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.* Please include File Number SR–PHLX–2015–20 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.

All submissions should refer to File Number SR–PHLX–2015–20. This file number should be included on the subject line if email is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet Web site (*http://www.sec.gov/rules/sro.shtml).* Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for Web site viewing and printing in the Commission's Public Reference Room, 100 F Street NE., Washington, DC 20549, on official business days between the hours of 10:00 a.m. and 3:00 p.m. Copies of such filing also will be available for inspection and copying at the principal office of the Exchange. All comments received will be posted without change; the Commission does not edit personal identifying information from submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR–PHLX–2015–20 and should be submitted on or before March 31, 2015.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.[14]

Brent J. Fields,

Secretary.

[FR Doc. 2015–05481 Filed 3–9–15; 8:45 am]

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[14] 17 CFR 200.30–3(a)(12).

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–74441; File No. SR–NYSEArca–2014–150]

Self-Regulatory Organizations; NYSE Arca, Inc.; Order Granting Approval of a Proposed Rule Change, as Modified by Amendment No. 1, To Amend Rule 6.60 and To Adopt Rule 6.61, Which Was Previously Reserved, To Provide Price Protection for Market Maker Quotes

March 4, 2015.

I. Introduction

On December 29, 2014, NYSE Arca, Inc. (''Exchange'') filed with the Securities and Exchange Commission (''Commission''), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (''Act'')[1] and Rule 19b–4 thereunder,[2] a proposed rule change to amend Exchange Rule 6.60 (Price Protection) and to adopt Exchange Rule 6.61 to provide price protection for Market Maker quotes. The proposed rule change was published for comment in the **Federal Register** on January 14, 2015.[3] The Commission received no comment letters on the proposal. On March 2, 2015, the Exchange filed Amendment No. 1 to the proposed rule change.[4] This order approves the proposed rule change, as modified by Amendment No. 1 thereto.

II. Description of the Proposal

The Exchange proposed to amend Exchange Rule 6.60 and to adopt Exchange Rule 6.61, which was previously Reserved, to provide price protection for Market Maker quotes. Exchange Rule 6.60 currently applies and will continue to apply solely to orders. Exchange Rule 6.60(b), provides a price protection filter for incoming limit orders, pursuant to which the Exchange rejects limit orders priced a specified percentage[5] through the National Best Bid (''NBB'') or National Best Offer (''NBO'') (''Limit Order Filter''). To clarify that Exchange Rule 6.60 applies only to orders, the Exchange proposed to append the word ''Orders'' to the Exchange Rule 6.60 header to provide ''Rule 6.60. Price Protection—Orders.''[6]

A. Proposed Market Maker Quote Price Protection

The Exchange proposed to adopt new Exchange Rule 6.61 to provide for a price protection mechanism for quotes entered by a Market Maker. Exchange Rule 6.61(a) will provide price protection filters applicable only for quotes entered by a Market Maker pursuant to Rule 6.37B and will not be applicable to orders entered by a Market Maker. The Exchange proposed to provide for two layers of price protection that will be applicable to all incoming Market Maker quotes.[7] The first layer of price protection will assess incoming sell quotes against the NBB and incoming buy quotes against the NBO.[8] The second layer of price protection will assess the price of call or put bids against a specified benchmark.

1. NBBO Price Reasonability Check

Proposed Exchange Rule 6.61(a)(1) sets forth the Exchange's proposed NBBO price reasonability check, which will compare Market Maker bids with the NBO and Market Maker offers with the NBB. Specifically, provided that an NBBO is available, a Market Maker quote will be rejected if it is priced a specified dollar amount or percentage through the contra-side NBBO as follows:

(A) $1.00 for Market Maker bids when the contra-side NBO is priced at or below $1.00; or

(B) 50% for Market Maker bids (offers) when the contra-side NBO (NBB) is priced above $1.00.

The Exchange will reject inbound Market Maker quotes that exceed the parameters set forth in proposed Exchange Rule 6.61(a)(1)(A)–(B).[9] The

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

[2] 17 CFR 240.19b–4.

[3] *See* Securities Exchange Act Release No. 74018 (January 8, 2015), 80 FR 1982 (''Notice'').

[4] In Amendment No. 1, the Exchange clarified that it believes that Market Maker bids should not be priced the same as or higher than the corresponding benchmark, which would be the price of the underlying security for call options and the strike price for put options. Amendment No. 1 does not change any of the proposed rule text that was submitted in the original filing. Amendment No. 1 is technical in nature and, therefore, the Commission is not publishing it for comment.

