

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>16</sup>

**Brent J. Fields,**  
Secretary.

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-76234; File No. SR-EDGX-2015-47]

### Self-Regulatory Organizations; EDGX Exchange, Inc.; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change To Adopt Rule 21.17, Exchange Sharing of User Designated Risk Settings

October 22, 2015.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the “Act”),<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on October 14, 2015, EDGX Exchange, Inc. (the “Exchange” or “EDGX”) 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 Exchange has designated this proposal as a “non-controversial” proposed rule change pursuant to Section 19(b)(3)(A) of the Act<sup>3</sup> and Rule 19b-4(f)(6)(iii) thereunder,<sup>4</sup> which renders it effective upon filing with the Commission. 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 filed a proposal to authorize the Exchange’s equity options platform (“EDGX Options”) to share a User’s<sup>5</sup> risk settings with the Clearing Member<sup>6</sup> that clears transactions on behalf of the User.

The text of the proposed rule change is available at the Exchange’s Web site at [www.batstrading.com](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.

##### (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 adopt new Rule 21.17, Exchange Sharing of User Designated Risk Settings, in order to authorize the Exchange to share any of a User’s risk settings with the Clearing Member that clears transactions on behalf of the User. The Exchange notes that the proposed rule is based on and identical to BATS Exchange, Inc. (“BATS”) Rule 21.17, which is applicable to the equity options platform operated by BATS (“BATS Options”).

Under Exchange Rule 17.2(b), Options Members<sup>7</sup> must be Clearing Members or establish a clearing arrangement with a Clearing Member. Rule 21.13(a) provides that every Clearing Member is responsible for the clearance of EDGX Options Transactions<sup>8</sup> of such Clearing Member and of each User that gives up such Clearing Member’s name pursuant to a letter of authorization, letter of guarantee, or other authorization given by such Clearing Member to such User, which authorization must be submitted to the Exchange. Further, no Options Member may make any transactions on the Exchange unless a letter of guarantee providing that the issuing Clearing Member accepts financial responsibilities for all EDGX Options Transactions made by the Options

Member (a “Letter of Guarantee”) has been issued for such Options Member by a Clearing Member and filed with the Exchange.

Thus, while not all Options Members are Clearing Members, all Options Members require a Clearing Member’s consent to clear transactions on their behalf (or on behalf of any Sponsored Participants<sup>9</sup> for which the Options Member is a Sponsoring Member<sup>10</sup>) in order to conduct business on the Exchange. Each Options Member that transacts through a Clearing Member on the Exchange executes a Letter of Guarantee which codifies the relationship between the Options Member and the Clearing Member and provides the Exchange with notice of which Clearing Members have relationships with which Options Members. The Clearing Member that guarantees the Options Member’s transactions on the Exchange has a financial interest in understanding the risk tolerance of the Options Member. The proposal would provide the Exchange with authority to directly provide Clearing Members with information that may otherwise be available to such Clearing Members by virtue of their relationship with the respective Users.

At this time, the risk settings covered by this proposal are set forth in Rule 21.16, entitled Risk Monitor Mechanism.<sup>11</sup> The Exchange may adopt additional rules providing for Options Member designated risk settings other than those provided in Rule 21.16 that could be shared with an Options Member’s Clearing Member under the proposal and the Exchange would announce these additional risk settings by issuing a Trade Desk Notice.

###### 2. Statutory Basis

The Exchange believes that its proposal is consistent with the requirements of 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

<sup>9</sup> A Sponsored Participant is defined as “a person which has entered into a sponsorship arrangement with a Sponsoring Member pursuant to Rule 11.3.” See Exchange Rule 1.5(z).

<sup>10</sup> A Sponsoring Member is defined as “a Member that is a registered broker-dealer and that has been designated by a Sponsored Participant to execute, clear and settle transactions resulting from the System. The Sponsoring Member shall be either (i) a clearing firm with membership in a clearing agency registered with the Commission that maintains facilities through which transactions may be cleared or (ii) a correspondent firm with a clearing arrangement with any such clearing firm.” See Exchange Rule 1.5(aa).

<sup>11</sup> See Exchange Rule 21.16.

<sup>16</sup> 17 CFR 200.30-3(a)(12).

<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 17 CFR 240.19b-4.

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

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

<sup>5</sup> A User is defined as “any Options member or Sponsored Participant who is authorized to obtain access to the System pursuant to Rule 11.3 (Access).” See Exchange Rule 16.1(a)(63).

<sup>6</sup> A Clearing Member is defined as “an Options Member that is self-clearing or an Options Member that clears EDGX Options Transactions for other Members of EDGX Options.” See Exchange Rule 16.1(a)(15).

<sup>7</sup> An Options Member is defined as “a firm, or organization that is registered with the Exchange pursuant to Chapter XVII of these Rules for purposes of participating in options trading on EDGX Options as an ‘Options Order Entry Firm’ or ‘Options Market Maker.’” See Exchange Rule 16.1(a)(38).

