

a fragmented market.”<sup>15</sup> Another commenter stated that the market quality of less liquid securities could be improved if their exchange trading presence was concentrated on the listing exchange.<sup>16</sup> Both commenters expressed support for similar initiatives by other exchanges, with one commenter encouraging other exchanges to consider expanding the scope of less liquid securities that would be subject to a concentrated trading threshold.<sup>17</sup>

One commenter stated that by providing the primary listing exchange with exclusivity in the quoting and trading of thinly-traded securities, the proposals would allow the listing exchange to better innovate its market structure for these securities, which likely would lead to improved market quality for the securities.<sup>18</sup> At the same time, the commenter stated that the voluntary nature of the program should act as a check to assure that the listing exchange does not abuse its monopoly position.<sup>19</sup> The commenter noted, further, that the proposals are an incremental market structure adjustment, unlike other recent initiatives that the commenter characterized as being larger in scope and potentially disruptive.<sup>20</sup>

#### IV. Discussion and Commission Findings

After careful review, the Commission finds that the proposed rule changes, as amended, are consistent with the Act and the rules and regulations thereunder applicable to a national securities exchange.<sup>21</sup> In particular, the Commission finds that the proposed rule changes, as amended, are consistent with Section 6(b)(5) of the Act,<sup>22</sup> which requires that the rules of the 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.

The Commission believes that the proposals will provide transparency by signaling each Exchange's general intention to voluntarily refrain from trading any security that does not meet the consolidated average daily trading volume threshold established in Rule 11.2(b), and to continue to refrain from trading such a security until the security satisfies the requirements of Rule 11.2(c). The proposals also make clear that the Exchanges will retain discretion to quote and trade the affected securities.<sup>23</sup> In determining whether to exercise this discretion, the Exchanges have represented that they will consider such factors as member and investor feedback, and whether other non-listing exchanges have decided to cease quoting and trading the affected securities.

The Commission notes that each Exchange is required to notify its members at least one trading day in advance of any securities that it is making unavailable for trading pursuant to Rule 11.2(b), and of any securities it is making available for trading pursuant to Rule 11.2(c).<sup>24</sup> The Commission notes, further, that the Exchanges believe that the proposals potentially could enhance the market quality of the affected securities, and that the commenters similarly supported the proposals as a step toward improving the market quality of less liquid securities.

#### V. Conclusion

*It is therefore ordered*, pursuant to Section 19(b)(2) of the Act,<sup>25</sup> that the proposed rule changes (File Nos. SR-BATS-2015-37; SR-BYX-2015-25; SR-EDGA-2015-19; and SR-EDGX-2015-21), as amended, are approved.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>26</sup>

**Robert W. Errett,**

*Deputy Secretary.*

[FR Doc. 2015-16727 Filed 7-8-15; 8:45 am]

**BILLING CODE 8011-01-P**

## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-75356; File No. SR-FINRA-2015-020]

### Self-Regulatory Organizations; Financial Industry Regulatory Authority, Inc.; Notice of Filing of a Proposed Rule Change To Expand FINRA's Alternative Trading System ("ATS") Transparency Initiative To Publish OTC Equity Volume Executed Outside ATSS

July 2, 2015.

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 June 23, 2015, Financial Industry Regulatory Authority, Inc. ("FINRA") 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 FINRA. 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

FINRA is proposing to expand FINRA's alternative trading system ("ATS") transparency initiative to publish the remaining equity volume executed over-the-counter ("OTC") by FINRA members, including, among other trading activity, non-ATS electronic trading systems and internalized trades.

The text of the proposed rule change is available on FINRA's Web site at <http://www.finra.org>, at the principal office of FINRA 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, FINRA 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. FINRA has prepared summaries, set forth in sections A, B, and C below, of the most significant aspects of such statements.

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

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

<sup>23</sup> See Rule 11.2(c).

<sup>24</sup> See Exchange Rule 11.2(d).

<sup>25</sup> 15 U.S.C. 78s(b)(2).

<sup>26</sup> 17 CFR 200.30-3(a)(12).

<sup>15</sup> KCG Letter at 1.

