

19(b)(3)(A)(ii)<sup>11</sup> of the Act and Rule 19b-4(f)(2)<sup>12</sup> thereunder. 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 email to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include File Number SR-CME-2014-55 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-CME-2014-55. 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 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 such filings will also be available for inspection and copying at the principal office of CME and on CME's Web site at <http://www.cmegroup.com/market-regulation/rule-filings.html>.

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-CME-2014-55 and should be submitted on or before January 2, 2015.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>13</sup>

**Kevin M. O'Neill,**  
*Deputy Secretary.*

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-73760; File No. SR-EDGX-2014-29]

### Self-Regulatory Organizations; EDGX Exchange, Inc.; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change To Eliminate Reference to the EdgeRisk Gateway in Rule 13.10 of EDGX Exchange, Inc.

December 5, 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 November 25, 2014, 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 Act<sup>3</sup> and Rule 19b-4(f)(6)(iii) thereunder,<sup>4</sup> 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 is proposing to eliminate reference in Rule 13.10 to the EdgeRisk Gateway<sup>SM</sup>, which is a risk management tool that is to be discontinued by the Exchange. The Exchange also proposes to delete the

fees related to EdgeRisk Gateway<sup>SM</sup> from its fee schedule.

The text of the proposed rule change is available at the Exchange's Web site at <http://www.directedge.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 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 the Statutory Basis for, the Proposed Rule Change

###### 1. Purpose

The Exchange proposes to delete reference to the EdgeRisk Gateway<sup>SM</sup> in Rule 13.10 as well as its related fees from the Exchange's fee schedule. In sum, the EdgeRisk Gateway<sup>SM</sup> is an optional fee-based risk management tool that provides Members and non-Members the option to obtain dedicated primary and backup access gateways<sup>5</sup> in addition to, or in place of, a shared access gateway.<sup>6</sup> The tool was intended to assist subscribers' efforts to mitigate the risks associated with disruptions caused by excessive message traffic or programming mistakes experienced via

<sup>5</sup> The Exchange currently offers logical ports through which orders are submitted to the Exchange, receive drop copies of orders and execution messages, and receive transmission of depth of book data ("Logical Ports"). Each Logical Port is assigned an access gateway that performs order validations and manages the cycle of a submitted order's flow of information back to the Member. The access gateway performs functions such as message validation, acknowledgement messaging, risk checks, matching engine routing and execution messaging. The Exchange currently assigns Members' and non-Members' Logical Ports to the access gateways through a standard method that accounts for the relative message traffic expected over the Logical Port as well as redundancy requirements, where an access gateway contains assigned Logical Ports for a number of firms. The Exchange assigns Member and non-Member sessions to multiple access gateways so that the failure of one gateway may not result in the loss of access.

<sup>6</sup> See Securities Exchange Act Release No. 69855 (June 25, 2013), 78 FR 39386 (SR-EDGX-2013-21) (Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Offer and Establish Fees for a New Exchange Service, EdgeRisk Gateways).

<sup>11</sup> 15 U.S.C. 78s(b)(3)(A)(ii).

<sup>12</sup> 17 CFR 240.19b-4(f)(2).

<sup>13</sup> 17 CFR 200.30-3(a)(12).

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

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

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

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

a shared access gateway because the subscriber's order flow on its dedicated access gateways would be insulated from such external disruptions.

Earlier this year, the Exchange and its affiliate EDGA Exchange, Inc. ("EDGA") 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 BATS Exchange, Inc. ("BATS") and BATS Y-Exchange, Inc. ("BYX", together with BATS, BYX, EDGA and EDGX, the "BGM Affiliated Exchanges").<sup>7</sup> In the context of the Merger, the BGM Affiliated Exchanges are assessing certain system functionality, retaining only intended differences between the BGM Affiliated Exchanges. As part of this effort, the Exchange proposes to: delete reference to EdgeRisk Gateway<sup>SM</sup> in Rule 13.10 as well as its related fees from the Exchange's fee schedule because it intends to discontinue offering this product. Therefore, reference to the product within Exchange's rules and applicable fees in its fee schedule would no longer serve any legitimate purpose upon the product being retired by the Exchange. The Exchange has few subscribers to the EdgeRisk Gateway<sup>SM</sup> and has determined that the current customer demand does not warrant the infrastructure and ongoing maintenance expense required to support the product within the new Exchange environment. Therefore, the Exchange will terminate the product on January 12, 2015.

