not execute immediately due to lack of contra-side liquidity that is equal to or greater than the designated minimum, the order will post to the NASDAQ order book as a Non-Displayed Order. Once posted, a MQO will execute only if an incoming order is marketable against the resting MQO and is equal to or greater than the minimum quantity set on the resting MQO. Once posted, multiple orders cannot be aggregated to meet the minimum quantity requirement of the Minimum Quantity Order. If a MQO executes partially and the number of shares remaining is less than the minimum quantity of the order, the minimum quantity of the order is reduced to the remaining share size. If a MQO is received that is marketable against a resting contra-side order with size that does not meet the minimum quantity requirement, the MQO will be posted on the book as a Non-Displayed Order at the locking price.

The Exchange proposes to offer an optional order handling functionality that would permit an incoming MQO to forego executions where multiple resting orders could otherwise be aggregated to satisfy the minimum quantity designation. Under the proposed functionality, a MQO would only execute against a single contra-side order that would equal or exceed the minimum quantity designation of the MQO.[6] In addition, if the minimum quantity designation of an incoming MQO could not be satisfied by a resting contra-side order, the MQO would be re-priced one minimum price increment away from the resting liquidity and posted to the NASDAQ order book as a Non-Displayed Order.[7] If an incoming MQO receives a partial execution, the remainder of the order would be cancelled if it would lock resting contra-side liquidity that does not meet the minimum quantity designation.[8]

III. Discussion and Commission Findings

After careful review, the Commission finds that the proposed rule change is consistent with the requirements of the Act and the rules and regulations thereunder applicable to a national securities exchange.[9] In particular, the Commission finds that the proposed rule change is consistent with Section 6(b)(5) of the Act,[10] which requires, among other things, that the rules of a national securities exchange be designed to prevent fraudulent and manipulative acts and practices, 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; and are not designed to permit unfair discrimination between customers, issuers, brokers or dealers.

The Exchange represents that some market participants have indicated that they currently avoid routing larger orders to NASDAQ due to the concern that such orders may interact against small orders entered by professional traders, potentially resulting in more expensive transactions. The Exchange represents that the optional minimum execution size functionality proposed for MQOs should enhance the utility of such orders for market participants and should facilitate the entry of larger MQOs on the Exchange.[11] Specifically the Exchange believes that the proposed functionality would provide market participants, including institutional firms that ultimately represent individual retail investors in many cases, with better control over MQOs, thereby enhancing the potential to improve execution quality.[12]

The Commission notes that a commenter expressed strong support for the proposal.[13] In particular, the commenter states that the proposed rule change would benefit institutional investors, such as mutual funds that invest on behalf of retail investors, by minimizing their transaction costs.[14] For example, according to the commenter, the proposed functionality would improve large investors' ability to manage their orders and thereby obtain better execution quality.[15]

The Commission believes that the proposal should provide market participants with enhanced capability to manage their order flow. For the reasons noted above, the Commission believes that the proposed rule change is consistent with the Act.

IV. Conclusion

It is therefore ordered, pursuant to Section 19(b)(2) of the Act,[16] that the proposed rule change (SR–NASDAQ–2014–095) be, and it hereby is, approved.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.[17]

Brent J. Fields,

Secretary.

[FR Doc. 2014–30895 Filed 1–5–15; 8:45 am]

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[6] *See* Notice, 79 FR at 60209.

[7] *See* proposed Rule 4751(f)(5); *see also* Notice, 79 FR at 60208.

[8] *See* proposed Rule 4751(f)(5); *see also* Notice, 79 FR at 60209. The Exchange represents that the proposed functionality already exists on other trading venues. *See* Notice, 79 FR at 60208–09.

[9] In approving this proposed rule change, the Commission has considered the proposed rule's impact on efficiency, competition, and capital formation. *See* 15 U.S.C. 78c(f).

[10] 15 U.S.C. 78f(b)(5).

[11] *See* Notice, 79 FR at 60208, 60210.

[12] *Id.* at 60210.

[13] *See* Angel Letter, *supra* note 5.

[14] *Id.*

[15] *Id.*

[16] 15 U.S.C. 78s(b)(2).

[17] 17 CFR 200.30–3(a)(12).

SECURITIES AND EXCHANGE COMMISSION

Release No. 34–73973; File No. SR–ISE–2014–43]

Self-Regulatory Organizations; International Securities Exchange, LLC; Order Instituting Proceedings To Determine Whether To Approve or Disapprove a Proposed Rule Change Amending its Information Barrier Rules

December 31, 2014.

I. Introduction

On September 15, 2014, International Securities Exchange, LLC (''Exchange'' or ''ISE'') filed with the Securities and Exchange Commission (''Commission''), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (''Act'') [1] and Rule 19b–4 thereunder,[2] a proposed rule change amending its information barrier rules. The proposed rule change was published for comment in the **Federal Register** on October 6, 2014.[3] On November 17, 2014, the Commission extended the time period in which to either approve the Proposal, disapprove the Proposal, or institute proceedings to determine whether to approve or disapprove the proposed rule change to January 2, 2015.[4] The Commission received one comment letter regarding the proposed rule change [5] and one response letter from ISE.[6] This order institutes proceedings under Section 19(b)(2)(B) of the Act [7] to determine whether to approve or disapprove the proposed rule change.

