

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.¹²

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Deputy Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-75355; File No. SR-NSX-2015-03]

Self-Regulatory Organizations; National Stock Exchange, Inc.; Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Amend Rule 4.3, Record of Written Complaints

July 2, 2015.

Pursuant to section 19(b)(1) of the Securities Exchange Act of 1934 (the “Exchange Act” or “Act”)¹ and Rule 19b-4 thereunder,² notice is hereby given that on June 23, 2015, National Stock Exchange, Inc. (the “Exchange” or “NSX”) filed with the Securities and Exchange Commission (the “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 proposed rule change as “non-controversial” pursuant to section 19(b)(3)(A) of the Act³ and provided the Commission with the notice required by Rule 19b-4(f)(6)(iii) under the Act.⁴ 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 the Substance of the Proposed Rule Change

The Exchange is proposing to amend Exchange Rule 4.3, Record of Written Complaints, to conform the requirements of the rule to those contained in the rules of other self-regulatory organizations (“SROs”). The Exchange is also proposing to amend Rule 4.3 to eliminate a requirement that complaints and actions with respect thereto be forwarded promptly to the Exchange. The text of the proposed rule change is available on the Exchange’s Web site at www.nsx.com, at the Exchange’s principal office, 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 self-regulatory organization included statements concerning the purpose of, and statutory basis for, the proposed rule change and discussed any comments it received on the proposed rule change. The text of those 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

Currently, Rule 4.3(a) requires that each Exchange Equity Trading Permit (“ETP”) Holder⁵ keep and preserve a file of all written customer complaints⁶ and action taken by the ETP Holder with respect to such complaints, for a period of not less than five years, the first two of which must be in a readily accessible place. The Exchange proposes to amend the rule to reduce the retention period for records of customer complaints and ETP Holder actions with respect thereto from five years to four years, the first two of which must be in a readily accessible place.

The Exchange’s proposed rule change will align the retention period prescribed in Exchange Rule 4.3(a) with the retention periods for customer complaint information prescribed in the rules of other SROs. For example, FINRA Rule 4513 requires that FINRA members keep and preserve a record of customer complaints and any action taken by the FINRA member with respect to such complaints for a period of not less than four years.⁷ Other

⁵ Rule 1.5E.(1) defines ETP as the Equity Trading Permit issued by the Exchange for effecting approved securities transactions on the Exchange’s trading facilities.

⁶ Current Rule 4.3(c) defines a “complaint” as “any written statement of a customer or any person acting on behalf of a customer alleging a grievance involving the activities of an ETP Holder or persons acting under the control of the ETP Holder in connection with (1) the solicitation or execution of any transaction conducted or contemplated to be conducted through the facilities of the Exchange or (2) the disposition of securities or funds of that customer which activities are related to such a transaction.”

⁷ FINRA Rule 4513 requires that “[e]ach [FINRA] member shall keep and preserve in each office of supervisory jurisdiction either a separate file of all written customer complaints that relate to that

national securities exchanges that previously had a five-year retention period for customer complaint information have amended their rules to reduce the record retention period for this information from five years to four years.⁸ The Exchange believes that amending Rule 4.3 to align its recordkeeping provisions with those contained in the rules of other SROs will promote consistency and uniformity, enhance regulatory efficiencies, and reduce the compliance burden on ETP Holders that would result from the application of different retention periods for customer complaints and any actions with respect thereto.

The Exchange is proposing to further amend Rule 4.3 by deleting paragraph (b), which provides that, upon an ETP Holder’s receipt of a complaint, a copy shall be forwarded promptly to the Exchange and a report of the action taken by the ETP Holder on the complaint shall also be forwarded to the Exchange. The Exchange notes that this requirement to report upon receipt of a customer complaint and upon any action with respect thereto is not present in the rules of other SROs.⁹ The Exchange believes that maintaining a separate and distinct reporting requirement for customer complaints and actions in response thereto would be contrary to the considerations of uniformity and consistency that the Exchange is seeking to advance in proposing the amendments to Rule 4.3.

The Exchange notes that there are already mechanisms in place in the securities industry that provide for the prompt reporting of complaints, settlements and other matters that present issues of potential regulatory concern (e.g., written complaints

office (including complaints that relate to activities supervised from that office) and action taken by the member, if any, or a separate record of such complaints and a clear reference to the files in that office containing the correspondence connected with such complaints. Rather than keep and preserve the customer complaint records required under this Rule at the office of supervisory jurisdiction, the member may choose to make them promptly available at that office, upon request of FINRA.”

⁸ See, e.g., BATS Exchange, Inc. and BATS Y-Exchange Inc. Rule 4.3; See also Securities Exchange Act Release No. 74656 (April 6, 2015), 80 FR 19381 (April 10, 2015) (SR-BATS-2015-25) (Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to Amend Rule 4.3, Record of Written Complaints) and Securities Exchange Act Release No. 74703 (April 10, 2015), 80 FR 20520 (April 16, 2015) (SR-BYX-2015-20) (Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to Amend Rule 4.3, Record of Written Complaints).

