

with Section 6(b)(5) of the Act,<sup>27</sup> 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, and, in general, to protect investors and the public interest, to facilitate transactions in securities, and to remove impediments to and perfect the mechanism of a free and open market and a national market system.

The Commission believes that the expansion of the types of assets that will be available for a DMM unit to include in its Net Liquid Assets requirement should facilitate a DMM unit's ability to meet the minimum capital requirements imposed by the Exchange, thus removing impediments to a free and open market. The proposal's requirement that a DMM unit derive at least 40% of its total required Net Liquid Assets with Excess Net Capital appears to be reasonably designed to protect investors and the public interest because the Rule will continue to require that a DMM unit hold a portion of capital that is derived from sources recognized by the Commission as allowable for a broker-dealer to meet its minimum net capital requirement.<sup>28</sup> In making this finding, the Commission notes that the Exchange represented in its filing that it believes that the 40% level exceeds the amount of capital that historical DMM unit losses have required. The Commission also believes that the proposal's delineation of the circumstances under which a DMM unit must immediately notify NYSE Regulation, such as when its Net Liquid Assets fall below the minimum threshold of the Rule, is reasonably designed to protect investors and the public interest and prevent fraudulent and manipulative acts and practices.

The Commission also believes that the Exchange's removal of the Market Risk Add-on Charge and the elimination of the deductions for clearing organization deposits and the cash surrender value of certain life insurance policies is also reasonably designed to facilitate transactions in securities and perfect the mechanism of a free and open market. In its filing, the Exchange noted that the overall DMM unit risk levels have declined since the original implementation of NYSE Rule 103.20, the overall consolidated Tape A volume as well as the Exchange's average daily volume of shares traded have declined approximately 30% since 2010, the average value of DMM units' end-of-day

position inventories have decreased by over half since the last time the Exchange filed to amend the DMM net capital requirements, and the duration of a DMM unit's position is much shorter than it was in years past. The Commission believes that these factors support the Exchange's rationale for changing the Rule.

The Commission also believes that harmonizing the financial requirements applicable to DMM units responsible for ETFs with the requirements applicable to DMM units responsible for other securities promotes just and equitable principles of trade. The Exchange represented that it does not currently list or trade ETFs, and that the enhanced financial requirements for DMM units responsible for ETFs date back to a time when the overall financial requirements for specialists (predecessors to DMM units) were significantly higher, and have not been modernized to account for a changing micro and macro market structure, despite decreases in the financial requirements applicable to other securities.

The Commission also finds that the proposed rule change is consistent with Section 6(b)(8) of the Act,<sup>29</sup> which requires that the rules of a national securities exchange not impose any burden on competition not necessary or appropriate in furtherance of the purposes of the Act. The Commission believes that the easing of financial requirements for DMM units should promote competition in that it will permit a greater number of broker-dealers to qualify as DMMs while still providing assurances that DMMs have the financial wherewithal to undertake the responsibilities that attend to such a role. Finally, the conditions under which a DMM unit must notify NYSE Regulation under the proposal appear to be narrowly tailored to meet the objective of keeping NYSE Regulation informed of financially troubled DMM units.

#### IV. Conclusion

*It is therefore ordered*, pursuant to Section 19(b)(2) of the Act,<sup>30</sup> that the proposed rule change (SR-NYSE-2014-02) be, and it is hereby is, approved.

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

**Kevin M. O'Neill,**

*Deputy Secretary.*

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<sup>27</sup> 15 U.S.C. 78f(b)(5).

<sup>28</sup> See Rule 15c3-1 under the Act.

<sup>29</sup> 15 U.S.C. 78s(b)(2).

<sup>30</sup> 15 U.S.C. 78s(b)(2).

