

decision, unless the Commission, on its own motion, institutes a review of the director's decision in that time.

Dated at Rockville, Maryland, this 30th day of October, 2015.

For the Nuclear Regulatory Commission.

**William M. Dean,**

*Director, Office of Nuclear Reactor Regulation.*

[FR Doc. 2015-28361 Filed 11-5-15; 8:45 am]

**BILLING CODE 7590-01-P**

## NUCLEAR REGULATORY COMMISSION

[NRC-2015-0001]

### Sunshine Act Meeting Notice

**DATES:** November 9, 16, 23, 30, December 7, 14, 2015.

**PLACE:** Commissioners' Conference Room, 11555 Rockville Pike, Rockville, Maryland.

**STATUS:** Public and Closed.

#### Week of November 9, 2015

*Monday, November 9, 2015*

2:45 p.m. Affirmation Session (Public Meeting) (Tentative).

- a. *Pacific Gas and Electric Company* (Diablo Canyon Nuclear Power Plant), *Friends of the Earth's Appeal of LBP±15±6* (Tentative)
- b. *Entergy Nuclear Operations, Inc.* (Palisades Nuclear Plant)—Appeal of LBP-15-17 (Tentative)
- c. *Entergy Nuclear Operations, Inc.* (Palisades Nuclear Plant)—Appeal of LBP-15-20 (Tentative)
- d. *Entergy Nuclear Operations, Inc.* (Indian Point Nuclear Generating Units 2 and 3)—Petition for Interlocutory Review of Atomic Safety and Licensing Board's July 20, 2015 Order (Denying New York Motion to Withdraw Proprietary Designation) (Tentative).

#### Week of November 16, 2015—Tentative

*Tuesday, November 17, 2015*

9:00 a.m. Briefing on the Status of Lessons Learned from the Fukushima Dai-Ichi Accident (Public Meeting); (Contact: Gregory Bowman: 301-415-2939).

This meeting will be webcast live at the Web address—<http://www.nrc.gov/>.

*Thursday, November 19, 2015*

9:00 a.m. Hearing on Combined Licenses for South Texas Project, Units 3 and 4; Section 189a of the Atomic Energy Act Proceeding (Public Meeting); (Contact: Tom Tai: 301-415-8484).

This meeting will be webcast live at the Web address—<http://www.nrc.gov/>.

#### Week of November 23, 2015—Tentative

There are no meetings scheduled for the week of November 23, 2015.

#### Week of November 30, 2015—Tentative

*Thursday, December 3, 2015*

9:30 a.m. Briefing on Equal Employment Opportunity and Civil Rights Outreach (Public Meeting); (Contact: Larniece McKoy Moore: 301-415-1942).

This meeting will be webcast live at the Web address—<http://www.nrc.gov/>.

#### Week of December 7, 2015—Tentative

There are no meetings scheduled for the week of December 7, 2015.

#### Week of December 14, 2015—Tentative

*Tuesday, December 15, 2015*

9:00 a.m. Hearing on Construction Permit for SHINE Medical Isotope Production Facility: Section 189a of the Atomic Energy Act Proceeding (Public Meeting); (Contact: Steven Lynch: 301-415-1524).

This meeting will be webcast live at the Web address—<http://www.nrc.gov/>.

*Thursday, December 17, 2015*

9:30 a.m. Briefing on Project AIM 2020 (Public Meeting); (Contact: John Jolicoeur 301-415-1642).

This meeting will be webcast live at the Web address—<http://www.nrc.gov/>.

The schedule for Commission meetings is subject to change on short notice. For more information or to verify the status of meetings, contact Denise McGovern at 301-415-0681 or via email at [Denise.McGovern@nrc.gov](mailto:Denise.McGovern@nrc.gov).

The NRC Commission Meeting Schedule can be found on the Internet at: <http://www.nrc.gov/public-involve/public-meetings/schedule.html>.