⁹ See FINRA Rule 4513, BATS Exchange, Inc. and BATS Y-Exchange, Inc. Rule 4.3. See also EDGA Exchange, Inc. and EDGX Exchange Inc. Rule 4.3, Record of Written Complaints.

¹² 17 CFR 200.30-3(a)(12).

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).

alleging fraud or misappropriation of customer funds or securities, and settlements in excess of certain monetary amounts).¹⁰ The Exchange believes that maintaining a separate and distinct reporting requirement in its rules for customer complaints and actions in response thereto imposes an unnecessary regulatory and compliance burden on ETP Holders. Moreover, ETP Holders are obligated to furnish complaint information to the Exchange upon request and the proposed rule change does not in any way alter or impact that Exchange's ability to access that information.¹¹

2. Statutory Basis

The Exchange believes the proposed rule change is consistent with the Exchange Act and the rules and regulations thereunder applicable to the Exchange and, in particular, the requirements of section 6(b)¹² of the Exchange Act. Specifically, the Exchange believes that its proposal is consistent with the requirements of section 6(b)(5)¹³ that the rules of an exchange be designed, among other things, 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. Aligning the requirements of Rule 4.3 with the rules of other SROs will provide a further harmonization of securities industry rules applicable to ETP Holders. This will result in greater uniformity, enhanced regulatory efficiency, and a reduced potential for inconsistent regulatory approaches with regard to customer complaint recordkeeping and reporting.

Similarly, the Exchange's proposal to delete paragraph (b) of Rule 4.3, thereby eliminating the requirement that complaints and the ETP Holder's action with respect thereto be reported to the

Exchange, is consistent with section 6(b)(5) of the Act in that it will remove a requirement that, if left in place, imposes an unnecessary regulatory and compliance burden and detracts from the goal of fostering cooperation and coordination in the regulation of ETP Holders. Deleting the separate and distinct reporting requirement will also provide consistency and avoid regulatory duplication, which will operate to promote just and equitable principles of trade, 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. The Exchange further submits that removing the reporting requirement will alleviate a regulatory and compliance obligation and allow regulatory resources to be directed to matters with greater impact to the protection of investors.

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

The Exchange does not believe that the proposed rule amendment will impose any burden on competition that is not reasonable or appropriate in furtherance of the purposes of the Act. The proposed rule change is not designed to address any competitive issue in the U.S. securities markets or have any impact on competition in those markets because it is intended to provide for greater harmonization of Exchange rules with the rules of other SROs. The Exchange submits that the proposed amendment will promote regulatory efficiency and consistency while reducing the regulatory compliance burden on ETP Holders.

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

The Exchange has not solicited or received comments on the proposed rule change from market participants or others.

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 Act¹⁴ and Rule 19b-4(f)(6) thereunder.¹⁵

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 email to rule-comments@sec.gov. Please include File Number SR-NSX-2015-03 on the subject line.

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-NSX-2015-03. This file number should be included in 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

¹⁰ See, e.g., FINRA Rule 4530, Reporting Requirements.

¹¹ Specifically, Rule 4.2, Furnishing of Records, provides, in relevant part, that "[e]very ETP Holder shall furnish to the Exchange, upon request and in a time and manner required by the Exchange . . . any records, files or financial information pertaining to transactions executed on or through the Exchange . . . [and] the [E]xchange shall be allowed access, at any time, to the books and records of the ETP Holder in order to obtain or verify information related to transactions executed on or through the Exchange or activities relating to the Exchange."

¹² 15 U.S.C. 78(f)(b).

¹³ 15 U.S.C. 78(f)(b)(5).

¹⁴ 15 U.S.C. 78s(b)(3)(A).

¹⁵ 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.

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 Number SR-NSX-2015-03 and should be submitted on or before July 30, 2015.

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

Robert W. Errett,
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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-75354; File Nos. SR-BATS-2015-37; SR-BYX-2015-25; SR-EDGA-2015-19; SR-EDGX-2015-21]

Self-Regulatory Organizations; BATS Exchange, Inc.; BATS Y-Exchange, Inc.; EDGA Exchange, Inc.; and EDGX Exchange, Inc.; Order Approving Proposed Rule Changes, as Modified by Amendment No. 1, Relating to Liquidity Requirements for Securities Admitted to Unlisted Trading Privileges

July 2, 2015.

I. Introduction

On May 5, 2015, BATS Exchange, Inc. ("BATS"); BATS Y-Exchange, Inc. ("BYX"); EDGA Exchange, Inc. ("EDGA"); and EDGX Exchange, Inc. ("EDGX") (each, an "Exchange" and, collectively, the "Exchanges") filed with the Securities and Exchange Commission (the "Commission"), pursuant to Section 19(b)(1)¹ of the Securities Exchange Act of 1934 (the "Act"),² and Rule 19b-4 thereunder,³ proposed rule changes to amend each Exchange's Rule 11.2, "Securities Eligible for Trading," to indicate that the Exchanges may determine not to designate for trading any security admitted to unlisted trading privileges that does not meet certain consolidated average daily trading volume

thresholds. On May 15, 2015, the Exchanges each filed Amendment No. 1 to their respective proposals.⁴ The proposed rule changes, as amended, were published for comment in the *Federal Register* on May 22, 2015.⁵ The Commission received two comment letters regarding the proposals.⁶ This order approves the proposed rule changes, as amended.