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

## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-71621; File No. SR-EDGA-2014-02]

### Self-Regulatory Organizations; EDGA Exchange, Inc.; Notice of Filing and Immediate Effectiveness of Proposed Rule Change Relating to Amendments to the EDGA Exchange, Inc. Fee Schedule

February 27, 2014.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the "Act"),<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on February 18, 2014, EDGA Exchange, Inc. (the "Exchange" or "EDGA") 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. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

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

The Exchange proposes to amend its fees and rebates applicable to Members<sup>3</sup> of the Exchange pursuant to EDGA Rule 15.1(a) and (c) ("Fee Schedule") to: (i) Amend Flag RC, which routes to the National Stock Exchange, Inc. ("NSX") and adds liquidity; and (ii) make an administrative change to the definition of Total Consolidated Volume ("TCV"). The text of the proposed rule change is available on the Exchange's Internet Web site at [www.directedge.com](http://www.directedge.com), at the Exchange's principal office, and at the Public Reference Room of the Commission.

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

In its filing with the Commission, the self-regulatory organization included statements concerning the purpose of, and basis for, the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. The self-regulatory organization has

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

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

<sup>3</sup> 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).

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 the Statutory Basis for, the Proposed Rule Change*

1. Purpose

The Exchange proposes to amend its Fee Schedule to: (i) Amend Flag RC, which routes to the NSX and adds liquidity; and (ii) make an administrative change to the definition of TCV.

Flag RC

In securities priced at or above \$1.00, the Exchange currently provides a rebate of \$0.0026 per share for Members' orders that yield Flag RC, which routes to the NSX and adds liquidity. The Exchange proposes to amend its Fee Schedule to replace this rebate with a fee of \$0.0018 per share for Members' orders that yield Flag RC. The proposed change represents a pass through of the rate that Direct Edge ECN LLC (d/b/a DE Route) ("DE Route"), the Exchange's affiliated routing broker-dealer, is charged for routing orders that add liquidity to NSX when it does not qualify for a volume tiered reduced fee. The proposed change is in response to NSX's February 2014 fee change where the NSX replaced its rebate of \$0.0026 per share with a fee of \$0.0018 per share for orders that add liquidity on the NSX.<sup>4</sup> When DE Route routes to and adds liquidity on the NSX, it will be charged a standard rate of \$0.0018 per share.<sup>5</sup> DE Route will pass through this rate on NSX to the Exchange and the Exchange, in turn, will pass through this rate to its Members.

TCV Definition

On December 9, 2013, the Exchange amended its Fee Schedule to exclude odd lot transactions from the definition of TCV, which is used to determine whether a Member is eligible for certain pricing tiers, through January 31, 2014.<sup>6</sup> Prior to December 9, 2013, an odd lot transaction, which is generally an execution of less than 100 shares,<sup>7</sup> was not reported to the consolidated tape.

<sup>4</sup> See NSX, Information Circular 14-017, Amendments to the NSX Fee and Rebate Schedule Effective on February 18, 2014, <http://www.nsx.com/resources/content/7/documents/InformationCircular14-017.pdf>.

<sup>5</sup> The Exchange notes that to the extent DE Route does or does not achieve any volume tiered reduced fee on NSX, its rate for Flag RC will not change.

<sup>6</sup> See Securities Exchange Act Release No. 71059 (December 12, 2013), 78 FR 76665 (December 18, 2013) (SR-EDGA-2013-37).

<sup>7</sup> See Exchange Rule 11.6.

Therefore, the Exchange did not include odd lot transactions in its calculation of TCV.<sup>8</sup> The proposal was designed to allow Members additional time to adjust to the potential impact of including odd lot transactions within consolidated volumes.

Beginning on February 1, 2014, the Exchange began to include odd lots in the TCV calculation after a nearly two month transition period. Therefore, the Exchange proposes to update the definition of TCV in its Fee Schedule to remove, "excluding odd lots through January 31, 2014" and no longer reflect that odd lots are excluded from the calculation of TCV. As amended, the definition of TCV would read as follows: "the volume reported by all exchanges and trade reporting facilities to the consolidated transaction reporting plans for Tapes A, B and C securities for the month in which the fees are calculated."