<sup>16</sup> See SIFMA Letter at 1-2.

<sup>17</sup> See SIFMA Letter at 2; KCG Letter at 3. While expressing support for the current proposals, one commenter indicated that it would oppose any proposal to establish concentrated exchange trading for actively traded stocks. The commenter also stated that the initiative to concentrate exchange trading must allow for the continuation of off-exchange trading of illiquid securities which, in the commenter's view, provides important supplementary benefits to exchange trading. See SIFMA Letter at 2.

<sup>18</sup> See KCG Letter at 2.

<sup>19</sup> See *id.*

<sup>20</sup> See *id.*

<sup>21</sup> In approving this proposed rule change, the Commission notes that it has considered the proposed rule's impact on efficiency, competition, and capital formation. See 15 U.S.C. 78c(f).

<sup>22</sup> 15 U.S.C. 78(b)(5).

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

1. Purpose

Under FINRA rules, each member that operates an ATS is required to report its weekly volume, by security, to FINRA and also must use a unique market participant identifier ("MPID") for reporting order and trade information to FINRA. As part of these requirements, FINRA makes the reported volume and trade count information for equity securities publicly available on its Web site.<sup>3</sup> Pursuant to the proposed rule change, FINRA is proposing to amend Rules 6110 and 6610 to expand this transparency initiative by publishing the remaining OTC equity (or "non-ATS") volume by member firm and security.

FINRA is proposing to derive a firm's non-ATS volume information directly from OTC trades reported to FINRA's equity trade reporting facilities.<sup>4</sup> As such, members would not have any new or additional reporting requirements as a result of the proposed rule change. FINRA would base a firm's non-ATS volume on trades reported for dissemination purposes (or "tape reports") on which the firm is identified as the member with the trade reporting obligation.<sup>5</sup> A firm's published trading volume information would not include trades for which the firm is the reported contra party,<sup>6</sup> nor would it include trades that are reported for regulatory or

clearing purposes only (or "non-tape reports").

FINRA is proposing to publish on the FINRA Web site weekly volume information (number of trades and shares) by firm and security, with limited *de minimis* exceptions noted below, on a two-week or four-week delayed basis in accordance with the time frames specified for ATS volume publication.<sup>7</sup> Specifically, volume information would be published on a two-week delayed basis for NMS stocks in Tier 1 under the NMS Plan to Address Extraordinary Market Volatility (also referred to as the "Limit Up/Limit Down Plan")<sup>8</sup> and a four-week delayed basis for all other NMS stocks and OTC Equity Securities.<sup>9</sup>

Based on feedback FINRA has received from firms, FINRA is also proposing to publish aggregate volume totals across all NMS stocks and aggregate volume totals across all OTC Equity Securities for each calendar month. FINRA proposes to publish monthly aggregate totals on a one month delayed basis, *e.g.*, totals for the month of April would be published on or around June 1.

FINRA is proposing to publish non-ATS volume information at the firm level and not on an MPID-by-MPID basis. FINRA believes that this is appropriate because outside of the ATS context, not all firms have a separate MPID for each unique trading center at the firm, and as such, publishing volume information at the MPID level may not provide meaningful or consistent information to the marketplace. For members that use more than one MPID for their non-ATS trading,<sup>10</sup> FINRA proposes to aggregate and publish the non-ATS trading volume for all non-ATS MPIDs belonging to the firm under a single

"parent" identifier or firm name.<sup>11</sup> FINRA notes that a firm's ATS volume will continue to be published separately under the unique MPID(s) for each ATS operated by the firm.

FINRA does not believe that publishing volume information for each firm that executed only a small number of trades or shares in any given period would provide meaningful information to the marketplace. Accordingly, as described in more detail below, FINRA is proposing to combine volume from all members that do not meet a specified minimum threshold and publish such "*de minimis*" volume information for those members on an aggregated basis. For example, if five firms each execute 10 trades in the reporting period in a security, their 50 trades would be aggregated and published as a single line item; the firms and their volume information would not be identified separately. For a firm with more than one non-ATS MPID, the total volume across all of its non-ATS MPIDs would be combined for purposes of determining whether the *de minimis* threshold has been met.