[5] Pursuant to Exchange Rule 6.60(b), unless determined otherwise by the Exchange and announced to OTP Holders and OTP Firms via Trader Update, the specified percentage is 100% for the contra-side NBB or NBO priced at or below $1.00 and 50% for contra-side NBB or NBO priced above $1.00. *See* Notice, *supra* note 3, at 1983.

[6] *See* Notice, *supra* note 3, at 1983.

[7] The Exchange states that the proposal will assist with the maintenance of fair and orderly markets by averting the risk of Market Maker quotes sweeping through multiple price points resulting in executions at prices that are through the last sale price or National Best Bid or Best Offer (''NBBO''). *See* Notice, *supra* note 3, at 1983.

[8] The Exchange represents that this proposed price protection mechanism is similar to the Exchange's Limit Order Filter. *See* Notice, *supra* note 3, at 1983.

[9] The Exchange states that the proposed percentages are appropriate because they are based on the percentages established for the Limit Order Filter. *See* Notice, *supra* note 3, at 1983.

Exchange states that it has proposed a specific dollar threshold for when the NBO is priced at or below $1.00 because, for such low-priced NBOs, the Exchange believes it is appropriate to provide Market Makers with the ability to enter quotes at least $1.00 higher than the prevailing NBO.[10] For example, if the NBO were $0.06, when using a 100% filter, the Exchange would be required to reject any bids priced $0.12 or more. In addition, the Exchange proposed that pursuant to proposed Exchange Rule 6.61(a)(1)(A), Market Maker offers that arrive when the NBB is priced at or below $1.00 will not be subject to this filter. The Exchange notes that when the NBB is priced at or below $1.00, the price of an offer will be bound by $0.00, and therefore an offer will always be less than $1.00 away from the NBB.[11]

Because there may be market scenarios that require the proposed parameters to be adjusted, for example, during periods of extreme price volatility, the Exchange has further proposed that the Exchange may revise these parameters, provided such revised parameters are announced to OTP Holders or OTP Firms via a Trader Update.[12]

The Exchange also proposed that if a Market Maker quote is rejected pursuant to paragraph (a)(1) of the proposed rule, the Exchange will also cancel any resting same-side quote in the affected series from that Market Maker.[13] According to the Exchange, even if the new quote is rejected because it is priced a specified dollar amount or percentage through the contra-side NBBO, in violation of proposed Exchange Rule 6.61(a)(1), the Market Maker's implicit instruction to cancel the resting quote remains valid nonetheless.[14]

2. *Underlying Stock Price/Strike Price Check*

The Exchange also has proposed new Exchange Rule 6.61(a)(2) and (3) which will set forth the Exchange's proposed second layer of price protection filters for Market Maker quotes. These price protection mechanisms will be applicable when either there is no NBBO available, for example, during pre-opening or prior to conducting a re-opening after a trading halt, or if the NBBO is so wide as to not to reflect an appropriate price for the respective options series. Proposed Exchange Rule 6.61(a)(2) will also provide price protection for Market Maker bids in call options. As proposed, if such bids equal or exceed the price of the underlying security, the Market Maker bid will be rejected.[15]

Under new Exchange Rule 6.61(a)(2)(A), before the underlying security is open, the Exchange will use the previous day's closing price to determine the price of the underlying security.[16] Under new Exchange Rule 6.61(a)(2)(B), once the underlying security has opened, the Exchange will use the consolidated last sale price to determine the price of the underlying security. Under new Exchange Rule 6.61(a)(2)(C), during a trading halt of the underlying security, the Exchange will use the consolidated last sale reported immediately prior to the trading halt to determine the price of the underlying security.[17] New Exchange Rule 6.61(a)(3) will provide for price protection for Market Maker bids in put options. In particular, any Market Maker bid for put options will be rejected if the price of the bid is equal to or greater than the strike price of the option.[18]

The Exchange also has proposed that when a Market Maker quote is rejected pursuant to paragraph (a)(2) or (a)(3) of the proposed rule, the Exchange will also cancel all resting quote(s) in the affected class(es) from that Market Maker and will not accept new quote(s) in the affected class(es) until the Market Maker submits a message (which may be automated) to the Exchange to enable the entry of new quotes.[19]

B. Implementation

The Exchange stated that it would announce the implementation date of the proposed rule change in a Trader Update and publish such announcement at least 30 days prior to implementation.

