

that waiver of the 30-day operative delay period is consistent with the protection of investors and the public interest. Specifically, the Commission believes that the proposal should increase the likelihood that a routable order would receive a more complete fill and should improve the Exchange's ability to process such orders. For these reasons, the Commission believes that waiving the 30-day operative delay is consistent with the protection of investors and the public interest. Therefore, the Commission designates the proposed rule change to be operative upon filing with the Commission.<sup>11</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.<sup>12</sup>

#### 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-BX-2012-064 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-BX-2012-064. 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

<sup>11</sup> For purposes only of waiving the operative delay for this proposal, the Commission has considered the proposed rule's impact on efficiency, competition, and capital formation. See 15 U.S.C. 78c(f).

<sup>12</sup> 15 U.S.C. 78s(b)(3)(C).

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 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-BX-2012-064 and should be submitted on or before November 2, 2012.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>13</sup>

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

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**BILLING CODE 8011-01-P**

## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-67991; File No. SR-Phlx-2012-116]

### Self-Regulatory Organizations; NASDAQ OMX PHLX LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Amend Exchange Rule 3315(a)(1)(A) To Reflect a Change in Its Routing Functionality To Allow Routable Orders to Simultaneously Execute Against Exchange Available Shares and Route to Other Markets for Execution of the Remainder of the Order

October 5, 2012.

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 September 25, 2012, NASDAQ OMX PHLX LLC ("PHLX" or "Exchange") filed with the Securities and Exchange Commission ("Commission") a proposed rule change as described in Items I and II below, which Items have been prepared by the Exchange. The Commission is publishing this notice to

<sup>13</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.

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

PHLX proposes to amend Rule 3315(a)(1)(A) to reflect a change in its routing functionality. The Exchange is proposing to implement the rule change as soon as practicable, but in no case later than thirty calendar days from the filing date of this proposal. The text of the proposed rule change is available at <http://nasdaqomxphlx.cchwallstreet.com>, at PHLX's principal office, 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 Statutory Basis for, the Proposed Rule Change*

###### 1. Purpose

PHLX is proposing to amend Rule 3315(a)(1)(A) to reflect a change in PHLX's order routing functionality, which will allow routable orders<sup>3</sup> to simultaneously execute against PHLX available shares and route to other markets for execution of the remainder of the order. Currently, when a routable order is entered into the PHLX system, the PHLX book is first checked for available shares. If such an order is not filled or filled only partially, then the order is routed to away markets with the best bid or best offer pursuant to PHLX's System routing table.<sup>4</sup> For example, if a PHLX member submitted an order to buy 5,000 shares of a security, and PHLX had 500 shares displayed with another 500 shares undisplayed, under the current routing process 1,000 shares

<sup>3</sup> For purposes of this filing, a "routable order" is an order entered into the PHLX System, which is not of an Order Type precluded from routing to other markets.

<sup>4</sup> The "System routing table" is the proprietary process for determining the specific trading venues to which the System routes orders and the order in which it routes them. See Rule 3315(a)(1)(A).

would be executed on PHLX. Thereafter, PHLX would route the remaining 4,000 shares of the order to other markets for execution.

PHLX has observed that upon partial execution of a routable order at PHLX, as in the example above, market participants often react to the order by cancelling their orders on other markets and entering new orders at inferior prices. This occurs because the current process directs the order to PHLX before attempting to access available liquidity at other markets and thereby allows market participants to react to the execution (an effect known as “market impact” or “information leakage”). As a consequence, the available shares at the away market are no longer available, resulting in a lower likelihood of successfully accessing liquidity on away markets (*i.e.*, the “fill rate”) and an increased likelihood of ultimately receiving an execution at an inferior price. As such, PHLX is addressing this problem by changing how the routing process will operate.

