

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](mailto:rule-comments@sec.gov). Please include File Number SR-BATS-2015-17 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-BATS-2015-17. 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 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-BATS-2015-17 and should be submitted on or before April 2, 2015.

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

Jill M. Peterson,

Assistant Secretary.

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-74449; File No. SR-ICC-2015-001]

### Self-Regulatory Organizations; ICE Clear Credit LLC; Order Approving Proposed Rule Change To Revise ICC End-of-Day Price Discovery Policies and Procedures

March 6, 2015.

#### I. Introduction

On January 5, 2015 ICE Clear Credit LLC ("ICC") filed with the Securities and Exchange Commission ("Commission") the proposed rule change SR-ICC-2015-001 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> The proposed rule change was published for comment in the *Federal Register* on January 21, 2015.<sup>3</sup> The Commission did not receive any comments. For the reasons discussed below, the Commission is approving the proposed rule change.

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

ICC proposed revising its End-of-Day Price Discovery Policies and Procedures to incorporate enhancements to its price discovery process. ICC currently utilizes a "cross and lock" algorithm as part of its price discovery process. Under this algorithm, standardized bids and offers derived from Clearing Participant ("CP") submissions are matched by sorting them from highest to lowest and lowest to highest levels, respectively. This sorting process pairs the CP submitting the highest bid price with the CP submitting the lowest offer price, the CP submitting the second highest bid price with the CP submitting the second-lowest offer price, and so on. The algorithm then identifies crossed and/or locked markets. Crossed markets are the CP pairs generated by the sorting and ranking process for which the bid price of one CP is above the offer price of the matched CP. The algorithm identifies locked markets, where the bid

and the offer are equal, in a similar fashion.

Whenever there are crossed and/or locked matched markets, the algorithm applies a set of rules designed to identify standardized submissions that are "obvious errors." The algorithm sets a high bid threshold equal to the preliminary end-of-day ("EOD") level plus one EOD bid offer width ("BOW"), and a low offer threshold equal to the preliminary EOD level minus one EOD BOW. The algorithm considers a CP's standardized submission to be an "obvious error" if the bid is higher than the high bid threshold, or the offer is lower than the low offer threshold.

CP pairs identified by the algorithm as crossed or locked markets are required from time to time, under the End-of-Day Price Discovery Policies and Procedures, to enter into cleared trades with each other as part of the ICC EOD price discovery process ("Firm Trade"). Currently, ICC excludes standardized submissions it identifies as obvious errors from Firm Trades and does not use these submissions in its determination of published EOD levels.

ICC has proposed to include all standardized submissions, including those classified as obvious errors, in the process of determining Firm Trades. Further, ICC asserts that it will effectively execute its current EOD algorithm twice, initially in the same way it does today, by eliminating obvious errors, to generate the final EOD levels, and again, without excluding obvious errors, to generate Firm Trades and reversing transactions.

To limit the potential exposure created through Firm Trades that include a bid or offer from an obvious error submission, ICC proposes to adjust trade prices, where appropriate, to fall within a predefined band on either side of the EOD price such that the potential profit or loss ("P/L") realized by unwinding the trade at the EOD level is capped.

To prevent CPs from receiving Firm Trades with large P/L impact in Index instruments that are less actively traded, and therefore more difficult and/or more expensive to manage the associated risk, ICC proposes to have the ability to automatically generate reversing transactions at the EOD level for specific Index instruments (*i.e.*, for specific index risk sub-factors as defined by specific combinations of index/sub-index and series) based on liquidity. Currently, reversing transactions are only available for Single Name instruments. ICC represents that there are no changes to ICC's Clearing Rules as a result of these changes.

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

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

<sup>3</sup> Securities Exchange Act Release No. 34-74053 (Jan. 14, 2015), 80 FR 2985 (January 21, 2015) (File No. SR-ICC-2015-001).

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

### III. Discussion and Commission Findings

Section 19(b)(2)(C) of the Act<sup>4</sup> directs the Commission to approve a proposed rule change of a self-regulatory organization if the Commission finds that such proposed rule change is consistent with the requirements of the Act and the rules and regulations thereunder applicable to such self-regulatory organization. Section 17A(b)(3)(F) of the Act<sup>5</sup> requires, among other things, that the rules of a clearing agency are designed to promote the prompt and accurate clearance and settlement of securities transactions and, to the extent applicable, derivative agreements, contracts, and transactions, to assure the safeguarding of securities and funds which are in the custody or control of the clearing agency or for which it is responsible and, in general, to protect investors and the public interest.