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

[2] 17 CFR 240.19b–4.

[3] *See* Securities Exchange Act Release No. 73261 (September 30, 2014), 79 FR 60226 (''Notice'').

[4] *See* Securities Exchange Act Release No. 73614 (November 17, 2014), 79 FR 69547 (November 21, 2014).

[5] *See* Letter from John Kinahan, Chief Executive Officer, Group One Trading, L.P., dated October 27, 2014 (''Group One Letter'').

[6] *See* Letter from Michael J. Simon, Secretary and General Counsel, International Securities Exchange, LLC, dated November 14, 2014 (''ISE Response Letter'').

[7] 15 U.S.C. 78s(b)(2)(B).

II. Description of the Proposal

The Exchange proposes to amend ISE Rules 810 (Limitations on Dealings) and 717 (Limitations on Orders) governing information barriers. Specifically, the Exchange proposes to amend Rule 810 to permit information to flow to a member's Electronic Access Member (''EAM'') unit, which handles the customer/agency side of the business, from its affiliated Primary Market Maker (''PMM'') and/or Competitive Market Maker (''CMM'') (jointly, ''market makers'') unit. As amended, ISE Rule 810 will allow EAMs to know where, and at what price, their affiliated market makers are either quoting or have orders on the order book [8] and to use that information to influence routing decisions. The Exchange represents that it currently provides guidance to its members that ISE Rule 810 is to be interpreted as a two-way information barrier between the EAM unit and its affiliated market maker unit.[9]

The Exchange also proposes to amend ISE Rule 717, Supplementary Material .06 to specify that the orders of a EAM unit and its affiliated PMM and/or CMM unit may interact within one second without violating the ISE Rule 717(d) and (e) order exposure requirements when the firm can demonstrate that: (1) The customer order was marketable when routed; (2) the EAM was not handling the affiliated market maker quote/order; and (3) the affiliated market maker quote/order was in existence at the time the customer order(s) were entered into the ISE system. In combination, the proposed amendments to ISE Rules 810 and 717 will make it possible for an EAM to route a customer order to the ISE to immediately interact with the quote or an order of an affiliated market maker, but only subject to the conditions stated above.

III. Comment Letter and ISE's Response

As noted above, the Commission received one comment letter [10] opposing the proposed rule change.[11] The commenter asserts that the proposed one-way information barrier would introduce a conflict of interest which could result in EAMs routing orders based on self-interest as opposed to the customer's interest.[12] The commenter disagrees with the Exchange's premise that the proposal would not compromise market integrity or cause customer harm.[13] The commenter also indicates that although other exchanges may interpret their rules to permit the sharing of information between the various units of a firm, such sharing only weakens a customer's chance of best execution.

The commenter believes there are two specific scenarios where a costumer may be harmed under this proposed rule change. First, the commenter states that EAMs could route customer orders to an affiliated market maker's quote at an exchange's best bid or offer rather than to an exchange with a better fill rate or price improvement mechanism.[14] Second, the commenter argues that an EAM holding a large customer order that could influence the price in the underlying could opt to route away from the quote of its affiliated market maker to avoid the potential risk of the trade and deprive the customer of a fill they were otherwise entitled to.[15]

The commenter indicates that these routing scenarios are not ''mere conjecture'' as broker-dealers ''openly admit'' that numerous factors are built into routing decisions that are primarily beneficial to broker-dealers.[16] The commenter also notes that there are litigation and academic studies that suggest that routing decisions are negatively impacted by conflicts of interest. The commenter believes that the erosion of information barriers would increase the likelihood that customer orders are routed based on the firm's best interest as opposed to duty of best execution owed to the customer.[17] The commenter concludes that two-way information barriers are the ''only way to truly guard customer interests and protect against the misuse of material non-public information,'' and a shift to a one-way information barrier would not provide any benefits EAM customers.[18] The commenter also believes that exchange rules should be written and interpreted in a way that prevents conflicts of interest from ever arising, and a two-way information barrier takes the potential conflict of interest out of the equation.[19]

The ISE responds that the commenter did not raise any new issues and its concerns were addressed in the Notice.[20] The ISE states that nothing in the proposed rule change would relieve members of their best execution obligation to obtain the most favorable terms reasonably available for customer orders.[21] The Exchange notes that, as a national securities exchange, it has a comprehensive surveillance program to monitor member compliance with applicable securities and regulations, including best execution.[22] ISE also represents that it would continue to monitor for abnormalities in interaction rates between members, and investigate and take appropriate regulatory action against members that fail to comply with their best execution obligations.[23] ISE believes that its surveillance tools will allow it to fulfill its regulatory responsibilities.[24] ISE also suggests that the filing is a competitive imperative as other options exchanges currently interpret their information barrier rules to be one way barriers that permit members to make routing decisions based on the quotes and orders of affiliated business units.[25]

IV. Proceedings To Determine Whether To Approve or Disapprove SR–ISE–2014–43 and Grounds for Disapproval Under Consideration

The Commission is instituting proceedings pursuant to Section 19(b)(2)(B) of the Act [26] to determine whether the proposed rule change should be approved or disapproved.[27] Institution of such proceedings is appropriate at this time in view of the legal and policy issues that are raised by the proposal and are discussed below. Institution of proceedings does not indicate that the Commission has reached any conclusions with respect to any of the issues involved. Rather, as described in greater detail below, the Commission seeks and encourages interested persons to comment on the proposal, including the comments received and the Exchange's response, and provide the Commission with additional comment to inform the Commission's analysis whether to approve or disapprove the proposed rule change.