III. Discussion and Commission Findings

After careful review, the Commission finds that the proposed rule change is consistent with the requirements of the Act and the rules and regulations thereunder applicable to a national securities exchange and, in particular, with Section 6(b) of the Act.[20] In particular, the Commission finds that the proposed rule change is consistent with Sections 6(b)(5) of the Act,[21] which requires, among other things, that the rules of a national securities exchange be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in securities, to remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in

[10] *See* Notice, *supra* note 3, at 1983.

[11] The Exchange states that such offer prices would likely not be erroneous and therefore the Exchange does not believe it necessary to reject such Market Maker offers. *See* Notice, *supra* note 3, at 1983.

[12] *See* proposed Exchange Rule 6.61(a)(1)(A)–(B) (setting forth the specified dollar amount or percentages ''unless determined otherwise by the Exchange and announced to OTP Holders and OTP Firms via Trader Update'').

[13] *See* proposed Exchange Rule 6.61(b). The Exchange states that it believes it is appropriate to reject any resting same-side quote because when a Market Maker submits a new quote, that Market Maker is implicitly instructing the Exchange to cancel any resting quote in that same series. *See* Notice, *supra* note 3, at 1983.

[14] *See* Notice, *supra* note 3, at 1984 for examples illustrating how proposed Exchange Rule 6.61(a) will operate.

[15] *See* proposed Exchange Rule 6.61(a)(2). With a call bid, a Market Maker is bidding to buy an option that would be exercised into the right to acquire the underlying security. The Exchange states that it does not believe that a derivative product, which conveys the right to purchase a security underlying the derivative, should ever be priced the same as or higher than the prevailing price of the underlying security itself. Accordingly, the Exchange believes it is appropriate to reject Market Maker bids for call options that are equal to or in excess of the price of the underlying security. *See* Notice, *supra* note 3, at 1984. *See also* Amendment No. 1, *supra* note 4.

[16] According to the Exchange, although the underlying securities may trade in the equities markets outside of 9:30 a.m. ET to 4:00 p.m. ET, the equities market is generally not as liquid during this time and equity market makers generally do not have quoting obligations in after-hours trading. Therefore, the Exchange believes that using the previous day's closing price—based on trading during Core Trading Hours, when the market is most liquid—provides a more accurate benchmark and thus a more precise price protection filter for underlying securities that have not yet opened. *See* Notice, *supra* note 3, at 1984.

[17] The Exchange believes that the consolidated last sale price for an underlying security that has already opened will provide the most accurate benchmark because the market is most liquid during Core Trading Hours. *See* Notice, *supra* note 3, at 1984.

[18] The Exchange states that the value of a put can never exceed the strike price of the option, even if the stock goes to zero. For example, a put with a strike price of $50 gives the holder the right to sell the underlying security for $50 (no more, or no less), therefore the Exchange states that it would be illogical to pay $50 or more for the right to sell that underlying security, no matter what the price of the underlying security. *See* Notice, *supra* note 3, at 1984. *See also* Amendment No. 1, *supra* note 4.

[19] *See* proposed Exchange Rule 6.61(b). The Exchange believes that this temporary suspension from quoting in the affected option class(es) would operate as a safety valve that forces Market Makers to re-evaluate their positions before requesting to re-enter the market. *See* Notice, *supra* note 3, at 1984. *See also* Notice, *supra* note 3, at 1984–5 for examples illustrating how proposed Exchange Rule 6.61(a)(2) and (a)(3) would operate.

[20] 15 U.S.C. 78f(b). In approving this proposed rule change, the Commission has considered the proposed rule's impact on efficiency, competition, and capital formation. *See* 15 U.S.C. 78c(f).

[21] 15 U.S.C. 78f(b)(5).

general, to protect investors and the public interest.