The NRC provides reasonable accommodation to individuals with disabilities where appropriate. If you need a reasonable accommodation to participate in these public meetings, or need this meeting notice or the transcript or other information from the public meetings in another format (e.g. braille, large print), please notify Kimberly Meyer, NRC Disability Program Manager, at 301-287-0739, by videophone at 240-428-3217, or by email at [Kimberly.Meyer-Chambers@nrc.gov](mailto:Kimberly.Meyer-Chambers@nrc.gov). Determinations on requests for

reasonable accommodation will be made on a case-by-case basis.

\* \* \* \* \*

Members of the public may request to receive this information electronically. If you would like to be added to the distribution, please contact the Nuclear Regulatory Commission, Office of the Secretary, Washington, DC 20555 (301-415-1969), or email [Brenda.Akstulewicz@nrc.gov](mailto:Brenda.Akstulewicz@nrc.gov) or [Patricia.Jimenez@nrc.gov](mailto:Patricia.Jimenez@nrc.gov).

Dated: November 4, 2015.

**Denise L. McGovern,**

*Policy Coordinator, Office of the Secretary.*

[FR Doc. 2015-28482 Filed 11-4-15; 4:15 pm]

**BILLING CODE 7590-01-P**

## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-76327; File No. SR-BATS-2015-93]

### Self-Regulatory Organizations; BATS Exchange, Inc.; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change To Delete Rule 22.10, Limitations on Dealings

November 2, 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 21, 2015, BATS Exchange, Inc. (the "Exchange" or "BATS") filed with the Securities and Exchange Commission ("Commission") the proposed rule change as described in Items I, II and III 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 for the BATS Options Market ("BATS Options") to adopt a principles-based approach to prohibit the misuse of material nonpublic information by Market Makers by deleting Rule 22.10 (Limitations on Dealings).

<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).

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 proposes to adopt a principles-based approach to prohibit the misuse of material non-public information by Market Makers by deleting Rule 22.10 (Limitations on Dealings). In doing so, the Exchange, with regard to BATS Options, would harmonize its rules governing Market Makers and Options Members that are not Market Makers relating to the protection against misuse of material, non-public information. The Exchange believes that Rule 22.10 is no longer necessary because all Options Members, including Market Makers, are subject to the Exchange's generally applicable principles-based requirements governing the protection against the misuse of material, non-public information, pursuant to Rule 5.5 (Prevention of the Misuse of Material, Non-Public Information), which obviates the need for separately prescribed requirements for a subset of Exchange participants. Additionally, there is no separate regulatory purpose served by having separate rules for Market Makers. The Exchange notes that this proposed rule change will not decrease the protections against the misuse of material, non-public information; instead, it is designed to provide more flexibility to Options Members. This is a competitive filing that is based on a proposal recently submitted by NYSE MKT LLC ("NYSE

MKT") and approved by the Commission.<sup>5</sup>

#### Background

The Exchange has two classes of BATS Options participants. Specifically, pursuant to Rule 16.1(a)(38), the term "Options Member" means a firm or organization that is registered with the Exchange pursuant to Chapter XVII of the Rules for the purposes of participating in options trading on BATS Options either as an "Options Order Entry Firm" or as an "Options Market Maker." Pursuant to Rule 16.1(a)(36), the terms "Options Order Entry Firm" or "OEF" mean those Options Members representing as agent Customer Orders on BATS Options and those non-Market Maker Members conducting proprietary trading. Pursuant to Rule 16.1(a)(37), the term "Options Market Maker" or "Market Maker" means an Options Member registered with the Exchange for the purpose of making markets in options contracts traded on the Exchange and that is vested with the rights and responsibilities specified in Chapter XXII of the Rules.

Rule 22.5 (Obligations of Market Makers) describes the obligations of Market Makers. Rule 22.6 (Market Maker Quotations) sets forth quoting obligations of Market Makers.<sup>6</sup> Rule 22.10 (Limitations on Dealings) requires Market Makers to maintain information barriers that are reasonably designed to prevent the misuse of material, non-public corporate or markets information in the possession of persons on one side of the information barrier by persons on the other side of the information barrier.