<sup>8</sup> An EDGX Options Transactions is defined as “a transaction involving an options contract that is effected on or through EDGX Options or its facilities or systems.” See Exchange Rule 16.1(a)(11).

Act.<sup>12</sup> In particular, the proposal is consistent with Section 6(b)(5) of the Act<sup>13</sup> because 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, 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.

The proposed rule change will allow the Exchange to directly provide an Options Member's designated risk settings to the Clearing Member that clears trades on behalf of the Options Member. Because a Clearing Member that executes a clearing Letter of Guarantee on behalf of an Options Member guarantees all transactions of that Options Member, and therefore bears the risk associated with those transactions, it is appropriate for the Clearing Member to have knowledge of what risk settings the Options Member may utilize within the Trading System.<sup>14</sup> The proposal will permit Clearing Members who have a financial interest in the risk settings of Options Members with whom the Clearing Participant has entered into a Letter of Guarantee to better monitor and manage the potential risks assumed by Clearing Members, thereby providing Clearing Members with greater control and flexibility over setting their own risk tolerance and exposure and aiding Clearing Members in complying with the Act. To the extent a Clearing Member might reasonably require an Options Member to provide access to its risk setting as a prerequisite to continuing to clear trades on the Options Member's behalf, the Exchange's proposal to share those risk settings directly reduces the administrative burden on Options Members and ensures that Clearing Members are receiving information that is up to date and conforms to the settings active in the Trading System.

*(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 and does

not pose an undue burden on non-Clearing Members because, unlike Clearing Members, non-Clearing Members do not guarantee the execution of an Options Member's transactions on the Exchange. The proposal is structured to offer the same enhancement to all Clearing Members, regardless of size, and would not impose a competitive burden on any Options Member. Any Options Member that does not wish to share its designated risk settings with its Clearing Member could avoid sharing such settings by becoming a Clearing Member.

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

The Exchange has not solicited, and does not intend to solicit, comments on this proposed rule change. The Exchange has not received any written comments from members or other interested parties.

**III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action**

The Exchange has designated this rule filing as non-controversial under Section 19(b)(3)(A) of the Act<sup>15</sup> and paragraph (f)(6) of Rule 19b-4 thereunder.<sup>16</sup> Consequently, because the foregoing proposed rule change effects a change that (A) does not significantly affect the protection of investors or the public interest; (B) does not impose any significant burden on competition; and (C) by its terms, does not become operative for 30 days after the date of the filing, or such shorter time as the Commission may designate, it has become effective pursuant to Section 19(b)(3)(A) of the Act<sup>17</sup> and subparagraph (f)(6) of Rule 19b-4 thereunder.<sup>18</sup>

A proposed rule change filed under Rule 19b-4(f)(6)<sup>19</sup> normally does not become operative for 30 days after the date of filing. However, Rule 19b-4(f)(6)(iii)<sup>20</sup> permits the Commission to designate a shorter time if such action is consistent with the protection of

investors and the public interest. The Exchange has asked the Commission to waive the 30-day operative delay so that the proposal may become operative immediately upon filing. Waiver of the 30-day operative delay would permit the Exchange to allow Clearing Members to monitor and manage the potential risks assumed by Options Members upon the commencement of the operations of EDGX Options which is scheduled for November 2, 2015. The Exchange notes that this functionality is already available on other exchanges. Based on the foregoing, the Commission believes that waiving the 30-day operative delay is consistent with the protection of investors and the public interest.<sup>21</sup> The Commission hereby grants the Exchange's request and designates the proposal operative upon filing.

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: (1) Necessary or appropriate in the public interest; (2) for the protection of investors; or (3) otherwise in furtherance of the purposes of the Act. If the Commission takes such action, the Commission shall institute proceedings to determine whether the proposed rule 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 proposal 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 email to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include File No. SR-EDGX-2015-47 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-EDGX-2015-47. 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

<sup>21</sup> For purposes only of waiving the 30-day operative delay, the Commission has also considered the proposed rule's impact on efficiency, competition, and capital formation. See 15 U.S.C. 78c(f).

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

<sup>16</sup> 17 CFR 240.19b-4.

<sup>17</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>18</sup> 17 CFR 240.19b-4(f)(6). In addition, Rule 19b-4(f)(6) requires a self-regulatory organization to give the Commission written notice of its intent to file the proposed rule change, along with a brief description and 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. The Exchange has satisfied this requirement.

<sup>19</sup> 17 CFR 240.19b-4(f)(6).

<sup>20</sup> 17 CFR 240.19b-4(f)(6)(iii).

<sup>12</sup> 15 U.S.C. 78f(b).

<sup>13</sup> 15 U.S.C. 78f(b)(5).

<sup>14</sup> Trading System is defined as "the automated trading system used by EDGX Options for the trading of options contracts." See Exchange Rule 16.1(a)(59).

