

SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34-66761; File No. SR-EDGX-2012-13)

April 6, 2012

Self-Regulatory Organizations; EDGX Exchange, Inc.; Notice of Filing and Immediate Effectiveness of Proposed Rule Change Relating to New EDGX Rule 11.22 Requiring Members to Input Accurate Information Into the System

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 April 2, 2012, EDGX Exchange, Inc. (the “Exchange” or “EDGX”) 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 proposes to adopt new EDGX Rule 11.22 to require Members to input accurate information into the System,<sup>3</sup> including, but not limited to, identifying each order accurately as a principal, agency, or riskless principal order. The text of the proposed rule change is available on the Exchange’s website 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 Exchange included statements concerning the purpose of, and basis for, the proposed rule change and discussed any comments it received

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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> The term “System” is defined in EDGX Rule 1.5(cc).

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 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 add new EDGX Rule 11.22 for the purpose of increasing transparency and to enhance the surveillance database and audit trail of transaction data used by the Exchange in surveillance of its market. The proposed rule change would require Members to input accurate information into the System, including, but not limited to, identifying the capacity of each order accurately as a principal, agency, or riskless principal order. For purposes of surveillance, the Exchange currently identifies the capacity of each order as principal, agency, or riskless principal; however, several other capacities are accepted upon order entry, including no response, which are thereafter mapped to one of the above-listed order capacities. By requiring Members to accurately submit an order capacity for each order and to otherwise input accurate information into the System, the Exchange will be able to more precisely identify the type of order received and more effectively surveil for abusive trading.

EDGX does not currently have a rule that makes an explicit statement regarding a Member's obligation to input accurate information into the System. However, currently, in FIX tag 47,<sup>4</sup> Members are asked to populate their capacity when entering orders into the Exchange's

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<sup>4</sup> Members utilize an industry standard Financial Information eXchange ("FIX") protocol to electronically enter orders into the System. Members populate certain FIX fields (i.e., tags) to indicate certain terms of the order. FIX tag 47 is used to identify the Member's capacity.

System; however, if the field is left blank by the Member, it is automatically populated with an “A” value (denoting agency).

Notwithstanding, EDGX believes that disciplinary cases against Members entering inaccurate or incomplete information may be brought appropriately under EDGX Rule 3.1, which requires Members to observe high standards of commercial honor and just and equitable principles of trade. Rule 3.1 protects the investing public and the securities industry from dishonest practices that are unfair to investors or hinder the functioning of a free and open market, even though those practices may not be illegal or violate a specific rule or regulation. Because of the regulatory importance of inputting accurate information into the System, EDGX believes a rule that directly addresses Members’ obligation to provide accurate information is warranted. The proposed rule makes clear Members’ obligation to input accurate information into the System and that failure to do so would be considered a violation of EDGX Rules. In addition, once the rule is effective, if Members do not input the capacity in which they are acting (principal, agent, or riskless principal) into the System, the order will be rejected back to the Member by the Exchange.

EDGX notes that both BATS Exchange Inc. (“BATS”) and BATS-Y Exchange, Inc. (“BYX”) have adopted rules materially identical to proposed EDGX Rule 11.22.<sup>5</sup> Similarly, the Commission has previously approved rules proposed by the NASDAQ Stock Market LLC (“NASDAQ”) requiring participants to ensure that accurate information is entered into

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<sup>5</sup> See Securities Exchange Act Release No. 63969 (February 25, 2011), 76 FR 12155 (March 4, 2011); and Securities Exchange Act Release No. 63970 (February 25, 2011), 76 FR 12204 (March 4, 2011).

NASDAQ's system, including, but not limited to, the capacity in which the participant is acting.<sup>6</sup> Thus, the proposed rule change would bring EDGX Rules in line with those of other self-regulatory organizations.

In order to allow Members sufficient time to review and complete any systems changes necessitated by this filing, the Exchange will notify Members via information circular of an exact implementation date for the proposed rule change, which will be no later than August 31, 2012.

## 2. Statutory Basis

The rule change proposed in this submission is consistent with the requirements of Section 19(b)(1) of the Act<sup>7</sup> 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>8</sup> Specifically, for the reasons described above, the proposed change is consistent with Section 6(b)(5) of the Act,<sup>9</sup> 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 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 to protect investors and the public interest. Specifically, the changes proposed herein will serve to promote the accuracy of information input into the Exchange. Accurate information is necessary for the efficient and

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<sup>6</sup> See Securities Exchange Act Release No. 59547 (March 10, 2009), 74 FR 11386 (March 17, 2009).

<sup>7</sup> 15 U.S.C. 78s(b)(1).

<sup>8</sup> 15 U.S.C. 78f(b).

<sup>9</sup> 15 U.S.C. 78f(b)(5).

fair operation of the Exchange, and will assist the Exchange in surveilling the markets for abusive or otherwise violative trading activity.

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.

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>10</sup> and paragraph (f)(6) of Rule 19b-4 thereunder.<sup>11</sup> The Exchange asserts that the proposed rule change: (1) will not significantly affect the protection of investors or the public interest, (2) will not impose any significant burden on competition, and (3) will not become operative for 30 days from the date on which it was filed, or such shorter time as designated by the Commission. The Exchange provided the Commission with 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, or such shorter time as the Commission may designate.<sup>12</sup> In addition, the Exchange believes that the proposal to require Members to identify the capacity of each order as either a principal, agency, or riskless principal order does not present any policy issues that have not previously been considered by the

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<sup>10</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>11</sup> 17 CFR 240.19b-4(f)(6).

<sup>12</sup> 17 CFR 240.19b-4(f)(6)(iii).

Commission, but rather, is a minor change to the Exchange's existing rules that is consistent with the rules of other national securities exchanges.<sup>13</sup> For the foregoing reasons, this rule filing qualifies for immediate effectiveness as a "non-controversial" rule change under paragraph (f)(6) of Rule 19b-4.

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.

#### 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-EDGX-2012-13 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-EDGX-2012-13. 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

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<sup>13</sup> See, e.g., NASDAQ Rule 4611(a)(6), BATS Rule 11.21 and BYX Rule 11.21.

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-EDGX-2012-13 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>14</sup>

Kevin M. O'Neill  
Deputy Secretary

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<sup>14</sup> 17 CFR 200.30-3(a)(12).