

clearing agency be designed to assure the safeguarding of securities and funds which are in the custody or control of the clearing agency or for which it is responsible and to protect investors and the public interest.⁸

In its filing, CME requested that the Commission approve this proposed rule change on an accelerated basis for good cause shown because the proposed changes are part of an industry wide initiative that is specifically designed to protect investors and the public interest through adoption of requirements that help safeguard customer funds held at the FCM level.

The Commission finds good cause, pursuant to Section 19(b)(2) of the Act,⁹ for approving the proposed rule change prior to the 30th day after the date of publication of notice in the **Federal Register** because, as a registered derivatives clearing organization, CME must make the rule changes discussed above as part of an industry wide initiative that is specifically designed to protect investors and the public interest through adoption of requirements that help safeguard customer funds held at the FCM level.

V. Conclusion

It is therefore ordered, pursuant to Section 19(b)(2) of the Act, that the proposed rule change (SR-CME-2012-39) be, and hereby is, approved on an accelerated basis.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.¹⁰

Kevin M. O'Neill,
Deputy Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-68056; File No. SR-NSX-2012-16]

Self-Regulatory Organizations; National Stock Exchange, Inc.; Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Amend its Rules To Clarify the Handling of Zero Displayed Reserve Orders During Crossed Markets and To Add a Definition of a Primary Peg Order

October 16, 2012.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the

“Act”),¹ and Rule 19b-4 thereunder,² notice is hereby given that on October 10, 2012, National Stock Exchange, Inc. (“Exchange” or “NSX”) 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 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 is proposing to modify the text of Exchange Rule 11.11, 11.14 and 11.15 to (1) clarify that the Exchange's trading system (the “System”³) will not execute a Zero Display Reserve Order when the national best bid is priced higher than the national best offer (i.e., a crossed market), and (2) add a definition of a Primary Peg Order under Rule 11.11(c)(2)(A).

The text of the proposed rule change is available on the Exchange's Web site at <http://www.nsx.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 is proposing to amend its rules to clarify that the System will not execute Zero Display Reserve Orders during a crossed market. A Zero Display Reserve Order is a Reserve Order for which the entire order size remains hidden or undisplayed.

Exchange Rule 11.15(a)(iv) sets forth the manner in which Zero Display Reserve Orders are executed. Currently, the System will not execute a Zero Display Reserve Order during a crossed market. The Exchange is proposing to amend Rules 11.11(c)(2)(A) and 11.11(c)(2)(D), 11.14(a)(4) and Rule 11.15(a)(iv) in order to provide that (i) Zero Display Reserve Orders will not execute during crossed markets, and (ii) such Zero Display Reserve Orders will be eligible for execution when the market uncrosses (i.e., the protected bid is priced lower than the protected offer). The Exchange will make other clarifying edits to similar rules in an effort to maintain clear and cohesive Exchange rules.

Exchange Rule 11.15(a)(iv) currently provides that a Zero Display Reserve Order designated as a Post Only Order which is marketable upon entry, but not executed pursuant to Rule 11.11(c)(5)(B), is ranked in the NSX Book and “matched for execution in accordance with Rule 11.15.” The Exchange proposes to amend the language in Rule 11.15(a)(iv) to explicitly provide that Zero Display Reserve Orders will not execute during a crossed market. The Exchange is also proposing to add language to Rule 11.15(a)(iv) to clarify that these orders, if not cancelled during this period, will be executed when the protected bid is priced lower than the protected offer.

The Exchange sets forth the execution priority for Reserve Orders, including Zero Display Reserve Orders, in Rule 11.14. Under this rule, Reserve Orders have time priority over Zero Display Reserve Orders. The time priority among Zero Display Reserve Orders at the same price is established by several factors including whether the order has a Minimum Execution Quantity Instruction.⁴ The Exchange is proposing to amend Rule 11.14(a)(4) to clarify that each Zero Display Reserve Order will retain its time priority when the System does not execute the order during a crossed market.