FINRA is proposing to establish a *de minimis* threshold of fewer than on average 200 non-ATS transactions per day executed by the firm across all securities or in a specific security during the one-week reporting period. This proposed threshold is based on the level of trading activity used by the SEC to identify "small market makers" for purposes of exemptive relief from the rule requiring market centers that trade NMS securities to make publicly available electronic reports that include uniform statistical measures of execution quality (SEC Rule 605 of Regulation NMS).<sup>12</sup> In developing its proposal, FINRA reviewed volume statistics for firms across all securities for a one-week period (June 23–29, 2014). This review indicated that without applying any threshold, approximately 300 individual firms would have volume attributed by name. Looking at market participants with on average 200 or more trades per day across all securities, approximately 62 firms would have volume attributed by

<sup>3</sup> FINRA currently does not publish ATS volume information regarding fixed income securities.

<sup>4</sup> FINRA's equity trade reporting facilities (collectively referred to herein as the "FINRA Facilities") are the Alternative Display Facility ("ADF") and the Trade Reporting Facilities ("TRF"), to which members report OTC transactions in NMS stocks, as defined in SEC Rule 600(b) of Regulation NMS; and the OTC Reporting Facility ("ORF"), to which members report transactions in "OTC Equity Securities," as defined in FINRA Rule 6420 (*i.e.*, non-NMS stocks such as OTC Bulletin Board and OTC Market securities), as well as transactions in Restricted Equity Securities, as defined in FINRA Rule 6420, effected pursuant to Securities Act Rule 144A.

<sup>5</sup> Under FINRA rules, in a trade between a member and non-member or customer, the member has the obligation to report the trade, and in a trade between two members, the "executing party," defined as the member that receives an order for handling or execution or is presented an order against its quote, does not subsequently re-route the order, and executes the transaction, has the obligation to report the trade. See Rules 6282(b), 6380A(b), 6380B(b) and 6622(b).

<sup>6</sup> FINRA is proposing to include only volume from the executing party perspective because otherwise, published OTC volume would be overstated (*i.e.*, publishing volume from both the executing party and contra party perspectives would double count that executed volume).

<sup>7</sup> See Rule 4552.

<sup>8</sup> Tier 1 NMS stocks include those NMS stocks in the S&P 500 Index or the Russell 1000 Index and certain ETPs. See NMS Plan to Address Extraordinary Market Volatility. FINRA will make changes to the Tier 1 NMS stocks in accordance with the Indices. Changes to the S&P 500 are made on an as needed basis and are not subject to an annual or semi-annual reconstitution. S&P typically does not add new issues until they have been seasoned for six to twelve months. Russell 1000 rebalancing typically takes place in June.

<sup>9</sup> FINRA notes that non-ATS volume data will be displayed in the same format in which ATS volume data is displayed today, *i.e.*, aggregate volume for each firm across all NMS stocks (Tier 1 and all other NMS stocks) and OTC equity securities; aggregate volume for each security across all firms; and volume for each security by each firm (except with respect to the *de minimis* volume discussed below).

<sup>10</sup> For example, a firm may use separate MPIDs for its proprietary and agency desks.

<sup>11</sup> FINRA is able to identify all MPIDs belonging to a given firm based on currently available information, and as such, members will not have a new reporting obligation as a result of this proposal.

<sup>12</sup> Specifically, the SEC exempted any market center that reported fewer than 200 transactions per trading day on average over the preceding six-month period in securities that are covered by the rule. See letter from Annette L. Nazareth, Director, Division, to Richard Romano, Chair, and Carl P. Sherr, Co-Chair, NASD Small Firms Advisory Board, dated June 22, 2001.

name and would account for 98.99 percent of all trading volume.