#### Proposed Rule Change

The Exchange believes that the particularized guidelines for Market Makers in Rule 22.10 are no longer necessary and proposes to delete Rule 22.10. The Exchange believes that Rule 5.5 (Prevention of the Misuse of Material, Nonpublic Information), which governs the misuse of material, non-public information and applies to all Members (including Options Members), provides an appropriate, principles-based approach to prevent the market abuses that Rule 22.10 seeks to address. Specifically, Rule 5.5 requires every Member (including Options Members) to establish,

maintain, and enforce written policies and procedures reasonably designed to prevent the misuse of material, non-public information by such Member or persons associated with such Member. For purposes of Rule 5.5, the misuse of material, non-public information includes, but is not limited to, the following:

(1) Trading in any securities issued by a corporation, or in any related securities or related options or other derivative securities, while in possession of material, non-public information concerning that issuer;

(2) Trading in a security or related options or other derivative securities, while in possession of material, non-public information concerning imminent transactions in the security or related securities; and

(3) Disclosing to another person or entity any material nonpublic information involving a corporation whose shares are publicly traded or an imminent transaction in an underlying security or related securities for the purpose of facilitating the possible misuse of such material nonpublic information.

Because Options Members are already subject to the requirements of Rule 5.5, the Exchange does not believe that it is necessary to separately require particularized limitations on Market Makers. Deleting Rule 22.10, with its particularized limitations would provide Market Makers with the flexibility to adapt their policies and procedures as appropriate to reflect changes to their business model, business activities, or the securities market in a manner similar to how Options Members on the Exchange currently operate in conformity with Rule 5.5.

As noted above, Market Makers are distinguished under Exchange rules from other Options Members only to the extent that Market Makers have heightened quoting obligations. However, such heightened quoting obligations do not afford different or greater access to nonpublic information than any other Options Member of the Exchange.<sup>7</sup> Therefore, because Market Makers do not have any trading advantages over Order Entry Firms on BATS Options, the Exchange believes

<sup>5</sup> See Securities Exchange Act Release No. 75432 (July 13, 2015), 80 FR 42597 (July 17, 2015) (Order Approving SR-NYSEMKT-2015-23).

<sup>6</sup> Rule 22.6 generally requires that Market Makers provide firm, two-sided, continuous quotations, in minimum size, for the options series to which it is registered.

<sup>7</sup> The Exchange notes that by deleting Rule 22.10, the Exchange would no longer require specific information barriers for Market Makers; however, as is the case currently with Options Members, information barriers of new participants would be subject to review as part of a new firm application. Moreover, the policies and procedures of Market Makers, including those relating to any information barriers, would be subject to review by FINRA, on behalf of the Exchange, pursuant to a Regulatory Services Agreement.

that they should be subject to the same rules regarding the protection against the misuse of material non-public information, which in this case, is existing Rule 5.5.

The Exchange notes that its proposed approach to use a principles-based approach to protecting against the misuse of material non-public information for all of its registered Options Members is consistent with recently approved rule changes for NYSE MKT and recently filed changes for the International Securities Exchange LLC (“ISE”) and the Boston Options Exchange LLC (“BOX”).<sup>8</sup> Each of these exchanges has moved to a principles-based approach to protecting against the misuse of material non-public information. In connection with approving those rule changes, the Commission found that, with adequate oversight by the exchanges of their members, eliminating prescriptive information barrier requirements should not reduce the effectiveness of exchange rules requiring its members to establish and maintain systems to supervise the activities of its members, including written procedures reasonably designed to ensure compliance with applicable federal securities law and regulations, and with the rules of the applicable exchange.<sup>9</sup>

The Exchange believes that a principles-based rule applicable to members of options markets would be effective in protecting against the misuse of material non-public information. Indeed, Exchange Rule 5.5 is currently applicable to Options Members and already requires policies and procedures reasonably designed to prevent the misuse of material nonpublic information. The Exchange believes that Rule 5.5 provides appropriate protection against the misuse of material nonpublic information by Options Members and that there is no longer a need for prescriptive information barrier requirements set forth in Rule 22.10.

