

BATS Trading as the Exchange's routing broker-dealer upon migration of the Exchange to the BATS technology platform, thereby enabling BATS Trading to act as the routing broker-dealer for each of the BGM Affiliated Exchanges in a timely manner and simplifying the technology integration for Members of the Exchange that are also participants on EDGA, BZX and BYX. In this regard, the Exchange notes that, since completion of the Merger, both Members and the BGM Affiliated Exchanges have made numerous systems changes in preparation for the technology migration occurring on January 12, 2015, the Exchange has issued frequent updates to Members informing them of the BGM Affiliated Exchange technology migration as well as its anticipated time line so that Members may make the requisite system changes, and the Exchange has conducted multiple testing opportunities for Members to ensure that both Members' and the Exchange's systems will operate in accordance with the proposed rule change on January 12, 2015. The Commission believes that waiving the 30-day operative delay is consistent with the protection of investors and the public interest. Therefore, the Commission hereby waives the operative delay and designates the proposed rule change operative upon filing.<sup>15</sup>

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 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) of the Act<sup>16</sup> 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
- Send an email to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include File Number SR-EDGX-2014-35 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-2014-35. 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 at 100 F Street NE., Washington, DC 20549-1090 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 available publicly. All submissions should refer to File Number SR-EDGX-2014-35, and should be submitted on or January 23, 2015.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>17</sup>

**Brent J. Fields,**

*Secretary.*

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-73935; File No. SR-BATS-2014-073]

### Self-Regulatory Organizations; BATS Exchange, Inc.; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change To Amend Rule 2.12 To Remove References to "Direct Edge ECN LLC" and "DE Route"

December 24, 2014.

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 December 22, 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 proposed rule change to amend Rule 2.12 to remove references to "Direct Edge ECN LLC" and "DE Route." The Exchange does not propose to amend the requirements of this rule.

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.

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

<sup>16</sup> 15 U.S.C. 78s(b)(2)(B).

<sup>17</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.

*A. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change*

1. Purpose

Earlier this year, the Exchange and its affiliate BATS Y-Exchange, Inc. ("BYX") received approval to affect a merger (the "Merger") of the Exchange's parent company, BATS Global Markets, Inc., with Direct Edge Holdings LLC, the indirect parent of EDGX Exchange, Inc. ("EDGX") and EDGA Exchange, Inc. ("EDGA," and together with BZX, BYX and EDGX, the "BGM Affiliated Exchanges").<sup>3</sup> As a result, the Exchange amended Rule 2.12 to reflect that DE Route, the affiliated EDGA and EDGX routing broker-dealer, would also act as the inbound router for routing orders from EDGA and EDGX to the Exchange. In the context of the Merger, the BGM Affiliated Exchanges are working to migrate EDGX and EDGA onto the BATS technology platform, and align certain system functionality, retaining only intended differences between the BGM Affiliated Exchanges. As a result of these efforts, the Exchange proposes to amend to amend [sic] Rule 2.12 to remove references to "Direct Edge ECN LLC" and "DE Route" to reflect that BATS Trading, Inc. will be the Exchange's sole routing broker-dealer as of January 12, 2015. Thereafter, BATS Trading will serve as the sole inbound routing broker-dealer for the Exchange. The Exchange does not propose to amend the requirements of the rule.

DE Route and BATS Trading provide Members of the Exchange, EDGA, EDGX and BYX with optional routing services to other market centers. Thus, in certain circumstances, DE Route and BATS Trading provides inbound routing from EDGA, EDGX, or BYX to the Exchange. Exchange Rule 2.12 governs this inbound routing of orders by DE Route and BATS Trading to the Exchange in DE Route's and BATS Trading's capacity as a facility of the Exchange. The Exchange proposes to amend Rule 2.12 to remove all references to DE Route as BATS Trading will be the sole inbound routing service for the Exchange upon migration of EDGA and EDGX onto the BATS technology platform. The Exchange does not propose to amend the requirements of this rule. Therefore, the conditions and limitations set forth in Exchange Rule 2.12(a) will continue to require that:

- The Exchange enter into (a) a plan pursuant to Rule 17d-2 under the Act

with a non-affiliated self-regulatory organization ("SRO") to relieve the Exchange of regulatory responsibilities for BATS Trading with respect to rules that are common rules between the Exchange and the non-affiliated SRO, and (b) a regulatory services contract ("Regulatory Contract") with a non-affiliated SRO to perform regulatory responsibilities for BATS Trading for unique Exchange rules.

