SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-62331; File No. SR-NSX-2010-07)

June 21, 2010

Self-Regulatory Organizations; National Stock Exchange, Inc.; Notice of Filing of Proposed Rule Change to Amend Rule 11.19, entitled "Clearly Erroneous Executions"

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 June 17, 2010, National Stock Exchange, Inc. filed with the Securities and Exchange Commission ("Commission") the proposed rule change, as described in Items I, II, and III below, which Items have been prepared by the Exchange. The Commission is publishing this notice to solicit comment on the proposed rule change from interested persons.

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

National Stock Exchange, Inc. ("NSX" or the "Exchange") is proposing to amend Rule 11.19, entitled "Clearly Erroneous Executions."

The text of the proposed rule change is available on the Commission's Web Site at http://www.sec.gov, 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,

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1 15 U.S.C. 78s(b)(1).

2 17 CFR 240.19b-4.

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 modifications to its Rule 11.19, entitled Clearly Erroneous Executions. First, the Exchange proposes replacing existing paragraph (c)(2) of Rule 11.19, entitled "Unusual Circumstances and Joint Market Rulings" with a new paragraph, entitled "Multi-Stock Events Involving Twenty or More Securities." Second, the Exchange replacing existing paragraph (c)(4) of Rule 11.19, entitled "Numerical Guidelines Applicable to Volatile Market Opens" with a new paragraph, entitled "Individual Stock Trading Pauses." Third, the Exchange is proposing changes to existing paragraphs (g) and (h) of Rule 11.19 to eliminate the ability of the Exchange to deviate from the Numerical Guidelines contained in paragraph (c)(1) (other than under limited circumstances set forth in paragraph (g)) when deciding which transactions will be reviewed by the Exchange as potentially clearly erroneous. Finally, the Exchange proposes modifications to paragraphs (c)(1), (c)(3) and (e) of Rule 11.19 consistent with the proposed changes to paragraphs (c)(2) and (c)(4). As proposed, the provisions of paragraphs (c), (e)(2), (g), and (h) of Rule 11.19, as amended pursuant to this filing, would be in effect during a pilot period set to end on December 10, 2010. If the pilot is not either extended or approved permanent by December 10, 2010, the prior versions of paragraphs (c), (e)(2), (g), and (h) of Rule 11.17 would be in effect.

The Exchange is proposing the rule changes described below in consultation with other markets and Commission staff to provide for uniform treatment: (1) of clearly erroneous execution reviews in Multi-Stock Events involving twenty or more securities; and (2) in the event transactions occur that result in the issuance of an individual stock trading pause by the primary market and subsequent transactions that occur before the trading pause is in effect on the Exchange. The Exchange has also proposed additional changes to Rule 11.19 that reduce the ability of the Exchange to deviate from the objective standards set forth in the Rule. The proposed changes are described in further detail below.

Revised Paragraph (c)(2) Related to Multi-Stock Events Involving Twenty or More Securities

The Exchange proposes to eliminate the majority of existing paragraph (c)(2), which provides flexibility to the Exchange to use different Numerical Guidelines or Reference Prices in various "Unusual Circumstances." The Exchange proposes to replace this paragraph with new language that would apply to Multi-Stock Events involving twenty or more securities whose executions occurred within a period of five minutes or less. The revised paragraph would retain language making clear that during Multi-Stock Events involving twenty or more securities the number of affected transactions may be such that immediate finality is necessary to maintain a fair and orderly market and to protect investors and the public interest. Accordingly, in such circumstances, decisions made by the Exchange in consultation with other markets could not be appealed. Further, as proposed, in connection with reviews of Multi-Stock Events involving twenty or more securities, the Exchange may use a Reference Price other than consolidated last sale in its review of potentially clearly erroneous executions. With the exception of those securities under review that are subject to an individual stock trading pause as described in proposed paragraph (c)(4), and to ensure consistent application across market centers when proposed paragraph (c)(2) is invoked, the Exchange will promptly coordinate with the other market centers to determine the appropriate review period, which may be greater than the period of five minutes or less that triggered application of proposed paragraph (c)(2), as well as select one or more specific points in time prior to the transactions in question and use transaction prices at or immediately prior to the one or more specific points in time selected as the Reference Price. The Exchange will nullify as clearly erroneous all transactions that are at prices equal to or greater than 30% away from the Reference Price in each affected security during the review period selected by the Exchange and other markets consistent with the proposed paragraph (c)(2).

