



8011-01p
SECURITIES AND EXCHANGE COMMISSION
[Release No. 34-74076; File No. SR-EDGA-2015-02]

Self-Regulatory Organizations; EDGA Exchange, Inc.; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to Clarify the Use of Certain Data Feeds
January 15, 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 January 7, 2015, EDGA Exchange, Inc. (the “Exchange” or “EDGA”) 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 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 filed a proposal to amend certain rules to adopt or align system functionality with that currently offered by BATS Exchange, Inc. (“BZX”) and BATS Y-Exchange, Inc. (“BYX”, and collectively with BZX, “BATS”) in order to provide a consistent technology offering amongst the Exchange and its affiliates. These changes, which are described in detail below, propose to clarify for Members³ and non-Members the Exchange’s use of certain data feeds for order handling and execution, order routing, and regulatory compliance. On July 15, 2014, the Exchange filed a proposed rule change that described its use of data feeds

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ The term “Member” is defined as “any registered broker or dealer, or any person associated with a registered broker or dealer, that has been admitted to membership in the Exchange. A Member will have the status of a “member” of the Exchange as that term is defined in Section 3(a)(3) of the Act.” See Exchange Rule 1.5(n).

for order handling and execution, order routing, and regulatory compliance (the “Initial Proposal”) with the Commission.⁴ The Exchange submits this supplemental filing in order to specify for Members and non-Members the Exchange’s use of certain data feeds in connection with the technology migration described in further detail below.⁵

The text of the proposed rule change is available at the Exchange’s website at <http://www.directedge.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

Background

On June 5, 2014, Chair White requested that all national securities exchanges develop proposed rule changes to disclose their use of data feeds to execute and route orders and comply

⁴ See Securities Exchange Act Release No. 72682 (July 28, 2014), 79 FR 44938 (August 1, 2014) (SR-EDGA-2014-17). Other national securities exchange filed similar proposals. See e.g., Securities Exchange Act Release Nos. 72710 (July 29, 2014), 79 FR 45511 (August 5, 2014) (SR-NYSE-2014-38), and 72684 (July 28, 2014), 79 FR 44956 (August 1, 2014) (SR-NASDAQ-2014-072).

⁵ The Exchange understands that other national security exchanges will file similar proposed rule changes with the Commission to further describe their use of data feeds for order handling and execution, order routing, and regulatory compliance.

with regulatory requirements.⁶ In addition, on June 20, 2014, the Commission’s Division of Trading and Markets requested that the Exchange file proposed rule changes that disclose its usage of particular market data feeds, among other things.⁷ In response to these requests, the Exchange filed the Initial Proposal with the Commission on July 15, 2014.⁸ The Exchange submits this supplemental filing to describe the Exchange’s use of certain data feeds for order handling and execution, order routing, and regulatory compliance in connection with the technology migration described in further detail below.⁹

Technology Migration

Earlier this year, the Exchange and its affiliate EDGX Exchange, Inc. (“EDGX”) received approval to effect a merger (the “Merger”) of the Exchange’s parent company, Direct Edge Holdings LLC, with BATS Global Markets, Inc., the parent company of BATS (the Exchange, together with BZX, BYX and EDGX, the “BGM Affiliated Exchanges”).¹⁰ In the context of the Merger, the BGM Affiliated Exchanges are working to migrate EDGA and EDGX onto the BATS technology platform, and align certain system functionality, retaining only intended differences between the BGM Affiliated Exchanges.

The proposed amendments are intended to align certain system functionality with that

⁶ See Mary Jo White, Chair, Securities and Exchange Commission, Speech at Sandler O’Neill & Partners L.P. Global Exchange and Brokerage Conference (June 5, 2014).

⁷ See letter from Stephen Luparello, Director, Division of Trading and Markets, Securities and Exchange Commission, to Joe Ratterman, Chief Executive Officer, BATS Global Markets, Inc., dated June 20, 2014.

⁸ See supra note 6.

⁹ See supra note 7.