<sup>8</sup> See Securities Exchange Act Release No. 75432 (July 13, 2015), 80 FR 42597 (July 17, 2015) (Order Approving Adopting a Principles-Based Approach to Prohibit the Misuse of Material Nonpublic Information by Specialists and e-Specialists by Deleting Rule 927.3NY and Section (f) of Rule 927.5NY). See also Securities Exchange Act Release Nos. 75792 (August 31, 2015), 80 FR 53601 (September 4, 2015) (SR-ISE-2015-26) (Notice of Filing and Immediate Effectiveness of Proposed Rule Change Adopting a Principles-Based Approach To Prohibit the Misuse of Material, Non-Public Information by Market Makers by Deleting Rule 810); 75916 (September 14, 2015), 80 FR 56503 (September 18, 2015) (SR-BOX-2015-31) (Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Adopt a Principles-Based Approach To Prohibit the Misuse of Material Nonpublic Information by Market Makers).

<sup>9</sup> See supra note 8.

The Exchange notes that even with this proposed rule change and the elimination of the requirement that the Exchange pre-approve a Member’s policies and procedures, pursuant to Rule 5.5, an Options Member would still be obligated to ensure that its policies and procedures reflect the current state of its business and continue to be reasonably designed to achieve compliance with applicable federal securities law and regulations, including Section 15(g) of the Act,<sup>10</sup> and with applicable Exchange rules, including being reasonably designed to protect against the misuse of material, non-public information. Thus, the Exchange does not believe there will be any material change to Member’s information barriers as a result of the Exchange’s pre-approval no longer being required. In fact, the Exchange anticipates that the lack of such pre-approval would facilitate Market Maker’s ability to more quickly implement changes to their information barrier as necessary to protect against the misuse of material, non-public information.

The Exchange is not proposing to change what is considered to be material, non-public information and, thus, would not expect there to be any changes to the types of information that an affiliated brokerage business of a Market Maker could share with such Market Maker. In addition, the Exchange notes that the proposed rule change would not permit the affiliates of a Market Maker to have access to any non-public order or quote information of the Market Maker, including the non-displayed size of Reserve Orders.<sup>11</sup> Affiliates of Market Makers would only be permitted to have access to orders and quotes that are publicly available to all market participants.

While information barriers would not specifically be required under the proposal, Rule 5.5 already requires that an Options Member consider its business model or business activities in structuring its policies and procedures, which may dictate that an information barrier or a functional separation be part of the appropriate set of policies and procedures that would be reasonably designed to achieve compliance with applicable securities law and regulations, and with applicable Exchange rules.

The Exchange believes that the proposed reliance on the principles-based Rule 5.5 would ensure that an

<sup>10</sup> 15 U.S.C. 78o(g).

<sup>11</sup> Reserve Orders are described in Rule 21.1(d) and include both a quantity that is displayed and a reserve portion that is not displayed.

Options Member would be required to protect against the misuse of any material non-public information. As noted above, Rule 5.5 already requires that Members refrain from trading while in possession of material non-public information concerning imminent transactions in the security or related product. The Exchange believes that moving to a principles-based approach rather than prescribing particularized information barriers applicable to Market Makers would provide Market Makers with flexibility when managing risk across a firm, including integrating options positions with other positions of the firm or, as applicable, by the respective independent trading unit.

## 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 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, would promote just and equitable principles of trade, remove impediments to, and perfect the mechanism of, a free and open market and a national market system, and, in general protect investors and the public interest.

The Exchange believes that the proposed rule change would remove impediments to and perfect the mechanism of a free and open market by adopting a principles-based approach to permit an Options Member to maintain and enforce policies and procedures to, among other things, prohibit the misuse of material non-public information and provide flexibility on how a Market Maker structures its operations. The Exchange notes that the proposed rule change is based upon an approved rule of the Exchange to which Options Members are subject—Rule 5.5—and the proposed change harmonizes the rules governing Options Members. Moreover, Market Makers would continue to be subject to federal and Exchange requirements for protecting material non-public order information.<sup>14</sup> The Exchange believes that the proposed rule change would remove impediments to and perfect the mechanism of a free and open market because it would harmonize the Exchange’s approach to protecting against the misuse of material

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

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

<sup>14</sup> See 15 U.S.C. 78o(g) and Rule 5.5.

nonpublic information and no longer subject Market Makers to particularized prescriptive requirements. The Exchange does not believe that the existing prescriptive requirements applicable to Options Market Makers are narrowly tailored to their respective role because Market Makers do not have access to Exchange trading information in a manner different from any other Options Member that is not a Market Maker.

