

SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34-76017; File No. SR-EDGA-2015-37)

September 29, 2015

Self-Regulatory Organizations; EDGA Exchange, Inc.; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to Amend Rule 11.15, Clearly Erroneous Executions

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 September 21, 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, II, and III 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

The Exchange filed a proposal to amend Rule 11.15, Clearly Erroneous Executions, in order to conform to the rules of BATS Exchange, Inc. (“BZX”) and BATS Y-Exchange, Inc. (“BYX”).<sup>3</sup>

The text of the proposed rule change is available at the Exchange’s website 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

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

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

<sup>3</sup> See BYX and BZX Rule 11.17.

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

In early 2014, 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 of BZX and the BATS Y-Exchange, Inc. (“BYX”, together with BZX, EDGA and EDGX, the “BGM Affiliated Exchanges”).<sup>4</sup> In the context of the Merger, the BGM Affiliated Exchanges are working to align their rules, retaining only intended differences between the BGM Affiliated Exchanges. Thus, the Exchange proposes to restructure and amend Rule 11.15, Clearly Erroneous Executions, in order to conform to the corresponding rules of BYX and BZX and provide a consistent rule set across each of the BGM Affiliated Exchanges.<sup>5</sup>

Background

On September 10, 2010, the Commission approved, on a pilot basis, changes to Exchange Rule 11.15 to provide for uniform treatment: (1) of clearly erroneous<sup>6</sup> execution reviews in

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<sup>4</sup> See Securities Exchange Act Release No. 71449 (January 30, 2014), 79 FR 6961 (February 5, 2014) (SR-EDGX-2013-43; SR-EDGA-2013-34).

<sup>5</sup> The Exchange notes that EDGX intends to file an identical proposal with the Commission to restructure and amend its Rule 11.15, Clearly Erroneous Executions, to conform to BYX and BZX Rules 11.17.

<sup>6</sup> The terms of a transaction executed on the Exchange are “clearly erroneous” when there is an obvious error in any term, such as price, number of shares or other unit of trading, or identification of the security. A transaction made in clearly erroneous error and cancelled by both parties or determined by the Exchange to be clearly erroneous will be removed from the Consolidated Tape. See Exchange Rule 11.15(a).

multi-stock events involving twenty or more securities; and (2) in the event transactions occur that result in the issuance of an individual stock trading pause by the primary listing market and subsequent transactions that occur before the trading pause is in effect on the Exchange.<sup>7</sup> The Exchange also adopted additional changes to Rule 11.15 that reduced the ability of the Exchange to deviate from the objective standards set forth in Rule 11.15,<sup>8</sup> and in 2013, adopted a provision designed to address the operation of the Plan to Address Extraordinary Market Volatility Pursuant to Rule 608 of Regulation NMS under the Act (the “Limit Up-Limit Down Plan” or the “Plan”).<sup>9</sup> In 2014, the Exchange adopted two additional provisions providing that: (i) a series of transactions in a particular security on one or more trading days may be viewed as one event if all such transactions were effected based on the same fundamentally incorrect or grossly misinterpreted issuance information resulting in a severe valuation error for all such transactions (the “Multi-Day Event”); and (ii) in the event of any disruption or malfunction in the operation of the electronic communications and trading facilities of an Exchange, another SRO, or responsible single plan processor in connection with the transmittal or receipt of a trading halt, an Officer, acting on his or her own motion, shall nullify any transaction that occurs after a trading halt has been declared by the primary listing market for a security and before such trading halt has officially ended according to the primary listing market.<sup>10</sup>

The Exchange proposes the below changes to conform Rule 11.15 to BYX and BZX Rules 11.17. None of these changes are designed to amend the Exchange’s current review

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<sup>7</sup> Securities Exchange Act Release No. 62886 (Sept. 10, 2010), 75 FR 56613 (Sept. 16, 2010) (SR-EDGX-2010-03).

<sup>8</sup> Id.

<sup>9</sup> See Securities Exchange Act Release No. 68814 (Feb. 1, 2013), 78 FR 9086 (Feb. 7, 2013) (SR-EDGX-2013-06); see also Exchange Rule 11.15(i).