Because the Exchange and other market centers are adopting a different threshold and standards to handle large-scale market events, which would include events occurring during times of high volatility at the beginning of regular trading hours, the Exchange proposes deletion of paragraph (c)(4) ("Numerical Guidelines Applicable to Volatile Market Opens") of the existing rule. The Exchange believes that this provision is no longer necessary, and if maintained, could result in extremely high Numerical Guidelines (up to 90%) in certain circumstances.

Revised Paragraph (c)(4) Related to Individual Stock Trading Pauses

The primary listing markets for U.S. stocks recently amended their rules so that they may, from time to time, issue a trading pause for an individual security if the price of such security moves 10% or more from a sale in a preceding five-minute period. In this regard, the Exchange recently amended its rules to pause trading in an individual stock when the primary listing market for such stock issues a trading pause in any Circuit Breaker Securities, as defined in Commentary .05 to Rule 11.20.[3] As described above, the Exchange is proposing to eliminate existing paragraph (c)(4) ("Numerical Guidelines Applicable to Volatile Market Opens"). The Exchange proposes adopting a rule, numbered as (c)(4) following such elimination, which will provide for uniform treatment of clearly erroneous execution reviews in the event transactions

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[3] See NSX Rule 11.20; see also Securities Exchange Act Release No. 62252 (June 10, 2010), 75 FR 34186 (June 16, 2010) (SR-NSX-2010-05).

occur that result in the issuance of an individual stock trading pause by the primary listing market and subsequent transactions that occur before the trading pause is in effect on the Exchange. The proposed rule change is necessary to provide greater certainty of the clearly erroneous Reference Price for transactions that trigger a trading pause (the "Trigger Trade") and subsequent transactions occurring between the time of the Trigger Trade and the time the trading pause message is received by the Exchange from the single plan processor responsible for consolidation and dissemination of information for the security and put into effect on the Exchange, especially under highly volatile and active market conditions.

The Exchange proposes to revise paragraph (c)(4) of Rule 11.19 to allow the Exchange to use the price that triggered a trading pause in an individual stock (the "Trading Pause Trigger Price") as the Reference Price for clearly erroneous execution reviews of a Trigger Trade and transactions that occur immediately after a Trigger Trade but before a trading pause is in effect on the Exchange. As proposed, the phrase "Trading Pause Trigger Price" shall mean the price that triggered a trading pause in any Circuit Breaker Security as defined in Commentary .05 of Rule 11.20. The Trading Pause Trigger Price reflects a price calculated by the primary listing market over a rolling five-minute period and may differ from the execution price of a transaction that triggered a trading pause. If the Exchange is not the primary listing market, the Exchange will rely on the primary listing market that issued an individual stock trading pause to determine and communicate the Trading Pause Trigger Price for such stock. The Exchange proposes to make clear in the text that the proposed standards in paragraph (c)(4) apply regardless of whether the security at issue is part of a Multi-Stock Event involving five or more securities as described in proposed paragraphs (c)(1) and (c)(2).

As proposed, the Numerical Guidelines set forth in Rule 11.19(c)(1), other than those Numerical Guidelines applicable to Multi-Stock Events, would apply to reviews of Trigger Trades and subsequent transactions. The Exchange proposes to review, on its own motion pursuant to Rule 11.19(h), all transactions that trigger a trading pause and subsequent transactions occurring before the trading pause is in effect on the Exchange. The Exchange has proposed to limit such reviews to reviews of transactions that executed at a price lower than the Trading Pause Trigger Price in the event of a price decline and higher than the Trading Pause Trigger Price in the event of a price rise. Because the proposed rules for trading pauses would only apply within Regular Trading Hours,[4] an execution would be reviewed and nullified as clearly erroneous if it exceeds the following thresholds:

Reference Price or Product	Numerical Guidelines (Subject transaction's % difference from the Trading Pause Trigger Price):
Greater than $0.00 up to and including $25.00	10%
Greater than $25.00 up to and including $50.00	5%
Greater than $50.00	3%
Leveraged ETF/ETN securities	Regular Trading Hours Numerical Guidelines multiplied by the leverage multiplier (i.e., 2x)

Revisions to Paragraphs (g) and (h)

Consistent with other proposals made in this filing, the Exchange proposes modifying paragraphs (g) and (h) to eliminate the ability of an Exchange official to deviate from the

[4] Regular Trading Hours are defined in Rule 1.5(R) as the time between 8:30 a.m. and 3:00 p.m. Central Time. According to rules of the primary listing markets, an individual stock trading pause can be issued based on a Trigger Trade that occurs at any time between 9:45 a.m. and 3:35 p.m. Eastern Time. See NSX Rule 11.20B(a). See also NASDAQ Rule 4120(a)(11), NYSE Rule 80C, and NYSE Arca Rule 7.11.

Numerical Guidelines contained in the Rule other than under very limited circumstances set forth in paragraph (g).

Current paragraph (g) provides an officer of the Exchange or other senior level employee designee the ability on his or her own motion, to review and rule on executions that result from "any disruption or a malfunction in the use or operation of any electronic communications and trading facilities of the Exchange, or extraordinary market conditions or other circumstances in which the nullification of transactions may be necessary for the maintenance of a fair and orderly market or the protection of investors and the public interest exist." Without modification, the language "extraordinary market conditions or other circumstances…" would leave the Exchange with broad discretion to deviate from the Numerical Guidelines set forth in paragraph (c)(1). Thus, the Exchange proposes narrowing the scope of paragraph (g) so that it only permits the Exchange to nullify transactions consistent with that paragraph (including at a lower Numerical Guideline) if there is a disruption or malfunction in the operation of the Exchange's system. For the same reason, the Exchange proposes eliminating the words "use or" from the language in paragraph (g) to make clear that the provision only applies to a disruption or malfunction of the Exchange's system (and not of an Exchange user's systems).

Paragraph (h) gives an officer of the Exchange or other senior level employee designee the ability on his or her own motion to review transactions as potentially clearly erroneous. Consistent with the goal of achieving more objective and standard results, the Exchange proposes deleting language in existing paragraph (h) that would allow the Exchange to deviate from the Numerical Guidelines contained in paragraph (c)(1). In addition, the Exchange proposes to make clear that any Officer of the Exchange or other senior level employee reviewing transactions on his or her own motion must follow the guidelines set forth in proposed paragraph (c)(4), if applicable. Accordingly, the Exchange proposes to modify paragraph (h) to state that an officer must rely on paragraphs (c)(1)-(4) of Rule 11.19 when reviewing transactions on his or her own motion.

<u>Additional Conforming Revisions to Paragraphs (c)(1), (c)(3) and (e)</u>

Based on proposed paragraph (c)(2), the Exchange has proposed certain conforming changes to paragraphs (c)(1), (c)(3) and (e) of the existing Rule, as described below.