PHLX is proposing to execute routable orders against the PHLX book for available shares and to simultaneously route any remaining shares to additional markets. Specifically, under the proposed change a routable order would attempt to execute against the available shares at PHLX and, to the extent the order would not be filled by such available shares, PHLX would simultaneously route the remainder of the order to other venues, according to PHLX’s System routing table, in a manner consistent with Regulation NMS (*i.e.*, satisfying all displayed protected quotes). For example, using the scenario above, if a member enters a routable order to buy 5,000 shares of a security and PHLX is displaying 500 shares of that security, with 500 undisplayed, PHLX would execute against the 500 displayed shares and 500 undisplayed shares, while *simultaneously* routing the remaining 4,000 shares to other venues for execution. In the event that the amount of shares on other markets is insufficient to completely fill the order, or the order fails to completely execute, PHLX would then post the remaining shares on the PHLX book or cancel the remaining shares per the routed order’s instructions. PHLX believes that this simultaneous execution against PHLX available shares and routing to other venues’ shares will avoid the deleterious effect of market impact discussed above and result in overall faster and better executions of its members’ routable orders.

PHLX notes that it is not changing the execution and routing sequence of all routable orders. The PTFY, PMOP, and

PCRT orders are designed to execute serially as part of their strategies, which is generally to reduce the blended fees associated with transacting on multiple markets. As such, simultaneous routing of such orders would not result in a better execution in terms of the goals of these routable order types.

The proposed change is based on the recently-approved change to the analogous NASDAQ Stock Market LLC (“NASDAQ”) rule.<sup>5</sup> Although PHLX does not have all of the order types that NASDAQ has, it is making the identical changes applicable to the analogous routable order types shared in common with NASDAQ. The Exchange will implement the proposed change as soon as practicable and in no event later than 30 calendar days from the filing date of this proposal.

## 2. Statutory Basis

The statutory basis for the proposed rule change is Section 6(b)(5) of the Act,<sup>6</sup> which requires the rules of an exchange 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 believes that the proposed rule meets these requirements in that it promotes efficiency in the market, and increases the speed of execution and likelihood that a routable order will be filled at the best price possible. In this regard, the Exchange notes that simultaneous execution minimizes the market impact a routable order has on other markets under the current multi-step execution and routing process, thus improving fill rates. Accordingly, the proposed rule change will serve to improve execution quality for investors sending their routable orders to the Exchange.

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

The Exchange does not believe that the proposed rule change will result in any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act, as amended.

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

Written comments were neither solicited nor received.

<sup>5</sup> See Securities Exchange Act Release No. 67639 (August 10, 2012), 77 FR 49034 (August 15, 2012) (SR-NASDAQ-2012-071).

<sup>6</sup> 15 U.S.C. 78f(b)(5).

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

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A) of the Act<sup>7</sup> and Rule 19b-4(f)(6)<sup>8</sup> thereunder because the proposal does not: (i) Significantly affect the protection of investors or the public interest; (ii) impose any significant burden on competition; and (iii) by its terms, become operative for 30 days from the date on which it was filed, or such shorter time as the Commission may designate.<sup>9</sup>

A proposed rule change filed under Rule 19b-4(f)(6) normally may not become operative prior to 30 days after the date of filing. However, Rule 19b-4(f)(6)(iii)<sup>10</sup> permits the Commission to designate a shorter time if such action is consistent with the protection of investors and the public interest. The Exchange has requested that the Commission waive the 30-day operative delay period. The Commission believes that waiver of the 30-day operative delay period is consistent with the protection of investors and the public interest. Specifically, the Commission believes that the proposal should increase the likelihood that a routable order would receive a more complete fill and should improve the Exchange’s ability to process such orders. For these reasons, the Commission believes that waiving the 30-day operative delay is consistent with the protection of investors and the public interest. Therefore, the Commission designates the proposed rule change to be operative upon filing with the Commission.<sup>11</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.<sup>12</sup>

<sup>7</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>8</sup> 17 CFR 240.19b-4(f)(6).