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[8] According to ISE Rule 805(b)(1)(ii), market makers may only have orders on the order book in option classes to which they are not appointed.

[9] *See* Notice, *supra* note 3, 79 FR at 60226.

[10] *See* Group One Letter, *supra* note 5.

[11] *See* ISE Response Letter, *supra* note 6.

[12] *See* Group One Letter at 1, *supra* note 5.

[13] *Id.*

[14] *Id.*

[15] *Id.* at 2.

[16] *Id.*

[17] *Id.*

[18] *Id.*

[19] *Id.*

[20] *See* ISE Response Letter at 1, *supra* note 6.

[21] *Id.*

[22] *Id.*

[23] *Id.*

[24] *Id.*

[25] *Id.* at 2.

[26] 15 U.S.C. 78s(b)(2)(B).

[27] Section 19(b)(2)(B) of the Act provides that proceedings to determine whether to disapprove a proposed rule change must be concluded within 180 days of the date of publication of notice of the filing of the proposed rule change. The time for conclusion of the proceedings may be extended for up to an additional 60 days if the Commission finds good cause for such extension and publishes its reasons for so finding or if the self-regulatory organization consents to the extension.

Pursuant to Section 19(b)(2)(B) of the Act, the Commission is providing notice of the grounds for disapproval under consideration. The Commission is instituting proceedings to allow for additional analysis of, and input from, commenters with regard to the proposed rule change's consistency with Section 6 of the Act, and in particular Sections 6(b)(5).[28] Section 6(b)(5) requires that the rules of an exchange be designed, among other things, to prevent fraudulent and manipulative acts and practices, 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; and are not designed to permit unfair discrimination between customers, issuers, brokers, or dealers.[29]

V. Procedure: Request for Written Comments

The Commission requests that interested persons provide written submissions of their views, data and arguments with respect to the concerns identified above, as well as any others they may have with the proposal. In particular, the Commission invites the written views of interested persons concerning whether the proposed rule change is inconsistent with Section 6 or any other provision, of the Act, or the rules and regulations thereunder. Although there do not appear to be any issues relevant to approval or disapproval that would be facilitated by an oral presentation of views, data, and arguments, the Commission will consider, pursuant to Rule 19b-4, any request for an opportunity to make an oral presentation.[30]

Interested persons are invited to submit written data, views and arguments regarding whether the proposed rule change should be approved or disapproved by January 27, 2015. Any person who wishes to file a rebuttal to any other person's submission must file that rebuttal by February 10, 2015.

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.* Please include File Number SR–ISE–2014–43 on the subject line.

Paper Comments

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

All submissions should refer to File Number SR–ISE–2014–43. 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–ISE–2014–43 and should be submitted on or before January 27, 2015. If comments are received, any rebuttal comments should be submitted by February 10, 2015.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.[31]

Brent J. Fields,

Secretary.

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[28] 15 U.S.C. 78f(b)(5).

[29] 15 U.S.C. 78f(b)(5).

[30] Section 19(b) (2) of the Act, as amended by the Securities Act Amendments of 1975, Pub. L. 94–29 (June 4, 1975), grants the Commission flexibility to determine what type of proceeding—either oral or notice and opportunity for written comments—is appropriate for consideration of a particular proposal by a self-regulatory organization. *See* Securities Act Amendments of 1975, Senate Comm. on Banking, Housing & Urban Affairs, S. Rep. No. 75, 94th Cong., 1st Sess. 30 (1975).

[31] 17 CFR 200.30–3(a)(57).

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–73965; File No. SR–BATS–2014–056]

Self-Regulatory Organizations; BATS Exchange, Inc.; Notice of Filing of a Proposed Rule Change To List and Trade Shares of the iShares U.S. Fixed Income Balanced Risk ETF of the iShares U.S. ETF Trust Under Rule 14.11(i)

December 30, 2014.

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 December 19, 2014, BATS Exchange, Inc. (the ''Exchange'' or ''BATS'') 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 the Substance of the Proposed Rule Change

The Exchange filed a proposal list and trade shares of the iShares U.S. Fixed Income Balanced Risk ETF (the ''Fund'') of the iShares U.S. ETF Trust (the ''Trust'') under BATS Rule 14.11(i) (''Managed Fund Shares''). The shares of the Fund are collectively referred to herein as the ''Shares.''

The text of the proposed rule change is available at the Exchange's Web site at *http://www.batstrading.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.

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

[2] 17 CFR 240.19b–4.