¹⁰ See Securities Exchange Act Release No. 71449 (January 30, 2014), 79 FR 6961 (February 5, 2014) (SR-EDGX-2013-43; SR-EDGA-2013-34).

currently offered by BATS in order to provide a consistent technology offering for Users¹¹ of the BGM Affiliated Exchanges. The Exchange notes that the proposed rule text is based on corresponding proposals being submitted by all of the BGM Affiliated Exchanges. The proposed amendments do not propose to implement new or unique functionality that has not been previously filed with the Commission or is not available on BATS or BYX.

To ensure proper context and a complete filing describing the Exchange's procedures in this area both prior to and after the technology migration, the Exchange has repeated relevant information from the Initial Proposal and supplemented such information as necessary. In each section below the Exchange first describes its pre-integration functionality, which will be in place until the technology migration is complete, followed by a description of post-integration functionality. The Exchange anticipates completing the technology migration on or about January 12, 2015.

Order Handling and Execution

Pre-Integration Functionality. The Exchange's Matching Engine (the "ME") determines whether an order should be displayed, executed internally, or routed to another market center. In making this determination, the ME continually receives and maintains quote data that is delivered from an internal processor (the "Feed Handler"). The market data processed by the Feed Handler is sourced directly from the Securities Information Processors ("SIP") feeds. Specifically, the Exchange's ME uses the Consolidated Tape Association (CTA) market data operated by the Securities Industry Automation Corp. in Tapes A and B and Unlisted Trading Privileges (UTP) market data operated by NASDAQ OMX Group, Inc. in Tape C securities.

These SIP feeds contain the best (top-of-book) prices in round lot quotations of each

¹¹ The term "User" is defined as "any Member or Sponsored Participant who is authorized to obtain access to the System pursuant to Rule 11.3." See Exchange Rule 1.5(ee).

protected venue. The Exchange's ME consumes the SIP feeds to obtain the top-of-book quotes from each protected venue, including the Exchange's affiliates, EDGX, BZX, and BYX, and the Financial Industry Regulatory Authority's ("FINRA") Alternative Display Facility ("ADF"). The SIP feeds do not display odd lot quotations; therefore, the ME does not use odd lot quotations to calculate the national best bid and offer ("NBBO"). However, a protected venue may aggregate odd lot quotations to create round lot quotations and publish those round lot quotations to the SIPs feeds. Based on the SIP feeds and the EDGA Book,¹² the ME constructs the NBBO.

The ME will also update the NBBO upon receipt of an Intermarket Sweep Order ("ISO") with a time-in-force of Day ("Day ISO"). When a Day ISO is posted on the EDGA Book, the ME uses the receipt of a Day ISO as evidence that the protected quotes have been cleared, and the ME does not check away markets for equal or better-priced protected quotes.¹³ The ME will then display and execute non-ISO orders at the same price as the Day ISO.

The NBBO is utilized for order handling and execution. The Exchange looks to its calculation of the NBBO, based on the SIP feeds and the EDGA Book, when determining the price at which an order with a Pegged instruction,¹⁴ MidPoint Peg Order,¹⁵ MidPoint

¹² The term "EDGA Book" is defined as "the System's electronic file of orders." See Exchange Rule 1.5(d).

¹³ Pursuant to Regulation NMS, a broker-dealer routing a Day ISO is required to simultaneously route one or more additional ISOs, as necessary, to execute against the full displayed size of any protected quote priced equal to or better than the Day ISO. See also Question 5.02 in the "Division of Trading and Markets, Responses to Frequently Asked Questions Concerning Rule 611 and Rule 610 of Regulation NMS" (last updated April 4, 2008) available at <http://www.sec.gov/divisions/marketreg/nmsfaq610-11.htm>.

¹⁴ See Exchange Rule 11.6(j).

¹⁵ See Exchange Rule 11.8(d).

Discretionary Order,¹⁶ Market Maker Peg Order,¹⁷ or Supplemental Peg Order¹⁸ is to be pegged.

Post-Integration Functionality. As proposed, following the technology migration in order to calculate the NBBO in its Matching Engine (the “ME”), the Exchange will use quotes disseminated by market centers through proprietary data feeds (generally referred to as “Direct Feeds”) as well as by the SIP. The ME will use quotes disseminated from SIP feeds for the Chicago Stock Exchange, Inc., NYSE MKT LLC and FINRA’s ADF. The ME will consume the Direct Feeds from every other protected venue, including the Exchange’s affiliates, BZX, BYX and EDGX.