<sup>9</sup> In addition, Rule 19b-4(f)(6)(iii) requires the Exchange to give the Commission written notice of the Exchange’s intent to file the proposed rule change, along with a brief description and 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. The Exchange has satisfied this requirement.

<sup>10</sup> 17 CFR 240.19b-4(f)(6)(iii).

<sup>11</sup> For purposes only of waiving the operative delay for this proposal, the Commission has considered the proposed rule’s impact on efficiency, competition, and capital formation. See 15 U.S.C. 78c(f).

<sup>12</sup> 15 U.S.C. 78s(b)(3)(C).

#### 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-Phlx-2012-116 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-Phlx-2012-116. 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 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-Phlx-2012-116 and should be submitted on or before November 2, 2012.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>13</sup>

**Kevin M. O'Neill,**

*Deputy Secretary.*

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#### **SECURITIES AND EXCHANGE COMMISSION**

**[Release No. 34-67998; File No. SR-ICEEU-2012-07]**

#### **Self-Regulatory Organizations; ICE Clear Europe Limited; Notice of Filing and Order Granting Accelerated Approval of Proposed Rule Change To Revise CDS Procedures Related to Clearing Certainty Requirements**

October 5, 2012.

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 September 25, 2012, ICE Clear Europe Limited ("ICE Clear Europe") filed with the Securities and Exchange Commission ("Commission") the proposed rule change described in Items I and II below, which items have been prepared primarily by ICE Clear Europe. The Commission is publishing this Notice and Order to solicit comments on the proposed rule change from interested persons and to approve the proposed rule change on an accelerated basis.

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

ICE Clear Europe is in regular communication with representatives of its Clearing Members, as that term is defined in the CDS Procedures of ICE Clear Europe (the "CDS Procedures") in relation to the operation of clearing processes and arrangements. The purpose of the proposed rule changes is to implement in its CDS Procedures new clearing certainty requirements under Commodity Futures Trading Commission ("CFTC") Rules 39.12(b)(7) and 1.74(b), which become effective on October 1, 2012. All capitalized terms not defined herein are defined in the CDS Procedures.

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

In its filing with the Commission, ICE Clear Europe 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 III below. ICE Clear Europe 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 Purpose of, and Statutory Basis for, the Proposed Rule Change*

As noted above, the principal purpose of the proposed procedure amendments is to update the particular characteristics of the CDS Procedures applicable to the clearing of CDS Contracts. Specifically, the proposed rule changes affect Part 4 of the CDS Procedures by addressing the timeframe under which trades must be accepted or rejected for clearing under new CFTC rules and adding certain clarifying language around the weekly CDS clearing cycle. Each of these changes is described in detail as follows.

Paragraph 4.4(b) and 4.5 of the CDS Procedures will be revised to clarify the acceptance timing and procedures for the weekly CDS clearing cycle in light of the new clearing certainty requirements under CFTC rules.

Under paragraph 4.19 of the revised CDS Procedures, ICE Clear Europe will incorporate new CFTC Rule 39.12(b)(7)(ii), which requires, among other things, that ICE Clear Europe accept or reject trades submitted for clearance that are executed competitively on or subject to the rules of a designated contract market or swap execution facility (or similar facility) as soon after execution as would be technologically practicable if fully automated systems were used.

Under paragraph 4.20 of the revised CDS Procedures, ICE Clear Europe will incorporate new CFTC Rule 39.12(b)(7)(iii), which requires, among other things, that ICE Clear Europe accept or reject trades submitted for clearance that are not executed competitively on or subject to the rules of a designated contract market or swap execution facility (or similar facility) as soon after submission for clearing would be technologically practicable if fully automated systems were used.

Finally, under paragraph 4.21 of the revised CDS Procedures, ICE Clear Europe will implement the standards of CFTC Rule 1.74(b) that require Clearing Members to accept or reject each Trade submitted by or for the Clearing Member as quickly as would be technologically practicable if fully automated systems were used. Clearing Members would

<sup>13</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.