

SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34-76601; File No. SR-NYSEMKT-2015-98)

December 9, 2015

Self-Regulatory Organizations; NYSE MKT LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change Amending Rule 123C – Equities to Define the Term “Official Closing Price”

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 November 25, 2015, NYSE MKT LLC (the “Exchange” or “NYSE MKT”) 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 Rule 123C – Equities to define the term “Official Closing Price.” The proposed rule change is available on the Exchange’s website 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

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<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.

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 Rule 123C – Equities (“Rule 123C”) to define the term “Official Closing Price” and specify how the Exchange would determine the Official Closing Price for all securities listed on the Exchange.

Currently, if the Exchange does not conduct a closing transaction in a security, it does not specify any closing price information about that security.<sup>4</sup> The Exchange proposes to amend Rule 123C to define the term “Official Closing Price” and specify how such price would be determined. The Exchange’s proposed rule is similar to rules of other listing exchanges, which similarly define an Official Closing Price.<sup>5</sup>

As proposed, Rule 123C(1)(e) would provide that the Official Closing Price of a security listed on the Exchange would be determined as set forth in proposed Rules 123C(1)(e)(i) and (ii). Proposed Rule 123C(1)(e)(i) would provide that the Official

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<sup>4</sup> For example, if there is insufficient interest, e.g., the highest price order to buy is priced lower than the lowest price order to sell and there are no market orders for the closing transaction, the Exchange will not hold a closing auction. Similarly, if a security is subject to a regulatory halt as of 4:00 p.m. Eastern Time, the Exchange will not conduct a closing auction in that security.

<sup>5</sup> See, e.g., NYSE Arca Equities, Inc. (“NYSE Arca Equities”) Rule 1.1(ggP) (defining the term “Official Closing Price”); NASDAQ Stock Market LLC (“Nasdaq”) Rules 4754(b)(4) and (b)(6)(A)(ii) (defining the term “Official Closing Price”); and BATS Exchange, Inc. (“BATS”) Rule 11.23(c)(2)(B) (determining the BATS Official Closing Price).

Closing Price would be the price established in a closing transaction under paragraphs (7) and (8) of Rule 123C of one round lot or more. As further proposed, if there is no closing transaction in a security or if a closing transaction is less than one round lot, the Official Closing Price would be the most recent last-sale eligible trade in such security on the Exchange on that trading day. For example, there would not be a closing transaction in a security if there is insufficient trading interest for a closing transaction of a round lot or more or because the security has been halted as of 4:00 p.m. Eastern Time. If there were no closing transaction and no last-sale eligible trades on the Exchange on that trading day, the Exchange proposes that the Official Closing Price would be the prior day's Official Closing Price. As such, the Exchange would carry over the prior day's Official Closing Price for a security until such time that there is either a closing transaction on the Exchange or a last-sale eligible trade on the Exchange in such security.

For example, if on Monday, a security trades on the NYSE at 3:00 p.m. for \$10.00, but there is no closing transaction, the Official Closing Price for that security on Monday would be \$10.00. If on Tuesday there are no trades in that security on the Exchange and no closing transaction, Tuesday's Official Closing Price would be the Official Closing Price for the prior day, which was \$10.00. Similarly, if on Wednesday, there are still no trades on the Exchange in that security, Wednesday's Official Closing Price would be Tuesday's Official Closing Price, which was \$10.00. The Official Closing Price for the security would continue to be \$10.00 until there is either a closing transaction or a last-sale eligible trade on the Exchange on a trading day in the security.

As further proposed, Rule 123C(1)(e)(ii) would provide that if the Exchange were unable to conduct a closing transaction due to a systems or technical issue, the Official

Closing Price would be the last consolidated last-sale eligible trade during regular trading hours on that trading day.<sup>6</sup> This proposed rule is similar to New York Stock Exchange LLC (“NYSE”) Rule 440B(c)(3), which provides that the NYSE will use the consolidated last sale price for determining whether to trigger a Short Sale Price Test under that rule if there is no closing transaction due to a systems or technical issue. Similar to the NYSE, the Exchange proposes to use the consolidated last sale price rather than the Exchange last sale price when there is a systems or technical issue preventing the Exchange from conducting an auction because trading may be continuing on other markets while the Exchange’s systems are impaired, and therefore the Exchange’s last sale price may not be reflective of the most recent price of a security.

Proposed Rule 123C(1)(e)(ii) would further provide that if there were no consolidated last-sale eligible trades in a security on a trading day when the Exchange is unable to conduct a closing transaction in a security or securities due to a systems or technical issue, the Official Closing Price of such security would be the prior day’s Official Closing Price. The Exchange notes that this proposal differs from NYSE Rule 440B(c)(3), which provides that if trading is interrupted on the Exchange because of a systems or technical issue and not restored on that trading day, the Exchange would use the most recent consolidated last sale price for that security on the most recent day on

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<sup>6</sup> The Exchange is in the process of working with Nasdaq and NYSE Arca to establish back-up procedures if one or more of these markets is unable to conduct an auction. See NYSE press release dated July 22, 2015, available here: <http://ir.theice.com/press-and-publications/press-releases/all-categories/2015/07-22-2015.aspx>. In connection with this initiative, the Exchange notes that it will file a separate proposed rule change to amend the definition of “Official Closing Price” to address how the markets would serve as alternate back-up venues. Until such time, the Exchange proposes to use the last consolidated last-sale eligible price as the Official Closing Price if the Exchange is unable to conduct an auction because of systems or technical issues.

which the security traded for purposes of determining whether the short sale price test restrictions of Rule 201 of Regulation SHO are triggered. The Exchange believes that using the last Official Closing Price from the prior trading day instead of the most recent consolidated last-sale price would incorporate the Exchange's proposed new methodology for determining the Official Closing Price, as described above.