The ME will include odd lot quotations in its calculation of the NBBO depending on the source of the quotation. Where a protected market center aggregates odd lot quotations at a single price level into round lot quotations and publishes such aggregated quotations to the SIPs, then the ME will include those odd lot quotations in its calculation of the NBBO. In addition, where a protected market center aggregates odd lot quotations across more than one price level and publishes such aggregated quotations to the SIPs, then the ME will include those odd lot quotations in its calculation of the NBBO.

In addition to receiving Direct Feeds and SIP feeds, the ME’s calculation of the NBBO may be adjusted based on orders sent to other venues with protected quotations, execution reports received from those venues, and certain orders received by the Exchange (collectively “Feedback”). The Exchange does not include its quotes in the calculation of the Exchange’s NBBO because the system is designed such that all incoming orders are separately compared to the Exchange’s Best Bid or Offer and the Exchange calculated NBBO, which together create a

¹⁶ See Exchange Rule 11.8(e).

¹⁷ See Exchange Rule 11.8(f).

¹⁸ See Exchange Rule 11.8(g).

complete view of the NBBO, prior to display, execution, or routing.

Feedback from the receipt of ISOs with a time-in-force of Day (“Day ISOs”) and feedback from the Exchange’s routing broker/dealer, BATS Trading, Inc., (“BATS Trading”),¹⁹ defined respectively as “Day ISO Feedback and “Router Feedback,” will be used to augment the market data received by Direct Feeds and the SIP feeds as further described below. The Exchange’s ME will update the NBBO upon receipt of a Day ISO. When a Day ISO is posted on the EDGA Book, the ME uses the receipt of a Day ISO as evidence that the protected quotes have been cleared, and the ME does not check away markets for equal or better-priced protected quotes.²⁰ The ME will then display and execute non-ISO orders at the same price as the Day ISO.

All Feedback expires as soon as: (i) one (1) second passes; (ii) the Exchange receives new quote information; or (iii) the Exchange receives updated Feedback information. With the exception of Day ISO Feedback, the Exchange currently generates Feedback where an order was routed using a routing strategy offered by the Exchange that accesses protected quotes of trading venues on the System Routing Table (“Smart Order Routing”).²¹

¹⁹ The Exchange notes that it recently filed a separate proposal reflecting a change from its current routing broker-dealer, Direct Edge ECN LLC (d/b/a DE Route), to the use of BATS Trading, Inc. as the Exchange’s routing broker-dealer in connection with the technology migration. See Securities Exchange Act Release No. 73939 (December 24, 2014), 80 FR 91 (January 2, 2015) (SR-EDGA-2014-34).

²⁰ Pursuant to Regulation NMS, a broker-dealer routing a Day ISO is required to simultaneously route one or more additional ISOs, as necessary, to execute against the full displayed size of any protected quote priced equal to or better than the Day ISO. See also Question 5.02 in the “Division of Trading and Markets, Responses to Frequently Asked Questions Concerning Rule 611 and Rule 610 of Regulation NMS” (last updated April 4, 2008) available at <http://www.sec.gov/divisions/marketreg/nmsfaq610-11.htm>.

²¹ As set forth in Rule 11.11(g), the term “System routing table” refers to the proprietary process for determining the specific trading venues to which the System routes orders and the order in which it routes them.

As described above, the NBBO is utilized for order handling and execution. In determining the price where an order with a Pegged instruction,²² MidPoint Peg Order,²³ MidPoint Discretionary Order,²⁴ Market Maker Peg Order²⁵ or Supplemental Peg Order²⁶ is to be pegged, the Exchange uses the Pegged NBBO (“PBBO”). The Exchange will calculate the PBBO using information regarding orders displayed on the EDGA Book in addition to the quotes disseminated by market centers through Direct Feeds, SIP feeds, and Feedback used by the ME for its NBBO calculation.