<sup>10</sup> See Securities Exchange Act Release No. 72434 (June 19, 2014), 79 FR 36110 (June 25, 2014) (SR-EDGA-2014-11).

process for clearly erroneous executions. Rather, they are proposed in order to implement identical rules with regard to clearly erroneous executions across each of the BGM Affiliated Exchanges.<sup>11</sup> The proposed changes to Rule 11.15 are as follows:

- Amend the last sentence of the introductory paragraph to include the word “replaced”.
- Replace references to “Officer” with “Official” in paragraphs (b), (b)(1), (c)(3), (d), (e)(1), (e)(2), (e)(2)(D), and (e)(2)(F).
- Replace the term “Regular Market Session” with “Regular Trading Hours” in paragraphs (c)(1), (e)(1), and (g).
- Amend paragraph (b)(1) to: (i) clarify that requests for review must be received by the Exchange within thirty (30) minutes of the execution time; (ii) replace the word “Section” with “paragraph” and encase “30” in parentheses as well as insert the word “thirty” immediately before “(30)” in the second sentence; (iii) specify in the fourth sentence that if requested, each party shall provide any supporting written information as may be reasonably requested by the Official to aid resolution of the matter and remove the phrase “any supporting written information.”
- Amend paragraph (b)(2) to encase both “30” and “60” in parentheses as well as insert the word “thirty” immediately before “(30)” and the word “sixty” immediately before “(60)”.

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<sup>11</sup> The Exchange notes that BYX and BZX are to file rule changes with the Commission to propose a series of changes to their Rules 11.17, Clearly Erroneous Executions, to conform with other provisions of EDGA and EDGX Rule 11.15 to ensure each of the BGM Affiliated Exchange have identical rule text with regard to the review and handling of clearly erroneous executions.

- Amend paragraph (c)(1) to: (i) delete the word “the” before the word “Regular” and add the word “during” before the phrase “the Pre-Opening and . . . “ in the first sentence; (ii) remove the “s” from the word “occur” within the parenthetical in the third sentence; and (iii) insert the word “paragraph” before “(c)(2)” in the fourth sentence.
- Amend the first sentence of paragraph (c)(3) to: (i) remove the “s” from the word “system”; (ii) replace “IPO” with the term “initial public offering”; and (iii) remove “s” from the word “tape”.
- Amend paragraph (d) to: (i) replace the term “at its” with “in his or her”; (ii) replace the word “subsection” with “paragraph”; and (iii) encase both “30” and “60” in parentheses as well as insert the word “thirty” immediately before “(30)”.
- Reformat and renumber paragraph (d)(1)(A) as (d)(1) and (d)(1)(B) as (d)(2).
- Amend renumbered and reformatted paragraph (d)(1) to: (i) not capitalize the word “Paragraph”; (ii) replace the word “Section” with “Rule”; and (iii) delete “, or”.
- Amend renumbered and reformatted paragraph (d)(2) to: (i) not capitalize the word “Paragraph”; (ii) replace the words “the Section” with “this Rule”; and (iii) replace “11.15” with the word “paragraph” before the reference to (c)(3).
- Amend paragraph (e)(1) to encase “30” in parentheses as well as insert the word “thirty” immediately before “(30)” in the third sentence.
- Amend paragraph (e)(2)(B) to rephrase the term “ten (10) Member representatives” with “ten (10) representatives of Members”.
- Renumber paragraph (e)(3) as (e)(2)(C) and amend the paragraph to: (i) specify

that a request for review on appeal must be made, not only via email, but also in writing or other electronic means specified from time to time by the Exchange in a circular distributed to Members; and (ii) replace “3:00 ET” with “3:00 p.m. Eastern Time” in the third sentence.

- Renumber paragraph (e)(4) as (e)(2)(D).
- Renumber paragraph (e)(5) as (e)(2)(E) and: (i) replace reference to “Rule 11.15(e)(1)” with “paragraph (e)(1) above”; and (ii) add a sentence stating that in instances where the Exchange, on behalf of a Member, requests a determination by another market center that a transaction is clearly erroneous, the Exchange will pass any resulting charges through to the relevant Member.
- Renumber paragraph (e)(6) as (e)(2)(F).
- Within paragraph (f), amend: (i) the first sentence to replace the word “the” with “an” before the “Officer” and delete the word “such” before “other senior level employee designee”; (ii) the second sentence to remove the “s” from the “paragraphs” before reference to paragraph (c)(1) – (3); (iii) the third sentence to delete the word “such” before “other senior level employee designee”; (iv) amend the fourth sentence to delete the term “such other ” before “senior level employee designee”, replace the term “Regular Session Trading” with “Regular Trading Hours”, and add the word “trading” before “day”; and (v) amend the last sentence to clarify that notice shall be provided by the Exchange, replace the word “Member” with “party”, remove the “s” from the “paragraphs” and delete reference to paragraph (e)(3) and (4) as those paragraph are now included in (e)(2).