Thus, if a firm averages fewer than 200 non-ATS transactions per day across all securities during the reporting period, FINRA would aggregate the firm's volume with that of similarly situated firms. Additionally, because the published volume data would be broken down by security, if a firm averages fewer than 200 non-ATS transactions per day in a given security during the reporting period, FINRA would aggregate the firm's volume in that security with that of similarly situated firms, even if the firm averages more than 200 non-ATS transactions per day across all securities during the reporting period. FINRA notes that all of the OTC volume would be published, but for members that meet the *de minimis* threshold, their volume would not be attributed by name.

The proposed rule change will provide additional transparency into a significant portion of the OTC market.<sup>13</sup> Accordingly, FINRA believes that the proposed rule change will enable the public to better understand a firm's equity trading activity off exchanges by reviewing the proposed non-ATS volume together with the current ATS volume reports. In this regard, FINRA notes that during the rulemaking process on the ATS transparency initiative, some commenters recommended broadening the proposal to include trade information for other OTC execution venues.

FINRA considered whether dividing published volume information into more granular categories, such as by trading capacity (*i.e.*, principal versus agency or riskless principal) or by participant type (*e.g.*, market maker), would be feasible or provide additional meaningful or reliable information to market participants. Segregating the data, *e.g.*, by trading desk, would entail potentially significant development work by firms to sufficiently identify the activity for FINRA (*e.g.*, volume attributable to a market making desk) and may not be consistent across firms, while also leading to some concerns about information leakage. Thus, FINRA is not proposing at this time to publish the non-ATS volume data at more granular levels than by firm and security.

In developing its approach, FINRA staff solicited industry input prior to presenting the proposal to FINRA's Board of Governors in September 2014.

<sup>13</sup> For example, for the period from March 16 through April 10, 2015, approximately 59 percent of the share volume of OTC trades in NMS stocks was executed outside an ATS.

In addition to discussing the proposal with a number of FINRA's industry advisory committees, FINRA staff also informally consulted a number of firms, including large and mid-size firms with a variety of business models, as well as two buy-side firms. The committees and all but one of the consulted firms were generally supportive of the proposal. Some of the consulted firms noted that the published volume information would provide market participants with a better sense of flow in a given market segment and would most likely be used for purposes of market share or other longer-term quantitative market analysis. However, because publication of the data necessarily would be delayed, the consulted firms believe that it would likely not be a valuable tool for such purposes as analyzing execution quality or making day-to-day order routing and trading decisions.

Several of the consulted firms and committee members expressed some concern about the potential for information leakage. The consulted firms agreed on the importance of delaying publication of non-ATS volume information, noting that the closer to real-time the information is published, the greater the risks that would result from disclosing a market participant's trading activity. One of the consulted firms was concerned about publication of non-ATS volume information at the market participant and security level, even on a delayed basis, asserting that other market participants would be able to download data associated with the firm's trading activity, re-engineer it to discern patterns of historical trading and identify similar patterns in future trading that could be used to their advantage (and to the firm's disadvantage). Even the firms that were generally supportive of the proposal to publish non-ATS volume information indicated that they would have concerns if the information were published at a more granular level.<sup>14</sup>

<sup>14</sup> For example, with respect to publishing data according to trading capacity, several of the consulted firms expressed concern that a market participant's large position holdings could be discerned from the data (*e.g.*, accumulations of proprietary positions in advance of ETF creations or secondary offerings). Similarly, the consulted firms did not believe that there would be value in getting more granular information, *e.g.*, according to desk or department, noting that since the data would be historical and not real-time, it would not change behavior in terms of accessing liquidity. One firm commented that more granular information would not be reliable or consistent across firms, because not every firm has the same business model or desk structure. In addition, several of the firms indicated that they would be less supportive of a proposal that requires them to comply with a new reporting regime or undertake

FINRA believes it has taken appropriate steps to address firms' concerns by delaying publication and limiting the granularity of the published information to firm and security. The proposed rule change is similar to the approach currently taken with respect to ATS volume information, and firms have not come to FINRA with any complaints regarding information leakage since FINRA began publishing ATS volume information. However, following implementation of the proposed rule change, FINRA will consider whether modifications are appropriate, *e.g.*, to the scope of published information or the delay between trading activity and publication, based on feedback it may receive from interested parties, including firms and users of the data.