Order Routing

Pre-Integration Functionality. When the Exchange has a marketable order with instructions from the sender that the order is eligible to be routed, and the ME identifies that there is no matching price available on the Exchange, but there is a matching price represented at another venue that displays protected quotes, then the ME will send the order to the Routing Engine (“RE”) of Direct Edge ECN LLC (d/b/a DE Route).²⁷

In determining whether to route an order and to which venue(s) it should be routed, the RE uses quotes disseminated from Direct Feeds, including EDGA, EDGX, BZX and BYX, and the SIP feeds from those venues where the Exchange does not take the Direct Feeds, including FINRA’s ADF.

The RE utilizes a third-party market data processor that consumes the Direct Feeds and the SIP feeds, aggregates the quantities of symbols by price level, and redistributes them to an

²² See Exchange Rule 11.6(j).

²³ See Exchange Rule 11.8(d).

²⁴ See Exchange Rule 11.8(e).

²⁵ See Exchange Rule 11.8(f).

²⁶ See Exchange Rule 11.8(g).

²⁷ See supra note 21.

internal quote processor (the “Quote Server”). The RE will request from the Quote Server a market data snapshot which includes the top-of-book and/or depth-of-book of each market center offering depth-of-book feeds. Depending on the source of the quotation, the Quote Server may include odd lot quotations if the market center publishes odd lot quotations in its Direct Feed.

Based on this snapshot, the RE determines where to route the order, allocating the shares to the venues at each price level up to the limit price of the order, starting with the best quotes subject to the Member’s instructions. If there are any shares remaining after the response to the initial route is received, the RE will take another snapshot from the Quote Server and send out orders based on the same logic. If the full quantity of the order is not executed after multiple route attempts, the order is returned to the ME.

In addition, the RE utilizes in-flight order information in its routing methodology. The RE tracks the details of each in-flight order, including the quantity routed and the corresponding quote published by the routed venue. After the RE requests a market data snapshot from the Quote Server and the RE has already targeted this quote (identified by venue, symbol, price, quantity and time stamp), then the RE will subtract the routed quantity of in-flight orders from the quote size displayed in the market data snapshot. The RE will route an order for the remaining quantity to the venue. If there are no residual shares, the RE will bypass the quote.

The RE also utilizes responses from other venues displaying protected quotes in its routing methodology. When the RE receives a response from a venue that does not completely fill the order targeting a quote, and no subsequent quote update has been received from that venue at the same price level, the RE will mark that venue’s quote as stale at that price level.²⁸

²⁸ Question 11 of the “Division of Market Regulation: Responses to Frequently Asked Questions Concerning Rule 611 and Rule 610 of Regulation NMS” describes routing

Absent additional quote updates from that venue, the RE will bypass the quote for one (1) second. After one second, if the quote is still included in the market data snapshot, the RE will target the quote again.

Post Integration Functionality. As proposed, following the technology migration, when the Exchange has a marketable order with instructions from the sender that the order is eligible to be routed, and the ME identifies that there is no matching price available on the Exchange but there is a matching price represented at another venue that displays protected quotes, then the ME will send the order to the RE of BATS Trading.

In determining whether to route an order and to which venue(s) it should be routed, the RE will make its own calculation of the NBBO using the Direct Feeds, SIP feeds, and Router Feedback, as described below.²⁹ The RE will include odd lot quotations in its calculation of the NBBO depending on the source of the quotation. Where a protected market center aggregates odd lot quotations at a single price level into round lot quotations and publishes such aggregated quotations to the SIPs, then the RE will include those odd lot quotations in its calculation of the NBBO.

The RE will not utilize Day ISO Feedback in constructing the NBBO; however, because all orders initially flow through the ME, to the extent Day ISO Feedback has updated the ME's calculation of the NBBO, all orders processed by the RE will take Day ISO Feedback into account. The RE will receive Feedback from all Smart Order Routing strategies.

There are three types of Router Feedback that contribute to the Exchange's calculation of the NBBO:

practices in the context of stale quotes, available at <http://www.sec.gov/divisions/marketreg/rule611faq.pdf>.

²⁹ The ME and RE consume the same Direct Feeds and SIP feeds.