Implementation Date

The Exchange proposes to implement these amendments to its Fee Schedule on February 18, 2014.

2. Statutory Basis

The Exchange believes that the proposed rule change is consistent with the objectives of Section 6 of the Act,<sup>9</sup> in general, and furthers the objectives of Section 6(b)(4),<sup>10</sup> in particular, as it is designed to provide for the equitable allocation of reasonable dues, fees and other charges among its Members and other persons using its facilities.

Flag RC

The Exchange believes that its proposal to replace the pass through rebate of \$0.0026 per share for Members' orders that yield Flag RC with a fee of

<sup>8</sup> See Securities Exchange Act Release No. 70794 (October 31, 2013), 78 FR 66789 (November 6, 2013) (SR-CTA-2013-05) (Order Approving the Eighteenth Substantive Amendment to the Second Restatement of the CTA Plan). See also Securities Exchange Act Release No. 70793 (October 31, 2013), 78 FR 66788 (November 6, 2013) (File No. S7-24-89) (Order Approving Amendment No. 30 to the Joint Self-Regulatory Organization Plan Governing the Collection, Consolidation and Dissemination of Quotation and Transaction Information for Nasdaq-Listed Securities Traded on Exchanges on an Unlisted Trading Privileges Basis). See also Securities Exchange Act Release No. 70898 (November 19, 2013) (SR-NYSE-2013-75). See also announcements regarding December 9, 2013 implementation date, available at <https://cta.nyxdata.com/cta/popup/news/2385> and <http://www.nasdaqtrader.com/TraderNews.aspx?id=uva2013-11>. If the inclusion of odd lot transactions in the consolidated tape is delayed to a date after December 9, 2013, the manner of inclusion or exclusion of odd lot transactions described in this proposal for purposes of billing on the Exchange would similarly take effect on such later date.

<sup>9</sup> 15 U.S.C. 78f.

<sup>10</sup> 15 U.S.C. 78f(b)(4).

\$0.0018 per share represents an equitable allocation of reasonable dues, fees, and other charges among Members and other persons using its facilities because the Exchange does not levy additional fees or offer additional rebates for orders that it routes to NSX through DE Route. Prior to NSX's February 2014 fee change, NSX provided its members a rebate of \$0.0026 per share to add liquidity to the NSX and provided DE Route that same rebate, which DE Route passed through to the Exchange and the Exchange provided to its Members. In February 2014, NSX replaced the rebate of \$0.0026 per share it provided its customers to add liquidity with a fee of \$0.0018 per share.<sup>11</sup> Therefore, the Exchange believes that the proposed change to Flag RC to replace the rebate of \$0.0026 per share with a fee of \$0.0018 per share is equitable and reasonable because it accounts for the pricing change on the NSX. In addition, the proposal allows the Exchange to charge its Members a pass-through rate for orders that are routed to the NSX and add liquidity. Furthermore, the Exchange notes that routing through DE Route is voluntary. Lastly, the Exchange also believes that the proposed amendment is non-discriminatory because it applies uniformly to all Members.

TCV Definition

The Exchange believes its proposal to amend its definition of TCV is reasonable because it provides Members with greater clarity with regard to how the Exchange calculates TCV. The Exchange announced in its earlier filing amending the definition of TCV that it would begin to include odd lots in the TCV calculation on February 1, 2014, after the nearly two month transition period.<sup>12</sup> The Exchange believes it is reasonable to now amend its definition of TCV to clarify that odd lots are no longer excluded. The proposed amendment is intended to make the Fee Schedule clearer and less confusing for investors and eliminate potential investor confusion, thereby removing impediments to and perfecting the mechanism of a free and open market and a national market system, and, in general, protecting investors and the public interest. The proposed rule change is also equitable and not unfairly

<sup>11</sup> See NSX, Information Circular 14-017, Amendments to the NSX Fee and Rebate Schedule Effective on February 18, 2014, <http://www.nsx.com/resources/content/7/documents/InformationCircular14-017.pdf>.