One of the consulted firms also indicated that FINRA should not charge for the data, noting that the potential value is diminished if it is another cost center for the industry. FINRA notes that it has determined not to charge a fee for the data that would be published pursuant to the proposed rule change and will make non-ATS OTC volume information available to the public for free in a downloadable format.

In addition to the oral feedback discussed above, FINRA solicited written comments on the proposal in *Regulatory Notice* 14-48 (November 2014), which are summarized below.

FINRA proposes that the effective date of the proposed rule change will be no later than 180 days after Commission approval. Thus, FINRA anticipates that it will begin publication of data in accordance with the proposed rule change in the fourth quarter of 2015 or first quarter of 2016 and will announce the specific date in a *Regulatory Notice*.

## 2. Statutory Basis

FINRA believes that the proposed rule change is consistent with the provisions of Section 15A(b)(6) of the Act,<sup>15</sup> which requires, among other things, that FINRA rules must be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, and, in general, to protect investors and the public interest. FINRA believes that the proposed rule change will provide additional transparency into a significant portion of the OTC market and that the increased transparency will enable market participants and investors to better understand a firm's trading

development work to be able to identify, *e.g.*, volume attributable to a market making desk.

<sup>15</sup> 15 U.S.C. 78o-3(b)(6).

volume and market share in the equity market.

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

FINRA 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. FINRA has undertaken an economic impact assessment, as set forth below, to analyze the regulatory need for the proposed rule change, its potential economic impacts, including anticipated costs and benefits, and the alternatives FINRA considered in assessing how to best meet its regulatory objectives.

#### Regulatory Need

FINRA's current rules require each member that operates an ATS to report its weekly trade volume information to FINRA. As part of these requirements, FINRA makes the information for equity securities available to the public, thereby providing market participants and investors useful information about trading activity in the ATS segment of the OTC equity market. The proposed rule change will expand this transparency initiative by publishing the remaining OTC equity volume reported to FINRA. The increased transparency will enable the market to better understand a firm's trading volume, its market share in the equity market and the amount of OTC trading in each equity security.

#### Anticipated Benefits

The proposed rule change would expand the benefits of FINRA's ATS transparency initiative by providing additional transparency to the remaining equity volume executed in the non-ATS segment of the OTC equity market. The trading activity in this non-ATS segment represents a significant portion of the overall equity trading in the OTC market.<sup>16</sup> The increased transparency would enable market participants and investors to better understand the overall equity trading in the OTC market as well as the amount of OTC trading in individual equity securities. Furthermore, the expansion of transparency would help the marketplace better understand a firm's overall OTC trading of equities, thereby enhancing their understanding of

<sup>16</sup> See, e.g., Laura Tuttle, "OTC Trading: Description of Non-ATS OTC Trading in National Market System Stocks" (March 2014). Tuttle reports that the non-ATS segment of the OTC market in NMS stocks is larger than the ATS segment.

executing firms' trading volume and market shares in the equity market.

#### Anticipated Costs

The proposed rule change would not impose any additional reporting requirements on firms since FINRA will directly derive the non-ATS volume data from OTC trades reported to FINRA's equity trade reporting facilities. As a result, the proposed rule would have minimal impact on firms from a systems development and reporting perspective.

#### Other Economic Impacts

In developing this proposal, FINRA considered whether a firm's trading strategy could be discerned from the published data. FINRA believes that the proposed rule change mitigates such information leakage concerns by delaying the publication of trading volumes and by limiting the granularity of the published information. The proposed rule change is a well-calibrated effort to reduce information leakage concerns and to provide market participants access to meaningful information on non-ATS trading activity. FINRA believes that the proposed rule change will not impose differential risks of information leakage on firms. Moreover, by expanding transparency to all OTC equity trading by FINRA members, the proposed rule change would bridge gaps in information published across ATS versus non-ATS segments of the OTC equity market, thereby reducing any competitive distortions that may be associated with such information gaps.