- The Regulatory Contract require the Exchange to provide the non-affiliated SRO with information, in an easily accessible manner, regarding all exception reports, alerts, complaints, trading errors, cancellations, investigations, and enforcement matters (collectively "Exceptions") in which BATS Trading is identified as a participant that has potentially violated Exchange or Commission rules, and requires that the non-affiliated SRO provide a report, at least quarterly, to the Exchange quantifying all Exceptions in which BATS Trading is identified as a participant that has potentially violated Exchange or Commission rules.

- The Exchange, on behalf of holding company indirectly owning the Exchange, establish and maintain procedures and internal controls reasonably designed to ensure that BATS Trading does not develop or implement changes to its system based on non-public information obtained as a result of its affiliation with the Exchange, until such information is available generally to similarly situated Members of the Exchange.

- The Exchange furnish to BATS Trading only the same information and on the same terms as the Exchange makes available in the normal course of business to other users.<sup>4</sup>

In addition, provided the conditions in Exchange Rule 2.12 are complied with, and provided further that BATS Trading operates as an outbound router on behalf of BYX on the same terms and conditions as it does for the Exchange, and in accordance with the rules of BYX, BATS Trading may provide inbound routing services to the Exchange from BYX. BATS Trading provides members of the BGM Affiliated Exchanges (including BYX) with optional routing services to other market centers, which may include routing from a BGM Affiliated Exchange to the Exchange. Therefore, the Exchange proposes to remove reference to BYX as BATS Trading will be required under Exchange Rule 2.12 to operate as an outbound router on behalf of each BATS Exchange on the same terms and conditions as it does for the Exchange,

and in accordance with the rules of each BATS Exchange, BATS Trading may provide inbound routing services to the Exchange from each BATS Exchange. The Exchange believes that Rule 2.12 will continue to adequately manage the potential for conflicts of interest that could arise from BATS Trading routing orders to the Exchange.

Implementation Date

The Exchange intends to implement the proposed rule change on or about January 12, 2015, which is the anticipated date upon which the migration of the EDGA and EDGX to the BATS technology platform will be complete and BATS Trading, Inc. will act as the BGM Affiliated Exchange's sole routing broker-dealer.

2. Statutory Basis

The Exchange believes that the proposed rule changes are consistent with Section 6(b) of the Act<sup>5</sup> and further the objectives of Section 6(b)(5) of the Act<sup>6</sup> because they are designed 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, to foster cooperation and coordination with persons engaged in facilitating transactions in securities, and, in general, to protect investors and the public interest. The proposed rule change also is designed to support the principles of Section 11A(a)(1)<sup>7</sup> of the Act in that it seeks to assure fair competition among brokers and dealers and among exchange markets. The Exchange does not propose to amend the requirements of the rule and the proposed rule change is intended only to reflect that BATS Trading will be the Exchange's sole routing broker-dealer upon migration of the EDGA and EDGX to the BATS technology platform. A consistent technology offering through the use of a single routing broker-dealer by each of the BGM Affiliated Exchange will, in turn, simplify the technology implementation, changes and maintenance by users of the Exchange that are also participants on BYX, EDGA, and EDGX. As such, the proposed rule change would foster cooperation and coordination with persons engaged in facilitating transactions in securities and would remove impediments to and perfect the mechanism of a free and open market and a national market system.

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

<sup>6</sup> 15 U.S.C. 78f(b)(5).

<sup>7</sup> 15 U.S.C. 78k-1(a)(1).

<sup>3</sup> See Securities Exchange Act Release No. 71375 (January 23, 2014), 79 FR 4771 (January 29, 2014) (SR-BATS-2013-059; SR-BYX-2013-039).

<sup>4</sup> See Exchange Rule 2.12(a)(2).

