

volume of 3000 shares, but would not publish an Imbalance.

If an Indicative Match Price does not exist, ArcaEx would indicate, via electronic means, that such a price does not exist.

If the difference between the Indicative Match Price and the last sale during normal market hours, as determined by the consolidated tape, were equal to or greater than a predetermined amount, as determined from time to time by the PCXE, ArcaEx would assign a "SIG" designator to the Indicative Match Price and publish the designator via electronic means as determined by the PCXE.

Any Imbalance in the Closing Auction may be reduced by new orders, entered on the side of the market opposite the Imbalance, pursuant to the following priority: (1) Market-on-Close Orders; (2) Limited Priced Orders designated for the Late Trading Session and entered prior to the Closing Auction; and (3) Limit-on-Close Orders.

Between 1:00 p.m. (Pacific Time) and the conclusion of the Closing Auction, Limited Price Orders eligible for the Late Trading Session may be cancelled, but Market-on-Close Orders and Limit-on-Close Orders may not be cancelled. In addition, between 1:00 p.m. (Pacific Time) and the conclusion of the Closing Auction, Market-on-Close Orders and Limit-on-Close Orders that reduce the Imbalance may be entered on the opposite side of the Imbalance; however, any time before the Closing Auction, Market-on-Close Orders and Limit-on-Close Orders that create equilibrium and thereafter increase the Imbalance would be rejected.¹¹

ArcaEx would determine the price of the Closing Auction as follows: if there is no Imbalance, orders would be executed in the Closing Auction at the Indicative Match Price as of 1:02 p.m. (Pacific Time.) Conversely, if an Imbalance exists, or if equilibrium exists between buy Market-on-Close Orders and sell Market-on-Close Orders and an Indicative Match Price does not exist, as many buy Market-on-Close Orders and sell Market-on-Close Orders as possible would be matched, on a time priority

basis as follows: (1) At the midpoint of the NBBO¹² at 1:02 p.m. (Pacific Time), provided that the NBBO of the market centers that are still open is not locked or crossed; or (2) at the locked price if the NBBO is locked at 1:02 p.m. (Pacific Time); or (3) if the NBBO is crossed at 1:02 p.m. (Pacific Time) and ArcaEx is a party to the crossed market, at the bid (offer) side of the BBO¹³ which is crossed with the NBBO; or (4) if the NBBO is crossed at 1:02 p.m. (Pacific Time) and ArcaEx is not a party to the crossed market, at the last regular sale during market hours as determined by the consolidated tape. Such executions would be designated with a modifier to identify them as Closing Auction trades. The Market-on-Close Orders that are eligible for, but not executed in the Closing Auction, would be cancelled immediately upon conclusion of the Closing Auction.

Limited Price Orders designated for the Late Trading Session entered before 1 p.m. (Pacific Time) would participate in the Closing Auction. Limited Price Orders designated for the Late Trading Session entered after 1 p.m. (Pacific Time) would become eligible for execution at 1:02 p.m. (Pacific Time) or at the conclusion of the Closing Auction, whichever is later.

Finally, the PCX proposes that in the event a stock is halted and scheduled to re-open prior to 12:55 p.m. (Pacific Time), a Halt Auction and Closing Auction would be conducted. However, in the event a stock is halted and is thereafter scheduled to re-open at 12:55 p.m. (Pacific Time) or later, no Closing Auction would occur for that security. Instead, a Halt Auction would be conducted.¹⁴

The proposed rule change, as amended, is intended to expand the trading auction process by adding the Closing Auction to the Late Trading Session and to clarify the type of orders available for execution during the Late Trading Session.

2. Statutory Basis

The PCX believes that the proposed rule change, as amended, is consistent with Section 6(b)¹⁵ of the Act, in general, and furthers the objectives of Section 6(b)(5),¹⁶ in particular, because it is designed to promote just and equitable principals of trade, to foster cooperation and coordination with persons engaged in facilitating

transactions in securities, and to remove impediments and perfect the mechanisms of a free and open market and to protect investors and the public interest.

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

The PCX does not believe that the proposed rule change, as amended, 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

The PCX neither solicited nor received written comments concerning the proposed rule change, as amended.

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 PCX consents, the Commission will:

(A) By order approve such proposed rule change, as amended; or

(B) Institute proceedings to determine whether the proposed rule change, as amended, 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, as amended, is consistent with the Act. Persons making written submissions should file six copies thereof with the Secretary, Securities and Exchange Commission, 450 Fifth Street, NW., Washington, DC 20549-0609. 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 inspection and copying in the Commission's Public Reference Room.

Copies of such filings will also be available for inspection and copying at the principal office of the PCX. All submissions should refer to File No.

¹¹ Market-on-Close Orders and Limit-on-Close Orders that are of a size to "flip" the Imbalance from a buy to a sell would be rejected. The following is an example of the foregoing: (1) Limit-on-Close Order to buy 1000 shares; (2) Limit-on-Close Order to sell 1500 shares, creating an Imbalance of 500 shares on the sell side. A Market-on-Close Order or Limit-on-Close Order to buy 500 shares would be permitted because it achieves equilibrium. However, a Market-on-Close Order or Limit-on-Close Order to buy 1000 shares would not be permitted as it would increase the Imbalance of 500 shares on the sell side to an Imbalance of 1000 shares on the buy side.

¹² See PCXE Rule 1.1(dd) (definition of "national best bid or offer" ("NBBO")).

¹³ See PCXE Rule 1.1(h) (definition of "best bid or offer" ("BBO")).

¹⁴ See proposed PCXE Rule 7.3(g)(1).

¹⁵ 15 U.S.C. 78f(b).

¹⁶ 15 U.S.C. 78f(b)(5).