#### Alternatives

In considering how to best meet its regulatory objectives, FINRA considered several alternatives to particular features of this proposed rule change. For example, FINRA considered whether publishing volume information at a more granular level (e.g. by trading capacity or by participant type) would provide additional useful information to market participants, and the costs associated with such an alternative. FINRA believes that segregating the data, e.g., by trading desk, would entail significant development work by firms, without commensurate benefit to market participants. In addition, as discussed in more detail above, several commenters raised concerns about information leakage with publishing more granular data. Accordingly, FINRA has determined not to publish data at a more granular level than by firm and security.

FINRA also considered publishing non-ATS volume information at the

MPID level, as opposed to the firm level. FINRA believes that publishing information at the firm level is more appropriate because not all firms have a separate MPID for each unique trading center at the firm. Accordingly, publishing volume information at the firm level would likely provide more consistent information to the marketplace.

In developing this proposal, FINRA also considered alternative approaches related to publishing volume information for firms with minimal non-ATS trading activity. As discussed in more detail above, FINRA does not believe that publishing volume information separately for each firm with minimal trading would provide meaningful information to the marketplace. Accordingly, FINRA is proposing to combine volume from all members with trading activity below a *de minimis* threshold of on average 200 transactions per day. FINRA considered several alternative *de minimis* thresholds and solicited comment on these alternatives in *Regulatory Notice 14-48*. FINRA believes that the proposed *de minimis* threshold is reasonable as it would account for the vast majority<sup>17</sup> of the total non-ATS trading volume and is also consistent with the level of trading activity used by the SEC to identify "small market makers" for SEC Rule 605 of Regulation NMS.

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

The proposed rule change was published for comment in *Regulatory Notice 14-48* (November 2014). Three comments were received in response to the *Regulatory Notice*.<sup>18</sup> A copy of the *Regulatory Notice* is attached as Exhibit 2a.<sup>19</sup> Copies of the comment letters

<sup>17</sup> As discussed above, based on its review of recent trading volume statistics, FINRA estimates that the proposed *de minimis* threshold would account for approximately 99% of the overall non-ATS trading volume, and as a result the vast majority of the trading volume would be attributed by firm name under the proposed rule change.

<sup>18</sup> See Letter from Stéphane Tyč, Co-founder, Quincy Data, LLC to Marcia E. Asquith, Corporate Secretary, FINRA, dated January 9, 2015 ("QD Letter"); letter from John Ramsay, Chief Market Policy and Regulatory Officer, IEX Services LLC to Marcia E. Asquith, Corporate Secretary, FINRA, dated February 12, 2015 ("IEX Letter"); and letter from Theodore R. Lazo, Managing Director and Associate General Counsel, Securities Industry and Financial Markets Association, to Marcia E. Asquith, Corporate Secretary, FINRA, dated February 20, 2015 ("SIFMA Letter").

<sup>19</sup> The Commission notes that the Exhibits referred to herein, as well as the comment letters cited in the footnotes, are attached to the filing itself and not to this Notice.

received in response to the *Regulatory Notice* are attached as Exhibit 2c. The comments are summarized below.

All three commenters generally supported the proposal. One commenter specifically noted that the data can be used by market participants, regulators and academics to better understand and track trends in OTC trading generally, and can also help investors better evaluate the routing and execution practices of individual firms.<sup>20</sup> This commenter agreed with the proposal to publish non-ATS volume information at the firm (rather than MPID) level, while another commenter disagreed with this aspect of the proposal, stating that the trade publication should identify the matching engine with a unique identifier.<sup>21</sup> FINRA agrees that publication at the MPID level makes sense in the context of ATS executions; however, as noted above, outside of the ATS context, not all firms have a separate MPID for each unique trading center at the firm, and as such, publishing volume information at the MPID level may not provide meaningful or consistent information to the marketplace.

One commenter agreed with the proposal to aggregate volume information for firms with a *de minimis* amount of OTC volume, noting that it is a reasonable way to assure that the published information will be meaningful and free of the “noise” that could otherwise arise from a broader publication measure.<sup>22</sup> On the other hand, another commenter disagreed with the proposal to aggregate data for firms with a *de minimis* amount of trading, noting that they believe in simple rules with no exceptions.<sup>23</sup> However, this commenter did not discuss the potential value of publishing unaggregated volume information for firms with only a small number of trades. As discussed above, FINRA does not believe that publishing volume information below the proposed *de minimis* threshold would provide meaningful information to the marketplace.