II. Description of the Proposals

Each Exchange proposes to amend its rules by adding new paragraphs (b), (c), and (d) to Rule 11.2.⁷ Proposed Rule 11.2(b) provides that an Exchange may determine not to designate for trading any security admitted to unlisted trading privileges on the Exchange when that security's consolidated average daily volume is equal to or less than 2,500 shares during the preceding 90 calendar days.⁸ An Exchange may begin trading a security that it had previously not designated for trading pursuant to proposed Rule 11.2(b) if the security's consolidated average daily trading volume exceeds 5,000 shares over any 90 calendar day period since the security was not designated for trading.⁹ An Exchange would be required to notify its members at least one trading day in advance of any securities it is making unavailable for trading pursuant to proposed Rule 11.2(b), and of any securities it is making available for trading pursuant to proposed Rule 11.2(c).¹⁰

Each Exchange would retain discretion over whether to determine not to quote and trade securities that meet the criteria in proposed Exchange Rules 11.2(b) and 11.2(c).¹¹ In determining whether to exercise its discretion under proposed Exchange

Rules 11.2(b) and 11.2(c), an Exchange would consider such factors as member and investor feedback, as well as whether other non-listing exchanges have decided to cease quoting and trading in the affected securities.¹²

The Exchanges state that the proposals may facilitate an improvement in market quality for the affected securities, which could increase investor interest in trading these securities. In particular, the Exchanges believe that concentrating the quoted liquidity in the affected securities on the listing exchange will provide liquidity providers with an incentive to quote more competitively on the listing exchange, resulting in narrower bid-ask spreads and greater quoted depth of book. Specifically, the Exchanges believe that liquidity providers will have an incentive to quote more competitively because concentrating the quoted liquidity on the listing exchange would: (i) Reduce liquidity providers' risk of adverse selection when quoting in a fragmented market; (ii) provide greater certainty of execution on the one exchange at which liquidity providers are quoting; and (iii) enhance competition for order book priority at the national best bid or offer and throughout the depth of book. In addition, the Exchanges state that concentrating liquidity on the listing exchange could provide the listing exchange with flexibility to innovate with alternative market structures, such as variable tick sizes or periodic batch auctions, that currently are not possible under Regulation NMS when multiple exchanges are quoting and trading the securities. The Exchanges believe that such alternative market structures could further enhance the market quality of the affected securities.¹³

III. Summary of Comments Received

The Commission received two comment letters regarding the proposals, both of which supported the proposals.¹⁴ One commenter stated that the proposals were "a reasonable approach to addressing the persistent problem of trading illiquid securities in

⁴ Each Amendment No. 1 amended and replaced its original proposal in its entirety.

⁵ See Securities Exchange Act Release Nos. 74987 (May 18, 2015), 80 FR 29769 ("BATS Notice"); 74988 (May 18, 2015), 80 FR 29781 ("BYX Notice"); 74986 (May 18, 2015), 80 FR 29772 ("EDGA Notice"); and 74985 (May 18, 2015), 80 FR 29778 ("EDGX Notice").

⁶ See letters to Brent J. Fields, Secretary, Commission, from John A. McCarthy, General Counsel, KCG Holdings, Inc. ("KCG"), dated June 12, 2015 ("KCG Letter") available at <http://www.sec.gov/comments/sr-byx-2015-25/byx201525-1.pdf>; and from Theodore R. Lazo, Managing Director and Associate General Counsel, Securities Industry and Financial Markets Association ("SIFMA"), dated June 15, 2015 ("SIFMA Letter") available at <http://www.sec.gov/comments/sr-bats-2015-37/bats201537-1.pdf>.

⁷ The existing provisions of Rule 11.2 will be included in proposed subparagraph (a).

⁸ See proposed Exchange Rule 11.2(b). Based on internal statistics, the Exchanges anticipate that approximately 700 securities would meet this criterion.

⁹ See proposed Exchange Rule 11.2(c).

¹⁰ See proposed Exchange Rule 11.2(d).

¹¹ See proposed Exchange Rule 11.2(c).

¹² See BATS Notice, 80 FR at 29770; BYX Notice, 80 FR at 29782; EDGA Notice, 80 FR at 29773; and EDGX Notice, 80 FR at 29779.

¹³ See BATS Notice, 80 FR at 29770-29771; BYX Notice, 80 FR at 29782-29783; EDGA Notice at 80 FR at 29773-29774; and EDGX Notice at 80 FR 29779-29780.

¹⁴ See note 6, *supra*. The KCG Letter was addressed to File No. SR-BYX-2015-25, and the SIFMA Letter was addressed to File No. SR-BATS-2015-37. Because the proposals are substantially similar, the Commission believes it is appropriate to consider the comments with respect to all of the proposals.

¹⁶ 17 CFR 200.30-3(a)(12).

¹⁵ 15 U.S.C. 78s(b)(1).

² 15 U.S.C. 78a.

³ 17 CFR 240.19b-4.