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

The Exchange does not believe that the proposed rule change will result in any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. The Exchange reiterates that the proposed rule change is being proposed in the context of the technology integration of the BGM Affiliated Exchanges. Thus, the Exchange believes this proposed rule change is necessary to permit fair competition among national securities exchanges. In addition, the Exchange believes the proposed rule change will benefit Exchange participants in that it is one of several changes necessary to achieve a consistent technology offering by the BGM Affiliated Exchanges.

### 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

The Exchange has designated this rule filing as non-controversial under Section 19(b)(3)(A) of the Act<sup>8</sup> and paragraph (f)(6) of Rule 19b-4 thereunder.<sup>9</sup> Because the proposed rule change does not: (i) Significantly affect the protection of investors or the public interest; (ii) impose any significant burden on competition; and (iii) become operative prior to 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, the proposed rule change has become effective pursuant to Section 19(b)(3)(A) of the Act and Rule 19b-4(f)(6) thereunder.<sup>10</sup>

A proposed rule change filed pursuant to Rule 19b-4(f)(6) under the Act<sup>11</sup> normally does not become operative for 30 days after the date of its filing. However, Rule 19b-4(f)(6)(iii)<sup>12</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 in order to permit the Exchange to implement the proposed rule change on January 12, 2015, which is the anticipated date upon which the migration of EDGA and EDGX to the BATS technology platform will be complete and BATS Trading will serve as the Exchange's sole routing broker-dealer. The Exchange states that waiver of the operative delay is consistent with the protection of investors and the public interest because it will allow BATS Trading to act as the BGM Affiliated Exchanges' sole routing broker-dealer upon migration of EDGX and EDGA to the BATS technology platform, thereby simplifying the technology integration for Members of the Exchange that are also participants on EDGX, EDGA, and BYX. In this regard, the Exchange notes that, since completion of the Merger, both Members and the BGM Affiliated Exchanges have made numerous systems changes in preparation for the technology migration occurring on January 12, 2015, the Exchange has issued frequent updates to Members informing them of the BGM Affiliated Exchange technology migration as well as its anticipated time line so that Members may make the requisite system changes, and the Exchange has conducted multiple testing opportunities for Members to ensure that both Members' and the Exchange's systems will operate in accordance with the proposed rule change on January 12, 2015. The Commission believes that waiving the 30-day operative delay is consistent with the protection of investors and the public interest. Therefore, the Commission hereby waives the operative delay and designates the proposed rule change operative upon filing.<sup>13</sup>

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 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) of the Act<sup>14</sup> 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
- Send an email to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include File Number SR-BATS-2014-073 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-BATS-2014-073. 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 at 100 F Street NE., Washington, DC 20549-1090 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 available publicly. All submissions should refer to File Number SR-BATS-2014-073, and should be submitted on or before January 23, 2015.

<sup>8</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>9</sup> 17 CFR 240.19b-4.

<sup>10</sup> 17 CFR 240.19b-4(f)(6). As required under Rule 19b-4(f)(6)(iii), the Exchange provided the Commission with written notice of its intent to file the proposed rule change, along with a brief description and the 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.

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

<sup>12</sup> 17 CFR 240.19b-4(f)(6)(iii).

<sup>13</sup> For purposes only of waiving the 30-day operative delay, the Commission has considered the proposed rule's impact on efficiency, competition, and capital formation. See 15 U.S.C. 78c(f).

<sup>14</sup> 15 U.S.C. 78s(b)(2)(B).

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>15</sup>

**Brent J. Fields,**  
Secretary.

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-73943; File No. SR-NASDAQ-2014-123]

### Self-Regulatory Organizations; The NASDAQ Stock Market LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Rules 4751(h) and 4754(b) Relating to the Closing Process

December 24, 2014.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”),<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on December 16, 2014, The NASDAQ Stock Market LLC (“NASDAQ” or “Exchange”) filed with the Securities and Exchange Commission (“SEC” or “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 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 make changes to Rules 4751(h) and 4754(b) relating to the closing process.

