b)(6) of the Act, <sup>10</sup> which requires, among other things, that FINRA rules must be designed to prevent fraudulent and manipulative

<sup>5</sup> FINRA Rule 2370(b)(11).

<sup>6</sup> *Id.*

<sup>7</sup> See FINRA *Information Notice*, September 7, 2010 (August 2010 Supplement to the Security Futures Risk Disclosure Statement).

<sup>8</sup> See Securities Exchange Act Release No. 46612 (October 7, 2002), 67 FR 64151 (October 17, 2002) (Notice of Filing and Summary Effectiveness of File No. SR–NASDAQ–2002–128).

<sup>9</sup> The amendment added a supplement to the Statement to accommodate changes by OneChicago, LLC, to list a class of security futures for which adjustments are made for ordinary dividends. See Securities Exchange Act Release No. 62787 (August 27, 2010), 75 FR 53998 (September 2, 2010) (Notice of Filing and Immediate Effectiveness of File No. SR–FINRA–2010–045).

<sup>10</sup> 15 U.S.C. 78o–3(b)(6).

<sup>14</sup> 17 CFR 200.30–3(a)(12).

<sup>15</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 17 CFR 240.19b–4.

<sup>3</sup> 17 CFR 240.19b–4(f)(6).

<sup>4</sup> See Securities Exchange Act Release No. 46663 (October 15, 2002), 67 FR 64944 (October 22, 2002) (Order Approving File No. SR–NASDAQ–2002–040).