These clarifying amendments provide Equity Trading Permit (“ETP”) holders with additional information regarding how the System executes Reserve Orders and Zero Display Reserve Orders. The Exchange further proposes to clarify this notion in Rule 11.11(c)(2)(D) by referencing the execution process for Zero Display Reserve Orders set forth in 11.15(a)(iv). Currently, Rule 11.11(c)(2)(D) notifies ETP Holders that Zero Display Reserve Orders will not be eligible for routing to away Trading Centers. By adding the

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ The “System” refers to “the electronic securities communications and trading facility designated by the Board through which orders of Users are consolidated for ranking and execution.” See Exchange Rule 1.5.

⁴ See Exchange Rule 11.14(a)(4).

⁸ 15 U.S.C. 78q-1(b)(3)(F).

⁹ 15 U.S.C. 78s(b)(2).

¹⁰ 17 CFR 200.30-3(a)(12).

proposed language, ETP Holders will also be on notice that such orders will not be eligible for execution when the market is crossed.⁵ In addition, as a clarifying change, in an attempt to make Exchange rules more consistent, the Exchange is proposing to capitalize “Trading Center” as the term is defined in Rule 2.11.⁶

Finally, the Exchange proposes to make some clarifying modifications to the Zero Display Reserve Order Rules in Exchange Rule 11.11(c)(2)(A). Namely, the Exchange is proposing to clarify the Exchange’s language addressing Zero Display Reserve Orders, in general, by adding the definition of a “Primary Peg”. In the proposed language, a Primary Peg is “a pegged Zero Display Reserve Order that tracks the inside quote of the same side of the market.” This order type is currently offered by the Exchange, and the Exchange is, therefore, proposing to modify this Rule to make clear that the Primary Peg Order type is available to users. The Exchange also proposes to add this language to clarify to ETP Holders all modifiers that may be used in the NSX System with respect to Zero Display Reserve Orders.

2. Statutory Basis

The Exchange believes the proposed rule change is consistent with Section 6 of the Act,⁷ and the rules and regulations thereunder and, in particular, the requirements of Section 6(b) of the Act.⁸ Specifically, the Exchange believes the modification of Rule 11.11, 11.14, and 11.15 furthers the objective of Section 6(b)(5) of the Act because it clearly explains how the Exchange handles Zero Display Reserve Orders when the protected bid is priced higher than the protected offer in NMS stock. Furthermore, incorporating a definition of the Primary Peg Order type will provide ETP Holders clarity as to how those orders are to be handled by the Exchange. Accordingly, the Exchange believes that the proposed rule change promotes just and equitable principles of trade, will remove impediments to, and perfect the mechanism of a free and open market and a national market system and, in general, protects investors and the public interest.

⁵ ETP holders have expressed to the Exchange their preference that their Zero Reserve

Display Orders not be executed when the market is crossed because it would result in inferior execution. In addition, other exchanges do not execute similar orders where the market is crossed. See CBOE Rule 51.8(g)(10).

⁶ See Exchange Rule 2.11.

⁷ 15 U.S.C. 78f.

⁸ 15 U.S.C. 78f(b).

The proposed rule change provides transparency and certainty with respect to how certain orders are executed on the Exchange. In so doing, the proposed rule change promotes the maintenance of a fair and orderly market, the protection of investors and the protection of the public interest, consistent with the Act and the rules promulgated thereunder.

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 that is not necessary or appropriate in furtherance of the purposes of the Act.

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

Written comments on the proposed rule change were neither solicited nor received.

III. Date of Effectiveness of the Proposed Rule Changes 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 from the date on which it was filed, or such shorter time as the Commission may designate, it has become effective pursuant to Section 19(b)(3)(A) of the Act⁹ and Rule 19-4(f)(6)(iii) thereunder.¹⁰

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.

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:

⁹ 15 U.S.C. 78s(b)(3)(A).

¹⁰ 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.

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. Please include File Number SR-NSX-2012-16 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-NSX-2012-16. 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 publicly available. All submissions should refer to File Number SR-NSX-2012-16 and should be submitted on or before November 13, 2012.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.¹¹

Kevin M. O'Neill,
Deputy Secretary.

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¹¹ 17 CFR 200.30-3(a)(12).