One commenter suggested using an alternate notional volume measure as part of the *de minimis* threshold so that firms doing relatively few trades but in large notional volume are included.<sup>24</sup> FINRA believes that the potential costs and additional resources, including technology infrastructure, that would be required to implement a second *de*

*minimis* threshold measure would outweigh any potential benefit. In addition, FINRA is concerned that utilizing two different threshold measures may be confusing to consumers of the data, and believes that a single threshold measure, based on number of trades, would be the simplest and easiest to understand. However, as noted above, following implementation of the proposed rule change, FINRA will consider whether modifications are appropriate, including whether changes to the *de minimis* threshold would be appropriate, based on feedback it may receive from interested parties.

Another commenter expressed concern that the proposed two-week publication timeframe for Tier 1 NMS stocks may result in unintended information leakage, and in particular disclosure of large institutional trades, which could enable reverse engineering of those trades if published within two weeks of execution.<sup>25</sup> To address the information leakage concerns, this commenter recommended aggregation on a monthly, not weekly basis, and publishing on a four-week delayed basis. Another commenter stated that a delay of one month is sufficient to enable broker-dealers to manage their risk, but also recommended that FINRA consider the shortest publication time that provides enough time to manage the risk of a position, which could differ by security class (e.g., two weeks for liquid equities and six months for illiquid bonds).<sup>26</sup> This commenter further noted that it supports the publication of complete and fully granular data, without specifying the level of granularity or how to mitigate the attendant risk of information leakage.<sup>27</sup>

As discussed above, FINRA considered the potential for information leakage in developing its proposal and believes that it has taken adequate steps to mitigate that potential by, among other things, proposing to publish non-ATS volume information on the same delayed basis that is used for ATS volume data, as well as at the firm, rather than MPID, level and not further segregating volume information by trading capacity or trading desk.

One commenter opposes FINRA charging for non-ATS volume information.<sup>28</sup> As noted above, FINRA has determined not to charge for the non-ATS volume information that

would be published pursuant to the proposed rule change.

Finally, several comments submitted on *Regulatory Notice* 14–48 are not germane to the proposal. One commenter urged FINRA to eliminate the current requirement for ATSs to report volume information to FINRA.<sup>29</sup> FINRA notes that elimination of the ATS volume reporting requirement will be addressed in a separate proposed rule change by FINRA. Another commenter proposed an alternative to the consolidated audit trail,<sup>30</sup> which is not germane to the proposed rule change and does not warrant a specific response.

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

Within 45 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 or disapprove 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 email to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include File Number SR-FINRA-2015-020 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-FINRA-2015-020. 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

<sup>25</sup> See SIFMA Letter.

<sup>26</sup> See QD Letter. FINRA notes that the proposed rule change applies only to OTC equity volume; information for fixed income securities would not be published as part of this proposal.

<sup>27</sup> See QD Letter.

<sup>28</sup> See SIFMA Letter.

<sup>29</sup> See SIFMA Letter.

<sup>30</sup> See QD Letter.

<sup>20</sup> See IEX Letter.

<sup>21</sup> See QD Letter.

<sup>22</sup> See IEX Letter.

<sup>23</sup> See QD Letter.

<sup>24</sup> See IEX Letter.

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 FINRA. 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-FINRA-2015-020 and should be submitted on or before July 30, 2015.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>31</sup>

**Robert W. Errett,**  
*Deputy Secretary.*

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-75353; File No. SR-NYSE-2015-30]

### **Self-Regulatory Organizations; New York Stock Exchange LLC; Notice of Filing of Proposed Rule Change To Amend Its Price List To Revise: (i) The Non-Tier Adding Credit; (ii) Certain Fees for Executions at the Close; (iii) Credits Applicable to Designated Market Makers; (iv) Credits Applicable to Supplemental Liquidity Providers; and (v) Pricing Related to the Retail Liquidity Program Under Rule 107C as it Relates to Designated Market Maker Transactions, and To Make Non-Substantive Changes to the Price List**

July 2, 2015.

