

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-76715; File No. SR-EDGX-2015-65)

December 21, 2015

Self-Regulatory Organizations; EDGX Exchange, Inc.; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to Rule 21.8, Order Display and Book Processing

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 December 16, 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 and II 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 Act³ and Rule 19b-4(f)(6)(iii) thereunder,⁴ 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 to authorize the Exchange’s equity options platform (“EDGX Options”) to make a modification to Rule 21.8 (Order Display and Book Processing).

The text of the proposed rule change is available at the Exchange’s website at www.batstrading.com, at the principal office of the Exchange, and at the Commission’s Public Reference Room.

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ 15 U.S.C. 78s(b)(3)(A).

⁴ 17 CFR 240.19b-4(f)(6)(iii).

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 is proposing to modify Rule 21.8, Order Display and Book Processing, which sets forth the priority rules applicable to EDGX Options as well as the Exchange's program for accepting Directed Orders. Specifically, Rule 21.8 describes the general priority rules for EDGX Options, including that quotes and orders are prioritized by price and then on a pro-rata basis according to size. Rule 21.8 also describes additional priority overlays, including special priority provisions for Customer orders, Directed Market Makers and Primary Market Makers. The purpose of this rule filing is to make a minor modification to the Directed Order program, as described below.

Pursuant to Rule 21.8(f), an Options Member may designate a Market Maker ("Directed Market Maker") on orders it enters into the Exchange's system ("Directed Orders"). A Directed Market Maker receives certain participation entitlements described in Rule 21.8 subject to certain conditions, which conditions are also set forth in the Rule. For instance, the Directed Market Maker must be registered with the Exchange as a Market Maker in the relevant option class at the time of receipt of the Directed Order to be eligible to receive the Directed Market Maker participation entitlement. One current limitation on the Directed Market

Maker priority overlay is that only Customer Orders are eligible to be directed by an Options Member to a Directed Market Maker. The Exchange proposes to eliminate this limitation to align more closely with the directed order rules applicable to options trading on the options trading platform of NASDAQ OMX BX, Inc. (“BX Options”)⁵ and other options exchanges.⁶ Accordingly, as proposed, an Options Member could direct any order to a Directed Market Maker, not just a Customer Order.

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.⁷ In particular, the proposal is consistent with Section 6(b)(5) of the Act⁸ because it is 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 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 proposed rule change will allow the Exchange to accept Directed Orders on the EDGX Options platform without restricting such orders to Customer Orders. The Exchange

⁵ See BX Options, Chapter VI, Section 10(1)(C)(2)(iii), which does not limit “Directed Orders” on BX Options to “Customer” orders. A “Directed Order” is defined in BX Options Chapter VI, Section 1(e)(2) as “an order to buy or sell which has been directed, provided it is properly marked as such, to a particular market maker....” A “Customer” is defined in BX Options Chapter 1, Section 1(a)(22) and is equivalent to a Customer on the Exchange.

⁶ See, e.g., NYSE Arca Rules 6.1A(4) and 6.76A; NASDAQ PHLX Rules 1014(g)(vii) and 1080(l).

⁷ 15 U.S.C. 78f(b).

⁸ 15 U.S.C. 78f(b)(5).

believes that the change is appropriate and consistent with the Act because it recognizes that orders of other participants, not just Customers, could potentially be directed to a Directed Market Maker. As noted above, other options exchanges operate with similar directed order programs.⁹

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. The proposed rule change is not designed to address any competitive issues but rather to make a modification to the Exchange's Directed Order program. As noted above, the change would make the Exchange's rule similar to that of other options exchanges.¹⁰ The Exchange believes that the proposed change will have a positive competitive impact by allowing additional Directed Orders to be submitted to the Exchange.

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

⁹ See supra notes 5 and 6.

¹⁰ Id.

19(b)(3)(A) of the Act¹¹ and paragraph (f)(6) of Rule 19b-4 thereunder,¹² 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 proposal 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 No. SR-EDGX-2015-65 on the subject line.

¹¹ 15 U.S.C. 78s(b)(3)(A).

¹² 17 CFR 240.19b-4.

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 No. SR-EDGX-2015-65. 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 such 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 No. SR-EDGX-2015-65 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.¹³

Brent J. Fields
Secretary

¹³ 17 CFR 200.30-3(a)(12).