<sup>12</sup> See Securities Exchange Act Release No. 71059 (December 12, 2013), 78 FR 76665 (December 18, 2013) (SR-EDGA-2013-37).

discriminatory because it would apply to all Members uniformly.

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

The Exchange believes its proposal amends its Fee Schedule would not impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. The Exchange does not believe that any of these changes represent a significant departure from previous pricing offered by the Exchange or pricing offered by the Exchange's competitors. Additionally, Members may opt to disfavor EDGA's pricing if they believe that alternatives offer them better value. Accordingly, the Exchange does not believe that the proposed changes will impair the ability of Members or competing venues to maintain their competitive standing in the financial markets.

*Flag RC*

The Exchange believes that its proposal to pass through a fee of \$0.0018 per share for Members' orders that yield Flag RC would increase intermarket competition because it offers customers an alternative means to route to NSX for the same price as entering orders on NSX directly. The Exchange believes that its proposal would not burden intramarket competition because the proposed rate would apply uniformly to all Members.

*TCV Definition*

The proposed rule change does not impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. The proposal to exclude odd lot transactions from the TCV calculation was intended to allow Members additional time to adjust to the potential impact of including odd lot transactions within consolidated volumes. The Exchange believes that the proposed non-substantive change to the definition of TCV would not affect intermarket nor intramarket competition because the change does not alter the criteria necessary to achieve the tiers nor the rates offered by the tiers. In addition, the Exchange believes that other exchanges have ceased excluding odd lot transactions from the consolidated volume calculations as of February 1, 2014.<sup>13</sup>

<sup>13</sup> See Securities Exchange Act Release No. 70997 (December 5, 2013), 78 FR 75432 (December 11, 2013) (SR-NYSE-2013-78) (amending its price list to exclude odd lot transactions from its consolidated average daily trading volume calculations thru January 31, 2014); see also, Securities Exchange Act Release No. 71140

*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 unsolicited written comments from Members or other interested parties.

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

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A) of the Act<sup>14</sup> and Rule 19b-4(f)(2)<sup>15</sup> thereunder. At any time within 60 days of the filing of such 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.

**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-EDGA-2014-02 on the subject line.

*Paper Comments*

- Send paper comments in triplicate to Elizabeth M. Murphy, Secretary, Securities and Exchange Commission, 100 F Street NE., Washington, DC 20549-1090.
- All submissions should refer to File Number SR-EDGA-2014-02. 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

(December 19, 2013), 78 FR 78460 (December 26, 2013) (SR-BATS-2013-063) (amending its price schedule to exclude odd lot transactions from its consolidated average daily trading volume calculations thru January 31, 2014).

<sup>14</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>15</sup> 17 CFR 240.19b-4 (f)(2).

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 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-2014-02, and should be submitted on or before March 26, 2014.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>16</sup>

**Kevin M. O'Neill,**

*Deputy Secretary.*

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**SECURITIES AND EXCHANGE COMMISSION**

[Release No. 34-71623; File No. SR-FINRA-2013-050]

**Self-Regulatory Organizations; Financial Industry Regulatory Authority, Inc.; Notice of Filing of Amendment No. 1 and Order Granting Accelerated Approval of a Proposed Rule Change, as Modified by Amendment No. 1, Relating to Over-the-Counter Equity Trade Reporting and OATS Reporting**

February 27, 2014.

On November 12, 2013, the Financial Industry Regulatory Authority, Inc. ("FINRA") filed with the Securities and Exchange Commission ("Commission"), 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> a proposed rule change to amend the FINRA rules governing the reporting of (i) over-the-counter ("OTC") transactions in equity securities to the

<sup>16</sup> 17 CFR 200.30-3(a)(12).

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

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