



**Direct Edge Regulatory Notice #14-07: Amendments to Restrictions on Market Makers in UTP Derivative Securities**

This circular is being issued to provide notice that, effective December 8, 2014, BATS Exchange, Inc. ("BZX"), BATS Y-Exchange, Inc. ("BYX"), EDGA Exchange, Inc. ("EDGA") and EDGX Exchange, Inc. ("EDGX", and together with BZX, BYX and EDGA, the "Exchanges") will provide a Member acting as a registered Market Maker in a UTP Derivative Security on the Exchanges the flexibility to act or register as a market maker in any currencies, commodities, or any derivatives based on one or more currencies or commodities, or is based on a basket or index comprised of currencies or commodities (collectively, "Reference Assets") from which a UTP Derivative Security derives its value. Members were previously prohibited from acting as both a Market Maker in a UTP Derivative Security on the Exchanges and in the Reference Asset.

The amendment harmonizes BZX Rule 14.11(j)(5), BYX Rule 14.1(c)(5), EDGA Rule 14.1(c)(5) and EDGX Rule 14.1(c)(5) with NYSE Arca and Nasdaq rules regarding Market Makers registered in a UTP Derivative Security.

Members acting as a registered Market Maker in a UTP Derivative Security, as described above, on the Exchange(s) must file with the respective Exchange(s), in a manner prescribed by the Exchanges, and keep a current list identifying all accounts for trading Reference Assets or any derivative instruments based on a Reference Asset of that UTP Derivative Security (collectively, with Reference Assets, "Related Instruments"), which the Member acting as a registered Market Maker may have or over which it may exercise investment discretion, or has a direct interest in the profits or losses thereof.

The amended Rules also prohibit a registered Market Maker in a UTP Derivative Security from trading in, or exercising investment discretion with respect to the Related Instrument, in an account in which a Member acting as a registered Market Maker in a UTP Derivative Security, directly or indirectly: controls trading activity or has a direct interest in the profits or losses thereof which has not been reported to the respective Exchange(s), as required by these Rules.

The Rule will continue to separately require that registered Market Makers in a UTP Derivative Security file with the respective Exchange(s) and keep a current list identifying all accounts in which Related Instruments are traded ("Related Instrument Trading Accounts") and the Member:

- holds an interest;
- has investment discretion; or
- shares in the profits and/or losses.

Market Makers registered in a UTP Derivative Security, as described above, are required to submit a current list of Related Instrument Trading Accounts to the Regulatory Department at [surveillance@bats.com](mailto:surveillance@bats.com). A Market Maker shall, upon request by the Exchange, also make available to the Exchange any books, records or other information pertaining to any such trading account or to the account of any registered or non-registered employee affiliated with the Market Maker for which the underlying Related Instruments are traded.

As a reminder, Market Makers in UTP Derivative Securities are required to have in place reasonably designed policies and procedures to prevent the misuse of material non-public information with regard to trading in any Related Instruments.

See [SR-BATS-2014-057](#) or [Securities Exchange Act Release No.](#) (December 4, 2014)

See [SR-BYX-2014-035](#) or [Securities Exchange Act Release No.](#) (December 4, 2014)

See [SR-EDGA-2014-28](#) or [Securities Exchange Act Release No.](#) (December 4, 2014)

See [SR-EDGX-2014-27](#) or [Securities Exchange Act Release No.](#) (December 4, 2014)