The text of the proposed rule change is available on the Exchange’s Web site at <http://nasdaq.cchwallstreet.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 aspects 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 changes related to the close of Regular Market Session<sup>3</sup> on NASDAQ, which are designed to bring consistency and stability to the processing of securities in the NASDAQ Closing Cross.<sup>4</sup> Each trading day, NASDAQ accepts orders designated to participate in the Closing Cross.<sup>5</sup> The Closing Cross is the process by which NASDAQ determines the price at which orders will be executed at market close. Beginning at 3:50 p.m. Eastern Time, NASDAQ disseminates an Order Imbalance Indicator<sup>6</sup> every five seconds until market close, which allows market participants to see the nature of interest in a security and make investment decisions accordingly. The NASDAQ closing process is initiated at 4:00 p.m. Eastern Time.<sup>7</sup> During the brief period between the initiation of the closing process and the conclusion of the last Closing Cross,<sup>8</sup> the continuous order book is open to accept orders and cancellations in a security until the Closing Cross for that security is complete. These orders can affect the ultimate closing price of the security. Although accepting orders and cancellations through the completion of a security’s Closing Cross allows the greatest interest to participate in the Closing Cross, the Exchange has observed that in cases where there is aberrant volatility in a security due to an error,<sup>9</sup> accepting such order activity may also significantly alter the closing price. In normal trading, NASDAQ has observed that allowing order entry and cancellation in a security up to the completion of a security’s Closing Cross provides little additional price

<sup>3</sup> As defined by Rule 4120(b)(4)(D).

<sup>4</sup> See Rule 4754.

<sup>5</sup> See Rule 4754(a)(1) for a description of quotes and orders eligible for participation in the Closing Cross.

<sup>6</sup> The Order Imbalance Indicator provides information about orders eligible to participate in the Closing Cross and the price at which those orders would execute at the time of dissemination.

<sup>7</sup> Once the closing process is initiated, the System will execute crosses in each individual security traded on NASDAQ one by one. The order in which each security is processed is random and differs day by day.

<sup>8</sup> This brief period is normally well under one second.

<sup>9</sup> For example, a member firm that enters an order that is erroneous in price and/or size may cause significant order imbalances, which may cause the closing price of the security to be significantly different from what is anticipated.

discovery to offset the greater risk in allowing such order activity. Accordingly, NASDAQ is proposing to close the order book for participation in the Closing Cross once the closing process is initiated at 4:00 p.m. Eastern Time (the “Lockdown Period”). As a consequence of closing the order book, orders entered for participation in the continuous market after the Lockdown Period has begun, but prior to completion of the Closing Cross, will not be accepted by the System.

Under the proposed process, at 4:00 p.m. Eastern Time, when the closing process is initiated, the Lockdown Period is triggered at which point the order book will no longer accept new orders for execution, and will cease to process order cancellation requests for resting orders. New orders received for participation in the Closing Cross after initiation of the Lockdown Period will be cancelled back to the member firm, and cancellations of resting orders will be processed after the Closing Cross is complete.<sup>10</sup> NASDAQ notes that the processing and calculation of the Closing Cross will remain unchanged.<sup>11</sup> Moreover, in proposing the Lockdown Period, NASDAQ is not altering how orders are processed prior to the Closing Cross, and after it is completed. Rather, NASDAQ is merely providing a precise time at which orders will not participate in the Closing Cross, in lieu of the uncertain, albeit brief, time under the current process. In addition to amending Rule 4754(b) to reflect the changes discussed above, NASDAQ is making a clarifying change to the rule text to make it clear that the Closing Cross begins at 4:00:00 p.m.. [sic]

In a related change, the Exchange is also proposing to harmonize the processing of Market Hours Day (“MDAY”) orders<sup>12</sup> in the Closing Cross. MDAY is a time-in-force characteristic of orders, which allows the order to be executed during the Regular Market Session. Under NASDAQ rules, MDAY-designated orders are available from 4:00 a.m. to 4:00 p.m. Eastern Time.<sup>13</sup> Currently, an order designated as MDAY entered after completion of the Closing Cross in a particular security may be rejected, cancelled, or modified to an order with a time-in-force of Immediate or Cancel,

<sup>10</sup> A member firm that sends a cancellation request during the Lockdown Period will receive an execution message for that order if it is executed in the Closing Cross.

<sup>11</sup> The closing process will still be initiated at 4:00 p.m. Eastern Time, and the order in which securities enter into their individual Closing Crosses will continue to be random.

<sup>12</sup> See Rule 4751(h)(6).

<sup>13</sup> *Id.*

<sup>15</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.