- Immediate Feedback. Where BATS Trading routes an order to a venue with a protected quotation using Smart Order Routing (a “Feedback Order”), the number of shares available at that venue will be immediately decreased by the number of shares routed to the venue at the applicable price level.
- Execution Feedback. Where BATS Trading receives an execution report associated with a Feedback Order that indicates that the order has fully executed with no remaining shares associated with the order, all opposite side quotes on the venue’s order book that are priced more aggressively than the price at which the order was executed will be ignored.
- Cancellation Feedback. Where BATS Trading receives an execution report associated with a Feedback Order that indicates that the order has not fully executed (either a partial execution or a cancellation), all opposite side quotes on the venue’s order book that are priced equal to or more aggressively than the limit price for the order will be ignored.

All Feedback expires as soon as: (i) one (1) second passes; (ii) the Exchange receives new quote information; or (iii) the Exchange receives updated Feedback information.

Regulatory Compliance

Locked or Crossed Markets.

Pre-Integration Functionality. The ME determines whether the display of an order would lock or cross the market. At the time an order is entered into the ME, the ME will establish, based upon the prevailing top-of-book quotes of other exchanges displaying protected quotes received from the SIP feeds, whether the order will lock or cross the prevailing NBBO for a security. In the event that the order would produce a locking or crossing condition, the ME will

cancel the order, re-price³⁰ the order or route the order based on the Member's instructions. Two exceptions to this logic are Day ISOs and declarations of self-help.

Pursuant to Regulation NMS, when an Exchange receives a Day ISO, the sender of the ISO retains the responsibility to comply with applicable rules relating to locked and crossed markets.³¹ In such case, the Exchange will display a Day ISO order at the Member's price, even if such price would lock or cross the market.³²

Declarations of self-help occur when the RE detects that an exchange displaying protected quotes is slow, as defined in Regulation NMS, or non-responsive to the Exchange's routed orders. In this circumstance, according to Rule 611(b) of Regulation NMS, the Exchange may display a quotation that may lock or cross quotations from the market that the Exchange invoked self-help against.³³ The ME and RE, when they process market data, maintain logic that ignores the quotes generated from the self-help market in their calculations of the NBBO for execution and routing determinations in compliance with Regulation NMS. The Exchange also disables all routing to the self-help market. The ME and Quote Server continue to consume the self-help market center's quotes, however, in order to immediately include the quote in the NBBO calculation and enable routing once self-help is revoked. The Exchange excludes quotes from the self-help market for re-pricing purposes and to price orders such as orders with a Pegged instruction and MidPoint Peg Orders.

Post-Integration Functionality. The Exchange's post-integration functionality is similar

³⁰ See Exchange Rule 11.6(l).

³¹ See supra note 22.

³² See supra note 22.

³³ See also Question 5.03 in the "Division of Trading and Markets, Responses to Frequently Asked Questions Concerning Rule 611 and Rule 610 of Regulation NMS" (last updated April 4, 2008) available at <http://www.sec.gov/divisions/marketreg/nmsfaq610-11.htm>.

to the pre-integration functionality. However, the Exchange notes that at the time an order is entered into the ME, the ME will establish, based upon its calculation of the NBBO from Direct Feeds, SIP feeds and Feedback, whether the order will lock or cross the prevailing NBBO for a security.

Trade-Through Rule.

Pre-Integration Functionality. Pursuant to Rule 611 of Regulation NMS, the Exchange shall establish, maintain, and enforce written policies and procedures that are reasonably designed to prevent trade-throughs on trading centers of protected quotations in NMS stocks that do not fall within a valid exception and, if relying on such an exception, that are reasonably designed to ensure compliance with the terms of the exception. The ME does not permit an execution on the Exchange if there are better-priced protected quotations displayed in the market unless the order is an ISO. At the time an order is entered into the ME, the ME uses the view of the NBBO as described above. If the NBBO is priced better than what is resident on the Exchange, the Exchange will not match such order on the EDGA Book, and based on the Member's instructions, the ME will cancel the order, re-price the order or route the order.

Post-Integration Functionality. The Exchange's post-integration functionality that describes compliance with the trade-through rule is the same as the Exchange's pre-integration functionality. The Exchange again notes that following the technology migration, it will calculate the NBBO using Direct Feeds, SIP Feeds, and Feedback.

Regulation SHO.