The Exchange further believes the proposal is designed to prevent fraudulent and manipulative acts and practices and to promote just and equitable principles of trade because existing rules make clear to Options Members the type of conduct that is prohibited by the Exchange. While the proposal eliminates certain prescriptive requirements relating to the misuse of material non-public information, Market Makers would remain subject to existing Exchange rules requiring them to establish and maintain systems to supervise their activities, and to create, implement, and maintain written procedures that are reasonably designed to comply with applicable securities laws and Exchange rules, including the prohibition on the misuse of material, nonpublic information. Additionally, the policies and procedures of Market Makers, including those relating to information barriers, would be subject to review by FINRA, on behalf of the Exchange.<sup>15</sup>

The Exchange notes that the proposed rule change would still require that Market Makers maintain and enforce policies and procedures reasonably designed to ensure compliance with applicable federal securities laws and regulations and with Exchange rules. Even though there would no longer be particularized Market Maker information barriers, any Market Maker written policies and procedures would continue to be subject to oversight by the Exchange and therefore the elimination of prescribed requirements should not reduce the effectiveness of the Exchange rules to protect against the misuse of material non-public information. Rather, all Options Members will be able to utilize a flexible, principles-based approach to modify their policies and procedures as appropriate to reflect changes to their business model, business activities, or to the securities market itself. Moreover, while particularized information barriers may no longer be required, an Options Member's business model or business activities may dictate that an information barrier or functional

separation be part of the appropriate set of policies and procedures that would be reasonably designed to achieve compliance with applicable securities laws and regulations, and with applicable Exchange rules. The Exchange therefore believes that the proposed rule change will maintain the existing protection of investors and the public interest that is currently applicable to Market Makers, while at the same time removing impediments to and perfecting a free and open market by moving to a principles-based approach to protect against the misuse of material non-public information.

*(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. In this regard and as indicated above, the Exchange notes that the rule change is being proposed as a competitive response to a filing submitted by NYSE MKT that was recently approved by the Commission.<sup>16</sup> The Exchange believes this proposed rule change is necessary to permit fair competition among the options exchanges.

The Exchange believes that the proposal will enhance competition by allowing Market Makers to comply with applicable Exchange rules in a manner best suited to their business models, business activities, and the securities markets, thus reducing regulatory burdens while still ensuring compliance with applicable securities laws and regulations and Exchange rules. The Exchange believes that the proposal will foster a fair and orderly marketplace without being overly burdensome upon Market Makers.

*(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**

Because the foregoing proposed rule change does not: (A) Significantly affect the protection of investors or the public interest; (B) impose any significant burden on competition; and (C) by its

terms, become operative for 30 days from the date on which it was filed 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 paragraph (f)(6) of Rule 19b-4 thereunder,<sup>18</sup> the Exchange has designated this rule filing as non-controversial. The Exchange has given 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.

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 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-2015-93 on the subject line.

*Paper Comments*

- Send paper comments in triplicate to Brent J. Fields, Secretary, Securities and Exchange Commission, 100 F Street NE., Washington, DC 20549-1090. All submissions should refer to File Number SR-BATS-2015-93. 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

<sup>15</sup> See *supra*, note 7.

<sup>16</sup> See *supra*, note 5.

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

<sup>18</sup> 17 CFR 240.19b-4.

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 the 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-BATS-2015-93 and should be submitted on or before November 27, 2015.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>19</sup>

**Jill M. Peterson,**

*Assistant Secretary.*

[FR Doc. 2015-28268 Filed 11-5-15; 8:45 am]

**BILLING CODE 8011-01-P**

## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-76326; File No. SR-CHX-2015-08]

### Self-Regulatory Organizations; Chicago Stock Exchange, Inc.; Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Modify Its Smart Versus Direct Routing Protocol

November 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 October 26, 2015, the Chicago Stock Exchange, Inc. ("CHX" or "Exchange") 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 Substance of the Proposed Rule Change