The proposed rule change provides a price protection mechanism for quotes entered by a Market Maker when an NBBO is available that are priced a specified dollar amount or percentage through the last sale or prevailing contra-side market, which the Exchange believes is evidence of error. The Commission believes that the proposed price protection mechanism is reasonably designed to promote just and equitable principles of trade by preventing potential price dislocation that could result from erroneous Market Maker quotes sweeping through multiple price points resulting in executions at prices that are through the last sale price or NBBO.[22]

The Exchange's proposed use of benchmarks to check the reasonability of Market Maker bids for call and put options affords a second layer of price protection to Market Maker quotes. The Commission believes that the additional price reasonability check on Market Maker bids that are priced equal to or greater than the price of the underlying security for call options, and equal to or greater than the strike price for put options, is reasonably designed to operate in manner that would remove impediments to and perfect the mechanism of a free and open market and protect investors and the public interest. Further, the Commission notes the Exchange's belief that the additional risk controls that result in the cancellation of a Market Maker's resting same side quote and/or the temporary suspension a Market Maker's quoting activity in the affected option class(es), as applicable, provide market participants with additional protection from anomalous executions.[23]

Accordingly, the Commission believes that the proposed price protection for Market Maker quotes is reasonably designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in securities, to remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general, to protect investors and the public interest.

IV. Conclusion

For the foregoing reasons, the Commission finds that the proposed rule change is consistent with the Act and the rules and regulations thereunder applicable to a national securities exchange.

It is therefore ordered, pursuant to Section 19(b)(2) of the Act,[24] that the proposed rule change (SR–NYSEArca–2014–150), as modified by Amendment No. 1, be, and hereby is, approved.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.[25]

Jill M. Peterson,

Assistant Secretary.

[FR Doc. 2015–05497 Filed 3–9–15; 8:45 am]

BILLING CODE 8011–01–P

[22] *See* Notice, *supra* note 3, at 1985.

[23] *See* Notice, *supra* note 3, at 1985.

[24] 15 U.S.C. 78s(b)(2).

[25] 17 CFR 200.30–3(a)(12).

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–74439; File No. SR–EDGX–2015–08]

Self-Regulatory Organizations; EDGX Exchange, Inc.; Notice of Filing of a Proposed Rule Change, as Modified by Amendment No. 1, To Amend Rules 11.6, 11.8, 11.9, 11.10 and 11.11 of EDGX Exchange, Inc.

March 4, 2015.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the ''Act''),[1] and Rule 19b–4 thereunder,[2] notice is hereby given that on February 20, 2015, EDGX Exchange, Inc. (the ''Exchange'' or ''EDGX'') filed with the Securities and Exchange Commission (''Commission'') the proposed rule change as described in Items I, II and III below, which items have been prepared by the self-regulatory organization. On February 27, 2015, the Exchange filed Amendment No. 1 to the proposal.[3] The Commission is publishing this notice, as modified by Amendment No. 1, to solicit comments on the proposed rule change from interested persons.

I. Self-Regulatory Organization's Statement of the Terms of the Substance of the Proposed Rule Change

The Exchange filed a proposal to amend Rules 11.6, 11.8, 11.9, 11.10 and 11.11 to clarify and to include additional specificity regarding the current functionality of the Exchange's System,[4] including the operation of its order types and order instructions, as further described below.

The text of the proposed rule change is available at the Exchange's Web site at *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 the 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 the Statutory Basis for, the Proposed Rule Change

1. Purpose

On June 5, 2014, Chair Mary Jo White asked all national securities exchanges to conduct a comprehensive review of each order type offered to members and how it operates.[5] The Exchange notes that a comprehensive rule filing clarifying and updating Exchange rules was recently approved.[6] However, based on the request from Chair White, the Exchange did indeed conduct further review of each order types and its operation. The proposals set forth below are based on this comprehensive review and are intended to clarify and to include additional specificity regarding the current functionality of the Exchange's System, including the operation of its order types and order instructions. The proposals set forth below are intended to supplement the recently approved filing based on further review conducted by the Exchange and are intended to clarify and enhance the understandability of the Exchange's rules related to the ranking and execution of orders. The proposal is also intended to add additional detail with respect to the handling of orders with a Discretionary

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

[2] 17 CFR 240.19b–4.

[3] Amendment No. 1 replaces SR–EDGX–2015–08 and supersedes such filing in its entirety.

[4] The term ''System'' is defined as ''the electronic communications and trading facility designated by the Board through which securities orders of Users are consolidated for ranking, execution and, when applicable, routing away.'' *See* Exchange Rule 1.5(cc).

[5] *See* Mary Jo White, Chair, Commission, Speech at the Sandler O'Neill & Partners, L.P. Global Exchange and Brokerage Conference, (June 5, 2014) (*available at http://www.sec.gov/News/Speech/Detail/Speech/1370542004312#.VD2HW610w6Y*).

[6] Securities Exchange Act Release No. 73468 (October 29, 2014), 79 FR 65450 (November 4, 2014) (SR–EDGX–2014–18).