## 2. Statutory Basis

The Exchange believes that its proposal is consistent with the requirements of Section 6(b) of the Act,<sup>8</sup> in general, and Section 6(b)(5) of the Act,<sup>9</sup> in particular, in that it promotes just and equitable principles of trade, removes impediments to, and perfects the mechanism of, a free and open market and a national market system, and, in general, protects investors and the public interest. The Exchange also believes that its proposal is consistent with Section 6(b)(4) of the Act,<sup>10</sup> in that it provides for the equitable allocation of reasonable dues, fees and other charges among members and other persons using its facilities.

Specifically, the proposal is consistent with Section 6(b)(5) of the Act,<sup>11</sup> in that it eliminates any investor confusion by deleting references to a

product, and its related fees, that is to be discontinued by the Exchange, 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. In addition, the Exchange has very few subscribers to EdgeRisk Gateway<sup>SM</sup> and has determined that the current customer demand does not warrant the infrastructure and ongoing maintenance expense required to support the product within the new Exchange environment. In addition, EdgeRisk Gateway<sup>SM</sup> is not a core product offering by the Exchange, nor is the Exchange required by the Act to offer such a product. The proposed rule change will not permit unfair discrimination among customers, brokers, or dealers because the EdgeRisk Gateway<sup>SM</sup> will no longer be offered by the Exchange.

In addition, the Exchange believes that the proposed removal of the fees for the EdgeRisk Gateway<sup>SM</sup> from its fee schedule is consistent with Section 6(b)(4) of the Act<sup>12</sup> because it would delete fees for a product that is to be discontinued by the Exchange, thereby eliminating investor confusion. Lastly, the Exchange also believes that the proposed amendment to its fee schedule is reasonable and non-discriminatory because it will apply uniformly to all members.

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

The Exchange believes the proposal is consistent with Section 6(b)(8) of the Act<sup>13</sup> in that it does not impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. The proposed rule change will discontinue ConenctEdge [sic] by removing references to the service from its rules, and its related fees from the fee schedule, and is not designed to have a competitive impact. Therefore, the Exchange does not believe the proposed rule change will have any effect on competition.

## 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

Because the proposed rule change does not: (1) Significantly affect the protection of investors or the public interest; (2) impose any significant burden on competition; and (3) by its terms does not become operative for 30 days after the date of this filing, or such shorter time as the Commission may designate if consistent with the protection of investors and the public interest, the proposed rule change has become effective pursuant to Section 19(b)(3)(A) of the Act<sup>14</sup> and Rule 19b-4(f)(6) thereunder.<sup>15</sup>

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 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-EDGX-2014-29 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-EDGX-2014-29. 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

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

<sup>15</sup> 17 CFR 240.19b-4(f)(6). In addition, Rule 19b-4(f)(6)(iii) requires a self-regulatory organization to provide 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 of the proposed rule change, or such shorter time as designated by the Commission. The Exchange has met this requirement.

<sup>7</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>8</sup> 15 U.S.C. 78f(b).

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

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

<sup>11</sup> 15 U.S.C. 78f(b)(5).

<sup>12</sup> 15 U.S.C. 78f(b)(4).

<sup>13</sup> 15 U.S.C. 78f(b)(8).

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 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-2014-29, and should be submitted on or before January 2, 2015.

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. 34-73764; File No. SR-MSRB-2014-07]

### Self-Regulatory Organizations; Municipal Securities Rulemaking Board; Order Granting Approval of a Proposed Rule Change Consisting of Rule G-18, on Best Execution of Transactions in Municipal Securities, and Amendments to Rule G-48, on Transactions With Sophisticated Municipal Market Professionals ("SMMP"), and Rule D-15, on the Definition of SMMP

December 5, 2014.

#### I. Introduction

On August 20, 2014, the Municipal Securities Rulemaking Board (the "MSRB" or "Board") filed with the Securities and Exchange Commission (the "SEC" or "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 consisting of Rule G-18, on best execution of transactions in municipal securities, and amendments to Rule G-48, on transactions with SMMPs, and Rule D-15, on the definition of SMMP (the "proposed rule change"). The proposed rule change was published for comment in the **Federal Register** on September 8, 2014.<sup>3</sup>

The Commission received six comment letters on the proposed rule change.<sup>4</sup> On November 21, 2014, the MSRB submitted a response to these comments.<sup>5</sup> This order approves the proposed rule change.