The Commission finds that ICC's proposed revisions to its End-of-Day Price Discovery Policies and Procedures is consistent with the requirements of Section 17A of the Act<sup>6</sup> and regulations thereunder applicable to it, including the standards under Rule 17Ad-22.<sup>7</sup> The proposed rule change is designed to enhance ICC's price discovery process by including all price submissions (including those classified as obvious errors) in the process of determining Firm Trades, thereby reducing price submissions that may be classified as obvious errors. In addition, the proposed rule change would adjust the trading prices of Firm Trades that include a bid or offer classified as an obvious error to fall within a predefined range on either side of the EOD price, thereby limiting CPs' potential P/L exposure to obvious errors from the risk management perspective, while holding them accountable for their price submissions. Finally, the proposed rule change would assist CPs in unwinding Firm Trades in certain index products by generating reversing trades at the EOD level based on liquidity. The Commission believes that the proposal is therefore designed to promote the prompt and accurate clearance and settlement of securities transactions and derivative agreements, contracts and transactions cleared by ICC, consistent with Section 17A(b)(3)(F) of the Act.<sup>8</sup>

### IV. Conclusion

On the basis of the foregoing, the Commission finds that the proposal is consistent with the requirements of the Act and in particular with the requirements of Section 17A of the Act<sup>9</sup> and the rules and regulations thereunder.

*It is therefore ordered*, pursuant to Section 19(b)(2) of the Act,<sup>10</sup> that the proposed rule change (SR-ICC-2015-001) be, and hereby is, approved.<sup>11</sup>

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

**Jill M. Peterson,**

*Assistant Secretary.*

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-74455; File No. SR-NYSEMKT-2015-14]

### Self-Regulatory Organizations; NYSE MKT LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Extend the Pilot Period for the Exchange's Retail Liquidity Program, Which Is Currently Scheduled To Expire on March 31, 2015, Until September 30, 2015

March 6, 2015.

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> notice is hereby given that on February 27, 2015, NYSE MKT LLC (the "Exchange" or "NYSE MKT") filed with the Securities and Exchange Commission ("SEC" or "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 extend the pilot period for the Exchange's Retail Liquidity Program (the "Retail Liquidity Program" or the "Program"), which is

currently scheduled to expire on March 31, 2015, until September 30, 2015. The text of the proposed rule change is available on the Exchange's Web site at [www.nyse.com](http://www.nyse.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 self-regulatory organization 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 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 the Statutory Basis for, the Proposed Rule Change

###### 1. Purpose

The purpose of this filing is to extend the pilot period of the Retail Liquidity Program,<sup>3</sup> currently scheduled to expire on March 31, 2015, until September 30, 2015.

###### Background

In July 2012, the Commission approved the Retail Liquidity Program on a pilot basis.<sup>4</sup> The Program is designed to attract retail order flow to the Exchange, and allows such order flow to receive potential price improvement. The Program is currently limited to trades occurring at prices equal to or greater than \$1.00 per share. Under the Program, Retail Liquidity Providers ("RLPs") are able to provide potential price improvement in the form of a non-displayed order that is priced better than the Exchange's best protected bid or offer ("PBBO"), called a Retail Price Improvement Order ("RPI"). When there is an RPI in a particular security, the Exchange disseminates an indicator, known as the Retail Liquidity Identifier, indicating that such interest exists. Retail Member Organizations ("RMOs") can submit a Retail Order to the Exchange, which would interact, to the extent possible, with available contra-side RPIs.

<sup>3</sup> See Securities Exchange Act Release No. 72625 (July 16, 2014), 79 FR 42566 (July 22, 2014) (SR-NYSEMKT-2014-60).

<sup>4</sup> See Securities Exchange Act Release No. 67347 (July 3, 2012), 77 FR 40673 (July 10, 2012) ("RLP Approval Order") (SR-NYSEAmex-2011-84).

<sup>4</sup> 15 U.S.C. 78s(b)(2)(C).

<sup>5</sup> 15 U.S.C. 78q-1(b)(3)(F).

<sup>6</sup> 15 U.S.C. 78q-1.

<sup>7</sup> 17 CFR 240.17Ad-22.

<sup>8</sup> 15 U.S.C. 78q-1(b)(3)(F).

<sup>9</sup> 15 U.S.C. 78q-1.

<sup>10</sup> 15 U.S.C. 78s(b)(2).

<sup>11</sup> In approving the proposed rule change, the Commission considered the proposal's impact on efficiency, competition and capital formation. 15 U.S.C. 78c(f).

<sup>12</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.