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 will also 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 available publicly. All submissions should refer to File Number SR-EDGX-2015-47 and should be submitted on or before November 18, 2015.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>22</sup>

**Brent J. Fields,**  
Secretary.

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-76244; File No. 4-631]

### Joint Industry Plan; Order Approving the Ninth Amendment to the National Market System Plan to Address Extraordinary Market Volatility by BATS Exchange, Inc., BATS Y-Exchange, Inc., Chicago Board Options Exchange, Incorporated, Chicago Stock Exchange, Inc., EDGA Exchange, Inc., EDGX Exchange, Inc., Financial Industry Regulatory Authority, Inc., NASDAQ OMX BX, Inc., NASDAQ OMX PHLX LLC, The Nasdaq Stock Market LLC, National Stock Exchange, Inc., New York Stock Exchange LLC, NYSE MKT LLC, and NYSE Arca, Inc.

October 22, 2015.

#### I. Introduction

On July 31, 2015, New York Stock Exchange LLC ("NYSE"), on behalf of the following parties to the National Market System Plan to Address Extraordinary Market Volatility ("Plan"): BATS Exchange, Inc., BATS Y-Exchange, Inc., Chicago Board Options Exchange, Incorporated, Chicago Stock Exchange, Inc., EDGA Exchange, Inc., EDGX Exchange, Inc., Financial Industry Regulatory Authority, Inc., NASDAQ OMX BX, Inc., NASDAQ OMX PHLX LLC, the Nasdaq Stock Market LLC, National Stock Exchange, Inc., NYSE MKT LLC, and NYSE Arca, Inc. (collectively with NYSE, the "Participants"), filed with the Securities and Exchange Commission ("Commission") pursuant to Section 11A of the Securities Exchange Act of 1934 ("Act")<sup>1</sup> and Rule 608 thereunder,<sup>2</sup> a proposal to amend the Plan.<sup>3</sup> The proposal represents the ninth amendment to the Plan, and reflects proposed changes unanimously approved by the Participants. The amendment was published for comment in the **Federal Register** on September 18, 2015.<sup>4</sup> The Commission received one comment letter regarding the amendment.<sup>5</sup> This order approves the amendment to the Plan.

<sup>1</sup> 15 U.S.C. 78k-1.

<sup>2</sup> 17 CFR 242.608.

<sup>3</sup> See Letter from Elizabeth King, General Counsel, NYSE, to Brent Fields, Secretary, Commission, dated July 31, 2015 ("Transmittal Letter").

<sup>4</sup> See Securities Exchange Act Release No. 75917 (September 14, 2015), 80 FR 56515 ("Notice").

<sup>5</sup> See Letter from Donald Bollerman, Head of Markets and Sales, IEX, to Brent Fields, Secretary, Commission, dated October 16, 2015 ("IEX Letter"). IEX did not comment on the proposals set forth in the proposed amendment. In its comment letter, IEX suggested that the Commission evaluate the operation of the Plan and the experience of trading

## II. Description of the Proposal

The amendment proposes to extend the pilot period of the Plan from October 23, 2015 to April 22, 2016. In addition, on March 30, 2015, Chicago Board Options Exchange, Incorporated ("CBOE") provided written notice to the Participants of CBOE's intent to withdraw from the Plan. Notice of withdrawal was made pursuant to Section IX of the Plan. CBOE became a Participant due to the operation of its facility, the CBOE Stock Exchange, LLC ("CBSX"), which engaged in NMS stock transactions. The last day of trading on CBSX was April 30, 2014. Therefore, because CBOE no longer operates a facility engaged in NMS stock transactions, CBOE would have no additional NMS stock data to provide nor any reason to avail itself of any further right under the Plan. Accordingly, CBOE proposes to be removed from the Plan.

## III. Discussion and Commission Findings

The Commission finds that the amendment is consistent with the requirements of the Act and the rules and regulations thereunder. Specifically, the Commission finds that the amendment is consistent with Section 11A of the Act<sup>6</sup> and Rule 608 thereunder<sup>7</sup> in that it is appropriate in the public interest, for the protection of investors and the maintenance of fair and orderly markets, and that it removes impediments to, and perfects the mechanism of, a national market system.

Pursuant to the Plan, the Participants are required to provide the Commission with certain assessments relating to the impact of the Plan and the calibration of the Percentage Parameters.<sup>8</sup> On September 29, 2014, the Participants submitted a Participant Impact Assessment,<sup>9</sup> which provided the Commission with the Participants' initial observations in each area required to be addressed under Appendix B to the Plan. On May 28, 2015, the Participants submitted a Supplemental Joint Assessment, in which the Participants provided additional analysis required under

on August 24, 2015 prior to making the Plan permanent. In addition, IEX identified other areas for the Commission to consider, such as SRO opening procedures, floor-based rules, and imbalance information, in relation to trading on August 24, 2015.

<sup>6</sup> 15 U.S.C. 78k-1.

<sup>7</sup> 17 CFR 242.608.

<sup>8</sup> See Appendix B.III of the Plan.

<sup>9</sup> See Joint SROs letter to Brent J. Fields, Secretary, SEC, dated September 29, 2014 ("Participant Impact Assessment").

<sup>22</sup> 17 CFR 200.30-3(a)(12).