Pursuant to Section 19(b)(1)<sup>1</sup> of the Securities Exchange Act of 1934 (the

“Act”)<sup>2</sup> and Rule 19b-4 thereunder,<sup>3</sup> notice is hereby given that, on June 26, 2015, New York Stock Exchange LLC (“NYSE” or the “Exchange”) filed with the Securities and Exchange Commission (the “Commission”) the proposed rule change as described in Items I, II, and III below, which Items have been prepared by the self-regulatory organization. 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 amend its price list to revise: (i) The non-tier adding credit; (ii) certain fees for executions at the close; (iii) credits applicable to designated market makers; (iv) credits applicable to supplemental liquidity providers; and (v) pricing related to the retail liquidity program under rule 107c as it relates to designated market maker transactions, and to make non-substantive changes to the price list. The text of the proposed rule change is available on the Exchange's Web site at [www.nyse.com](http://www.nyse.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 self-regulatory organization 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 those 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 the Statutory Basis for, the Proposed Rule Change*

###### **1. Purpose**

The Exchange proposes to amend its Price List to revise (i) the Non-Tier Adding Credit; (ii) certain fees for executions at the close; (iii) credits applicable to Designated Market Makers (“DMMs”); (iv) credits applicable to Supplemental Liquidity Providers (“SLPs”); and (v) pricing related to the Retail Liquidity Program under Rule

107C as it relates to DMM transactions, and to make non-substantive changes to the Price List. The Exchange proposes to implement the fee change effective July 1, 2015.

###### **Member Organization Non-Tier Adding Credit**

Member organizations are currently eligible for the Non-Tier Adding Credit for all orders in securities priced \$1.00 or more, other than Midpoint Passive Liquidity (“MPL”)<sup>4</sup> and Non-Display Reserve orders, that add liquidity to the NYSE unless a higher credit applies. The applicable rate for the Non-Tier Adding Credit is \$0.0015 per share. The Exchange proposes to lower this credit to \$0.0014 per share. The credits applicable to MPL orders and Non-Display Reserve orders would be unchanged.

###### **Executions at the Close**

The Exchange currently charges member organizations \$0.00095 per share for market-at-the-close (“MOC”) and limit-at-the-close (“LOC”) orders, unless a member organization meets specified thresholds set forth in the Price List for MOC and LOC activity. The Exchange proposes to increase this fee by \$0.00005 to \$0.0010 per share and to identify this pricing tier in the Price List as Non-Tier MOC/LOC.

The Exchange currently charges \$0.00065 per share for all MOC and LOC orders from any member organization executing (i) an ADV of MOC and LOC activity on the Exchange in the month of at least 0.375% of consolidated ADV (“CADV”) in NYSE-listed securities during the billing month (“NYSE CADV”); or (ii) an ADV of MOC and LOC activity on the Exchange in that month of at least 0.30% of NYSE CADV plus an ADV of total close activity (*i.e.*, MOC and LOC and other executions at the close) on the Exchange in that month of at least 0.475% of NYSE CADV. The Exchange proposes to increase this fee to \$0.00070 per share and to identify this pricing tier in the Price List as MOC/LOC Tier 2.

The Exchange does not propose to change the fee of \$0.0006 per share applicable to MOC and LOC orders from any member organization executing an ADV of MOC and LOC activity on the NYSE in that month of at least 0.575% of NYSE CADV. The Exchange proposes to identify this tier in the Price List as MOC/LOC Tier 1.

<sup>4</sup> An MPL Order is an undisplayed limit order that automatically executes at the mid-point of the best protected bid (“PBB”) or best protected offer (“PBO”), as such terms are defined in Regulation NMS Rule 600(b)(57) (together, “PBBO”). See Rule 13. See also 17 CFR 242.600(b)(57).

<sup>31</sup> 17 CFR 200.30-3(a)(12).

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

<sup>2</sup> 15 U.S.C. 78a.

<sup>3</sup> 17 CFR 240.19b-4.