For example, assuming the same facts as the scenario described above, when \$10.00 is the Official Closing Price on Tuesday and Wednesday, if on Thursday, the Exchange experiences a systems issue and is not able to conduct a closing transaction in that security and there is no consolidated last sale for that trading day, the Official Closing Price would again be \$10.00.

The Exchange also proposes to change Rule 123C(8) to use the term "closing transaction," instead of "closing print." This change would conform the terminology in Rule 123C(8) to Rule 123C(7) and proposed Rule 123C(1)(e).

Finally, the Exchange proposes to make conforming amendments to Rule 440B – Equities ("Rule 440B"), which governs Short Sales. Rule 440B(b) currently sets forth the procedures for a Short Sale Price Test and provides that Exchange systems will not execute or display a short sale order with respect to a covered security at a price that is less than or equal to the current national best bid if the price of that security decreases by 10% or more, as determined by the listing market for the security, from the security's closing price on the listing market as of the end of regular trading hours on the prior day ("Trigger Price"). If the Exchange does not have a closing transaction in a security, it currently uses the last sale price on the Exchange as the Trigger Price. Rule 440B(c)(2) further provides that if a covered security did not trade on the Exchange on the prior

trading day (due to a trading halt, trading suspension, or otherwise) the Exchange's determination of the Trigger Price shall be based on the last sale price on the Exchange for that security on the most recent day on which the security traded.

The Exchange proposes to use the new definition of "Official Closing Price" in Rule 440B. As proposed, Rule 440B(b) would provide that Exchange systems would not execute or display a short sale order with respect to a covered security at a price that is less than or equal to the current national best bid if the price of that security decreases by 10% or more, as determined by the listing market for that security, from the security's Official Closing Price, as defined in Rule 123C - Equities as of the end of regular trading hours on the prior day ("Trigger Price"). (emphasis added)

As discussed above, the proposed new definition of Official Closing Price would incorporate what price the Exchange would use in circumstances when there is no closing auction. Consistent with current Rule 440B(c)(2), proposed Rule 123C(1)(e)(i) would provide that if there is no auction in a security, the last-sale eligible trade on the Exchange would be the Official Closing Price. In addition, similar to NYSE Rule 440B(c)(3), proposed Rule 123C(1)(e)(ii) would provide that if the Exchange is unable to conduct a closing auction because of a systems or technical issue, the last consolidated last-sale eligible trade on that trading day would be the Official Closing Price. Accordingly, the Exchange proposes a substantive difference to provide that if there is no consolidated last-sale price, the Exchange would use the prior day's Official Closing Price. Because the proposed definition of Official Closing Price would address the circumstances specified in Rule 440B(c)(2), the Exchange proposes to delete Rule 440B(c)(2) as redundant of the proposed use of "Official Closing Price" in Rule 440B(b).

## 2. Statutory Basis

The Exchange believes that the proposed rule change is consistent with Section 6(b) of the Act,<sup>7</sup> in general, and furthers the objectives of Section 6(b)(5) of the Act,<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.

The Exchange believes that the proposed rule change would remove impediments to and perfect the mechanism of a free and open market and a national market system because it would provide transparency in how the Exchange would determine the Official Closing Price in all Exchange-listed securities, regardless of whether there was a closing transaction. The Exchange believes that using the Exchange's last sale price as the Official Closing Price if there is no closing transaction would remove impediments to and perfect the mechanism of a free and open market because if there is insufficient trading interest for an auction, the last sale price on the Exchange in such security would likely reflect the most recent price for that security. The Exchange further believes that using the consolidated last sale price as the Official Closing Price if the Exchange is experiencing a system or technical issue that impairs the ability to conduct a closing transaction would remove impediments to and perfect the mechanism of a free and open market because if the Exchange's systems are not functioning, but other markets are trading, the consolidated last sale price on a trading day would likely reflect the most

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

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

recent price for that security.

The Exchange believes that amending Rule 440B to similarly use the term Official Closing Price would remove impediments to and perfect the mechanism of a free and open market and a national market system because it would promote transparency and consistency across Exchange rules. In particular, Rule 440B references the closing price on the listing market at the end of the regular trading hours for purposes of determining the Trigger Price under that rule. By using the term “Official Closing Price” in Rule 440B(b), the Exchange would be using a defined term and would obviate the need to separately describe the events currently set forth in Rule 440B(c)(2).

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. The proposed rule change is not designed to address any competitive issues, but rather to provide greater transparency in Exchange rules regarding how the Exchange would determine the Official Closing Price for all securities listed on the Exchange.

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

Because the foregoing proposed rule 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 if consistent with the protection of investors and the

public interest, provided that the self-regulatory organization has given 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,<sup>9</sup> the proposed rule change has become effective pursuant to Section 19(b)(3)(A) of the Act<sup>10</sup> and Rule 19b-4(f)(6) thereunder.<sup>11</sup>

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>12</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

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<sup>9</sup> The Exchange has fulfilled this requirement.

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

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

<sup>12</sup> 15 U.S.C. 78s(b)(2)(B).

- Send an e-mail to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include File Number SR-NYSEMKT-2015-98 on the subject line.

Paper comments:

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

All submissions should refer to File Number SR-NYSEMKT-2015-98. This file number should be included on the subject line if e-mail 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 website (<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 website 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 will also be available for inspection and copying at the NYSE's principal office and on its Internet website 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-

NYSEMKT-2015-98 and should be submitted on or before [insert date 21 days from publication in the Federal Register].

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

Robert W. Errett  
Deputy Secretary

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<sup>13</sup> 17 CFR 200.30-3(a)(12).