Pre-Integration Functionality. The Exchange cannot execute a short sale order³⁴ equal to or below the current National Best Bid ("NBB") when a short sale price restriction is in effect

³⁴ See Exchange Rule 11.6(l)(2).

pursuant to Rule 201 of Regulation SHO (“Short Sale Circuit Breaker”).³⁵ When a Short Sale Circuit Breaker is in effect, the Exchange utilizes information received from the SIP feeds and a view of the EDGA Book to assess its compliance with Rule 201 of Regulation SHO. The NBBO used for compliance with Rule 201 of Regulation SHO includes quotes from market centers against which the Exchange has declared self-help.

Post-Integration Functionality. The Exchange’s post-integration functionality is similar to the pre-integration functionality, including that the NBBO used for compliance with Rule 201 of Regulation SHO will include quotes from market centers against which the Exchange has declared self-help. However, the Exchange notes that when a Short Sale Circuit Breaker is in effect, the Exchange will utilize information received from Direct Feeds, SIP feeds, Feedback and a view of the EDGA Book to assess its compliance with Rule 201 of Regulation SHO.

Latent or Inaccurate Direct Feeds.

Pre-Integration Functionality. Where the Exchange’s systems detect problems with one or more Direct Feeds, the Quote Server can manually fail over to the SIP feed to calculate the NBBO for the market center(s) where the applicable Direct Feed is experiencing issues. In order to make this determination, the Quote Server continuously polls every Direct Feed line and

³⁵ 17 CFR 242.200(g); 17 CFR 242.201. On February 26, 2010, the Commission adopted amendments to Regulation SHO under the Act in the form of Rule 201, pursuant to which, among other things, short sale orders in covered securities generally cannot be executed or displayed by a trading center, such as the Exchange, at a price that is at or below the current NBB when a Short Sale Circuit Breaker is in effect for the covered security. See Securities Exchange Act Release No. 61595 (February 26, 2010), 75 FR 11232 (March 10, 2010). In connection with the adoption of Rule 201, Rule 200(g) of Regulation SHO was also amended to include a “short exempt” marking requirement. See also Securities Exchange Act Release No. 63247 (November 4, 2010), 75 FR 68702 (November 9, 2010) (extending the compliance date for Rules 201 and 200(g) to February 28, 2011). See also Division of Trading & Markets: Responses to Frequently Asked Questions Concerning Rule 201 of Regulation SHO, www.sec.gov/divisions/marketreg/rule201faq.htm.

generates an email alert if the difference between a quote's sent time (as stamped by the sending market) and the time of receipt by the Exchange exceeds one (1) second.

Post-Integration Functionality. As proposed, where the Exchange's systems detect problems with one or more Direct Feeds, the Exchange will immediately fail over to the SIP feed to calculate the NBBO for the market center(s) where the applicable Direct Feed is experiencing issues. The Exchange can also manually fail over to the SIP feed in lieu of Direct Feed data upon identification by a market center of an issue with its Direct Feed(s).

2. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act³⁶ in general, and furthers the objectives of Section 6(b)(5) of the Act³⁷ in particular, in that it is designed to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in facilitating transactions in securities, to remove impediments to and perfect the mechanism of a free and open market and a national market system and, in general, to protect investors and the public interest. The Exchange does not believe that this proposal will permit unfair discrimination among customers, brokers, or dealers because it will be available to all Users.

The Exchange believes that its proposal to describe the Exchange's use of data feeds removes impediments to and perfects the mechanism of a free and open market and protects investors and the public interest because it provides additional specificity and transparency regarding both the current operation of the System and the operation of the System following the migration to BATS technology. The Exchange's proposal will enable investors to better assess

³⁶ 15 U.S.C. 78f(b).

³⁷ 15 U.S.C. 78f(b)(5).

the quality of the Exchange's execution and routing services. The Exchange believes the additional transparency into the operation of the Exchange as described in the proposal will 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.

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

The Exchange does not believe that the proposal will impose any burden on competition not necessary or appropriate in furtherance of the purposes of the Act. On the contrary, the Exchange believes the proposal would enhance competition because describing the Exchange's use of data feeds enhances transparency and enables investors to better assess the quality of the Exchange's execution and routing services. In addition, the Exchange believes the proposed rule change will benefit Exchange participants in that it is one of several changes necessary to achieve a consistent technology offering by the BGM Affiliated Exchanges.