#### II. Description of the Proposed Rule Change

According to the MSRB, the establishment of a requirement that brokers, dealers and municipal securities dealers ("dealers") seek best execution of retail customer transactions in municipal securities will have benefits for investors, promote fair competition among dealers, and improve market efficiency.<sup>6</sup> The MSRB stated that the proposed rule change reflects the MSRB's belief that a best execution rule should be generally harmonized with the Financial Industry Regulatory Authority's ("FINRA") best-execution rule, FINRA Rule 5310 (Best Execution and Interpositioning), for purposes of regulatory efficiency but appropriately tailored to the characteristics of the municipal securities market.<sup>7</sup> The MSRB further believes that, unlike FINRA Rule 5310, it is appropriate to provide an exception from the requirements of the best-

execution rule for all transactions with SMMPs.<sup>8</sup> The MSRB represented that the proposed best-execution requirement generally would target the process by which dealers handle orders and execute transactions, and would complement and buttress the MSRB's existing fair-pricing rules.<sup>9</sup>

#### 1. Proposed Rule G-18

Proposed Rule G-18(a) requires that, in any transaction in a municipal security for or with a customer or a customer of another dealer, a dealer must use reasonable diligence to ascertain the best market for the subject security and buy or sell in that market so that the resultant price to the customer is as favorable as possible under prevailing market conditions.<sup>10</sup> Paragraph (a) provides the following factors among the factors that will be considered in determining whether a dealer has used "reasonable diligence," with no single factor being determinative: the character of the market for the security, the size and type of transaction, the number of markets checked, the information reviewed to determine the current market for the subject security or similar securities, the accessibility of quotations, and the terms and conditions of the customer's inquiry or order, including any bids or offers, that result in the transaction, as communicated to the dealer.<sup>11</sup>

Proposed Rule G-18(b) prohibits a dealer from interjecting a third party between itself and the best market for the subject security in a manner inconsistent with paragraph (a).<sup>12</sup> The MSRB stated that paragraph (b) would not prohibit the use of a broker's broker, unless it was inconsistent with the best-execution obligation in paragraph (a).<sup>13</sup>

Proposed Rule G-18(c) specifies that the obligations described in paragraphs (a) and (b) apply to transactions in which the dealer is acting as agent and transactions in which the dealer is acting as principal.<sup>14</sup> Paragraph (c) expressly states that the best-execution obligations are distinct from the fairness and reasonableness of commissions, markups or markdowns, which are governed by Rule G-30.<sup>15</sup>

<sup>8</sup> *Id.*

<sup>9</sup> *Id.*

<sup>10</sup> See proposed Rule G-18(a).

<sup>11</sup> *Id.*

<sup>12</sup> See proposed Rule G-18(b).

<sup>13</sup> See *supra* note 3 at 10.

<sup>14</sup> See proposed Rule G-18(c).

<sup>15</sup> *Id.*

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

<sup>3</sup> Securities Exchange Act Release No. 72956 (September 2, 2014), 79 FR 53236 (September 8, 2014) (the "Proposing Release").

<sup>4</sup> See Letters from David L. Cohen, Managing Director and Associate General Counsel, Securities Industry and Financial Markets Association ("SIFMA"), dated September 29, 2014 ("SIFMA Letter"); Michael Nicholas, Chief Executive Officer, Bond Dealers of America ("BDA"), dated September 29, 2014 ("BDA Letter No. 1") and October 30, 2014 ("BDA Letter No. 2"); Chris Melton, Executive Vice President, Coastal Securities ("Coastal"), dated September 29, 2014 ("Coastal Letter"); David T. Bellaire, Esq., Executive Vice President & General Counsel, Financial Services Institute ("FSI"), dated September 29, 2014 ("FSI Letter"); and Robert J. McCarthy, Director of Regulatory Policy, Wells Fargo Advisors, LLC ("Wells Fargo"), dated September 29, 2014 ("Wells Fargo Letter"). Staff from the Office of Municipal Securities met with representatives from BDA on October 23, 2014, and had a telephonic meeting with a representative from SIFMA on December 3, 2014, to discuss the proposed rule change.

<sup>5</sup> See Letter to Secretary, Commission, from Michael L. Post, Deputy General Counsel, MSRB, dated November 21, 2014 ("MSRB Response Letter").

<sup>6</sup> See *supra* note 3 at 2.

<sup>7</sup> *Id.* at 7.

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

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