- Amend paragraph (g) to: (i) retitle it as “Officer Acting On Own Motion”; (ii) delete the term “such other ” before “senior level employee designee” and replace the term “its” with “his or her” in the first sentence; (iii) delete the word “such” before “other senior level employee designee” in the fourth sentence; and (iv) remove the “s” from the “paragraphs” and delete reference to paragraph (e)(3) and (4) as those paragraphs are now included in (e)(2) in the last sentence.
- Within paragraph (h), amend: (i) the first sentence to replace the term “initial public offering” with “IPO”; (ii) the third and fourth sentences to delete the word “such” before “other senior level employee designee”; (iii) the sixth sentence to delete the word “such” before “other senior level employee designee”, replace the term “Regular Session Trading” with “Regular Trading Hours”, and add the word “trading” before “day”; and (v) amend the last sentence to replace the term “subsection” with “paragraph” and delete reference to paragraphs (e)(3) and (4) as those paragraphs are now included in (e)(2).

Amend the last sentence in paragraphs (j) and (k) to delete reference to paragraphs (e)(3) and (4) as those paragraphs are now included in (e)(2).

## 2. Statutory Basis

The Exchange believes that the proposed rule change 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> Specifically, the proposed change is consistent with Section 6(b)(5) of the Act,<sup>13</sup> because it is designed to

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

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

promote just and equitable principles of trade, 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. None of these changes are designed to amend the Exchange's current review process for clearly erroneous executions. Rather, as mentioned above, the proposed rule changes, combined with the planned filing for the BYX, BZX, and EDGX, would allow the BGM Affiliated Exchanges to provide a consistent set of rules as it relates to clearly erroneous executions. Consistent rules, in turn, will simplify the regulatory requirements for Members of the Exchange that are also participants on EDGA, BYZ and/or BZX. The proposed rule change would provide greater harmonization between rules of similar purpose on the BGM Affiliated Exchanges, resulting in greater uniformity and less burdensome and more efficient regulatory compliance and understanding of Exchange Rules. As such, the proposed rule change would foster cooperation and coordination with persons engaged in facilitating transactions in securities and would remove impediments to and perfect the mechanism of a free and open market and a national market system. Similarly, the Exchange also believes that, by harmonizing the rules across each BGM Affiliated Exchange, the proposal will enhance the Exchange's ability to fairly and efficiently regulate its Members, meaning that the proposed rule change is equitable and will promote fairness in the market place. Finally, the Exchange believes that the non-substantive changes discussed above will contribute to the protection of investors and the public interest by helping to avoid confusion with respect to Exchange Rules.

**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 not necessary or appropriate in furtherance of the purposes of the act. To the contrary, allowing the Exchange to implement substantively identical rules across each of the



BGM Affiliated Exchanges regarding clearly erroneous executions does not present any competitive issues, but rather is designed to provide greater harmonization among Exchange, BZX, BYX, and EDGX rules of similar purpose. The proposed rule change should, therefore, result in less burdensome and more efficient regulatory compliance as well as a better understanding of Exchange Rules for common members of 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 has neither solicited nor received written comments on the proposed rule change.

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

The Exchange has designated this rule filing as non-controversial under Section 19(b)(3)(A) of the Act<sup>14</sup> and paragraph (f)(6) of Rule 19b-4 thereunder.<sup>15</sup> The proposed rule change effects a change that (A) does not significantly affect the protection of investors or the public interest; (B) does not impose any significant burden on competition; and (C) by its terms, does not become operative for 30 days after the date of the filing, or such shorter time as the Commission may designate if consistent with the protection of investors and the public interest; provided that the self-regulatory organization 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 may summarily temporarily suspend such rule change if it appears to the Commission that such

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

<sup>15</sup> 17 C.F.R. 240.19b-4.

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 e-mail to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include File Number SR-EDGA-2015-37 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-EDGA-2015-37. 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, D.C. 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-EDGA-2015-37, 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.<sup>16</sup>

Robert W. Errett  
Deputy Secretary

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