Under current Rule 11.19, a transaction may be found to be clearly erroneous only if the price of the transaction to buy (sell) that is the subject of the complaint is greater than (less than) the Reference Price by an amount that equals or exceeds the Numerical Guidelines set forth in paragraph (c)(1) of the Rule. The "Reference Price" is currently defined as "the consolidated last sale immediately prior to the execution(s) under review except for in Unusual Circumstances as described in paragraph (c)(2)" of Rule 11.19. The Exchange proposes modifying paragraph (c)(1) consistent with the changes described above such that the Exchange shall use the consolidated last sale immediately prior to the execution(s) under review as the Reference Price except for: (A) Multi-Stock Events involving twenty or more securities, as described in proposed paragraph (c)(2); (B) transactions not involving a Multi-Stock Event as described in proposed paragraph (c)(2) that trigger a trading pause and subsequent transactions, as described in proposed paragraph (c)(4), in which case the Reference Price shall be determined in accordance with that paragraph (c)(4); and (C) in other circumstances, such as, for example, relevant news impacting a security or securities, periods of extreme market volatility, sustained illiquidity, or widespread system issues, where use of a different Reference Price is necessary for the maintenance of a fair and orderly market and the protection of investors and the public interest. The Exchange also proposes modifying paragraph (c)(1) to reduce uncertainty as to the applicability of the Numerical Guidelines, by requiring a finding that an execution was clearly erroneous if such execution exceeds the Numerical Guidelines, subject only to the Additional Factors included in paragraph (c)(3). Moreover, the Exchange proposes revising the existing description for Multi-Stock Events that is contained on the Numerical Guidelines chart to make clear that different Numerical Guidelines apply for Multi-Stock Events involving five or more, but less than twenty, securities whose executions occurred within a period of five minutes or less. In addition, the Exchange proposes adding to the Numerical Guidelines chart a row that contains the Numerical Guidelines (30%) for Multi-Stock Events involving twenty or more securities whose executions occurred within a period of five minutes or less.

The Exchange proposes clarifying paragraph (c)(3) to make clear that the additional factors set forth in that paragraph are not intended to provide any discretion to an Exchange official to deviate from the guidelines that apply to Multi-Stock Events or to transactions in securities subject to individual stock trading pauses.

Finally, the Exchange proposes amending paragraph (e)(2), related to appeals of clearly erroneous execution decisions by the Exchange, to preserve non-appealability of all joint rulings between the Exchange and one or more other market centers. The Exchange believes that certainty and consistency is critical to reviews of related executions that span multiple market centers. Accordingly, although the Exchange has proposed deletion of such language from existing paragraph (c)(2), the Exchange proposes adding such language back in to paragraph (e)(2) to make clear that joint market rulings are not appealable.

2. Statutory Basis

Approval of the rule change proposed in this submission is consistent with the requirements of the Securities Exchange Act of 1934 (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(b) of the Act.[5] In particular, the proposed change is consistent with Section 6(b)(5) of the Act,[6] because it would promote just and equitable principles of trade, remove impediments to, and perfect the mechanism of, a free and open market and a national market system, and, in general, protect investors and the public interest. The proposed rule change is also designed to support the principles of Section 11A(a)(1)[7] of the Act in that it seeks to assure fair competition among brokers and dealers and among exchange markets. The Exchange believes that the proposed rule meets these requirements in that it promotes transparency and uniformity across markets concerning reviews of potentially clearly erroneous executions in various contexts, including reviews in the context of a Multi-Stock Event involving twenty or more securities and reviews resulting from a Trigger Trade and any executions occurring immediately after a Trigger Trade but before a trading pause is in effect on the Exchange. Further, the Exchange believes that the proposed changes enhance the objectivity of decisions made by the Exchange with respect to clearly erroneous executions.

B. <u>Self-Regulatory Organization's Statement on Burden on Competition</u>

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 Exchange Act.

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5 15 U.S.C. 78f(b).

6 15 U.S.C. 78f(b)(5).

7 15 U.S.C. 78k-1(a)(1).

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

Within 35 days of the date of publication of this notice in the Federal Register or within such longer period (i) as the Commission may designate up to 90 days of such date if it finds such longer period to be appropriate and publishes its reasons for so finding or (ii) as to which the self-regulatory organization consents, the Commission will:

A. by order approve such proposed rule change, or

B. institute proceedings to determine whether the proposed rule change should be 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 e-mail to rule-comments@sec.gov. Please include File No. SR-NSX-2010-07 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 No. SR-NSX-2010-07. 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 Web site (http://www.sec.gov/rules/sro.shtml). Copies of the submission,[8] 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

[8] The text of the proposed rule change is available on the Commission's Web site at http://www.sec.gov.

that you wish to make available publicly. All submissions should refer to File No. SR-NSX-2010-07 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.[9]

Florence E. Harmon
Deputy Secretary

[9] 17 CFR 200.30-3(a)(12).