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

The Exchange filed the Initial Proposal with the Commission on July 15, 2014, and it was published for comment in the Federal Register on August 1, 2014. The Commission received four (4) letters commenting on companion filings: two (2) letters commented on SR-BATS-2014-029,³⁸ one (1) letter commented on SR-BATS-2014-029 and SR-BYX-2014-012,³⁹ and one

³⁸ See Letter from R.T. Leuchtkafer to the Commission, dated August 22, 2014 (SR-BATS-2014-029) (discussing the Exchange's market data feed practices). See Letter from Eric Scott Hunsader, Nanex, LLC, to the Commission, dated August 22, 2014 (SR-BATS-2014-029) (discussing the Exchange's use of NBBO as a defined term).

³⁹ See Letter from Donald Bollerman, Head of Market Operations, IEX ATS, to the Commission, dated September 25, 2014 (SR-BATS-2014-029) (SR-BYX-2014-012) (discussing the Exchange's calculation of the PBBO).

(1) letter commented on SR-EDGX-2014-20.⁴⁰ The Exchange believes that the comments raised in these letters are either not directly related to the Exchange's proposal but instead raise larger market structure issues or are adequately addressed in this proposal, particularly as it relates to the Commission's request to describe the Exchange's use of data feeds for order handling and execution, order routing, and regulatory compliance.

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

Because the proposed rule change does not (i) significantly affect the protection of investors or the public interest; (ii) impose any significant burden on competition; and (iii) become operative for 30 days from the date on which it was filed, or such shorter time as the Commission may designate, the proposed rule change has become effective pursuant to Section 19(b)(3)(A) of the Act⁴¹ and Rule 19b-4(f)(6) thereunder.⁴²

A proposed rule change filed pursuant to Rule 19b-4(f)(6) under the Act⁴³ normally does not become operative for 30 days after the date of its filing. However, Rule 19b-4(f)(6)(iii)⁴⁴ permits the Commission to designate a shorter time if such action is consistent with the protection of investors and the public interest. The Exchange has asked the Commission to waive the 30-day operative delay so that the proposal may become operative immediately upon filing. The Exchange stated that waiver of the operative delay will allow the Exchange to

⁴⁰ See Letter from Suzanne Hamlet Shatto to the Commission, dated August 19, 2014 (SR-EDGX-2014-20) (discussing Dodd Frank principles).

⁴¹ 15 U.S.C. 78s(b)(3)(A).

⁴² 17 CFR 240.19b-4(f)(6). As required under Rule 19b-4(f)(6)(iii), the Exchange provided the Commission with written notice of its intent to file the proposed rule change, along with a brief description and the text of the proposed rule change, at least five business days prior to the date of filing of the proposed rule change, or such shorter time as designated by the Commission.

⁴³ 17 CFR 240.19b-4(f)(6).

⁴⁴ 17 CFR 240.19b-4(f)(6)(iii).

immediately adopt rule text consistent with the Initial Proposal and operate in the same manner as BATS with respect to the use of data feeds. In addition, the Exchange stated that waiver of the operative delay will allow it to continue to move towards a complete technology integration of the BGM Affiliated Exchanges to ensure stability of the System. For these reasons, the Commission believes that waiver of the operative delay is consistent with the protection of investors and the public interest. Therefore, the Commission hereby waives the operative delay and designates the proposal operative upon filing.⁴⁵

At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act. If the Commission takes such action, the Commission shall institute proceedings 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 e-mail to rule-comments@sec.gov. Please include File Number SR-EDGA-2015-02 on the subject line.

⁴⁵ For purposes only of waiving the 30-day operative delay, the Commission has also considered the proposed rule's impact on efficiency, competition, and capital formation. See 15 U.S.C. 78c(f).

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-EDGA-2015-02. This file number should be included on the subject line if e-mail 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 website (<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 website 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 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-EDGA-2015-02 and should be submitted on or before [INSERT DATE 21 DAYS FROM PUBLICATION IN THE FEDERAL REGISTER].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.⁴⁶

⁴⁶ 17 CFR 200.30-3(a)(12).

Brent J. Fields,
Secretary.

[FR Doc. 2015-01065 Filed 01/22/2015 at 8:45 am; Publication Date: 01/23/2015]