CHX proposes to modify its smart versus direct order routing protocol. CHX has designated this proposed rule change as non-controversial pursuant to Section 19(b)(3)(A)<sup>3</sup> of the Act and Rule 19b-4(f)(6)<sup>4</sup> thereunder and has provided the Commission with the notice required by Rule 19b-4(f)(6)(iii).<sup>5</sup> The text of this proposed rule change is available on the Exchange's Web site at ([www.chx.com](http://www.chx.com)) and in 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 CHX included statements concerning the purpose of and basis for the proposed rule changes 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 CHX 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 proposes to modify its smart versus direct order routing protocol, which was recently clarified and modified under SR-CHX-2015-02.<sup>6</sup> Specifically, the Exchange proposes to (1) eliminate the Exchange's special routing handling for Protected Quotations<sup>7</sup> displayed on the Alternative Display Facility ("ADF") operated by the Financial Industry Regulatory Authority ("FINRA")<sup>8</sup> ("ADF special handling")<sup>9</sup> and (2) to always direct a non-affiliate third-party routing broker ("third-party routing broker") to route orders to specific routing destinations, when required by CHX Rules,<sup>10</sup> including situations where orders would be routed pursuant to a routing table maintained by the Exchange, as described in detail below.

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

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

<sup>5</sup> 17 CFR 240.19b-4(f)(6)(iii).

<sup>6</sup> See Exchange Act Release No. 74487 (March 12, 2015), 80 FR 14193 (March 18, 2015) (SR-CHX-2015-02).

<sup>7</sup> See 17 CFR 242.600(a)(58).

<sup>8</sup> See FINRA Rule 6210.

<sup>9</sup> See *supra* note 6.

<sup>10</sup> See CHX Article 19, Rule 3(a).

The Exchange does not propose to substantively modify the smart versus direct order routing protocol or the CHX Routing Services in any other way.

Currently, upon the triggering of a Routing Event,<sup>11</sup> the Exchange will route away Routable Orders,<sup>12</sup> or portions thereof, through CHXBD, LLC, which is an affiliated routing broker that operates as a facility of the Exchange, which would then forward orders to a third-party routing broker for routing to the ultimate routing destination.<sup>13</sup> All orders routed to the third-party routing broker will include instructions for the third-party routing broker to either direct route the order to a specific destination or to smart route the order utilizing the third-party routing broker's routing technology, pursuant to a routing table provided and maintained by the Exchange. The decision to smart or direct route orders is made by the Exchange pursuant to the following smart versus direct order routing protocol:<sup>14</sup>

- Smart route. Subject to ADF special handling, if the portion of a Routable Order that is to be routed away at a certain price point is smaller than the aggregate size of two or more contra-side Protected Quotations that could be satisfied at that price point, the Exchange will rely on a third-party routing broker to utilize its smart routing technology to route away the corresponding orders pursuant to a routing table provided by the Exchange. When orders are smart routed, the relevant snapshot of Protected Quotations of external markets for Regulation NMS purposes will be taken by the third-party routing broker and the third-party routing broker would route orders marked Immediate Or Cancel<sup>15</sup> and Intermarket Sweep Order<sup>16</sup> ("IOC/ISO").

- Direct route. Subject to ADF special handling, if the portion of a Routable Order that is to be routed away at a certain price point is smaller than the size of one contra-side Protected Quotation that could be satisfied or is the same size as the aggregate size of one or more contra-side Protected Quotations that could be satisfied at that price point, the Exchange will direct the third-party routing broker to route corresponding orders to specific routing destinations. Thus, the relevant snapshot of the Protected Quotations of

<sup>11</sup> *Id.*

<sup>12</sup> See CHX Article 1, Rule 1(oo).

<sup>13</sup> See Exchange Act Release No. 73150 (September 19, 2014), 79 FR 57603 (September 25, 2014) (SR-CHX-2014-15).

<sup>14</sup> See *supra* notes 6 and 13.

<sup>15</sup> See CHX Article 1, Rule 2(d)(4).

<sup>16</sup> See CHX Article 1, Rule 2(b)(3)(B).

<sup>19</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.