

Required fields are shown with yellow backgrounds and asterisks.

Page 1 of * <input type="text" value="35"/>	SECURITIES AND EXCHANGE COMMISSION WASHINGTON, D.C. 20549 Form 19b-4	File No.* SR - <input type="text" value="2015"/> - * <input type="text" value="59"/>	Amendment No. (req. for Amendments *) <input type="text"/>
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Filing by EDGX Exchange, Inc.
Pursuant to Rule 19b-4 under the Securities Exchange Act of 1934

Initial * <input checked="" type="checkbox"/>	Amendment * <input type="checkbox"/>	Withdrawal <input type="checkbox"/>	Section 19(b)(2) * <input type="checkbox"/>	Section 19(b)(3)(A) * <input checked="" type="checkbox"/>	Section 19(b)(3)(B) * <input type="checkbox"/>
			Rule		
Pilot <input type="checkbox"/>	Extension of Time Period for Commission Action * <input type="checkbox"/>	Date Expires * <input type="text"/>	<input type="checkbox"/> 19b-4(f)(1)	<input type="checkbox"/> 19b-4(f)(4)	
			<input type="checkbox"/> 19b-4(f)(2)	<input type="checkbox"/> 19b-4(f)(5)	
			<input type="checkbox"/> 19b-4(f)(3)	<input checked="" type="checkbox"/> 19b-4(f)(6)	

Notice of proposed change pursuant to the Payment, Clearing, and Settlement Act of 2010	Security-Based Swap Submission pursuant to the Securities Exchange Act of 1934
Section 806(e)(1) * <input type="checkbox"/>	Section 806(e)(2) * <input type="checkbox"/>
Section 3C(b)(2) * <input type="checkbox"/>	

Exhibit 2 Sent As Paper Document <input type="checkbox"/>	Exhibit 3 Sent As Paper Document <input type="checkbox"/>
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Description

Provide a brief description of the action (limit 250 characters, required when Initial is checked *).

EDGX Exchange, Inc. proposes a rule change to delete Rule 22.10, Limitation on Dealings, related to the EDGX Options Market.

Contact Information

Provide the name, telephone number, and e-mail address of the person on the staff of the self-regulatory organization prepared to respond to questions and comments on the action.

First Name * <input type="text" value="Anders"/>	Last Name * <input type="text" value="Franzon"/>
Title * <input type="text" value="SVP, Associate General Counsel"/>	
E-mail * <input type="text" value="afranzon@bats.com"/>	
Telephone * <input type="text" value="(913) 815-7154"/>	Fax <input type="text"/>

Signature

Pursuant to the requirements of the Securities Exchange Act of 1934,

has duly caused this filing to be signed on its behalf by the undersigned thereunto duly authorized.

(Title *)

Date <input type="text" value="12/01/2015"/>	<input type="text" value="SVP, Associate General Counsel"/>
By <input type="text" value="Anders Franzon"/>	<input type="text"/>
(Name *)	

NOTE: Clicking the button at right will digitally sign and lock this form. A digital signature is as legally binding as a physical signature, and once signed, this form cannot be changed.

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

For complete Form 19b-4 instructions please refer to the EFFF website.

Form 19b-4 Information *

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The self-regulatory organization must provide all required information, presented in a clear and comprehensible manner, to enable the public to provide meaningful comment on the proposal and for the Commission to determine whether the proposal is consistent with the Act and applicable rules and regulations under the Act.

Exhibit 1 - Notice of Proposed Rule Change *

Add Remove View

The Notice section of this Form 19b-4 must comply with the guidelines for publication in the Federal Register as well as any requirements for electronic filing as published by the Commission (if applicable). The Office of the Federal Register (OFR) offers guidance on Federal Register publication requirements in the Federal Register Document Drafting Handbook, October 1998 Revision. For example, all references to the federal securities laws must include the corresponding cite to the United States Code in a footnote. All references to SEC rules must include the corresponding cite to the Code of Federal Regulations in a footnote. All references to Securities Exchange Act Releases must include the release number, release date, Federal Register cite, Federal Register date, and corresponding file number (e.g., SR-[SRO]-xx-xx). A material failure to comply with these guidelines will result in the proposed rule change being deemed not properly filed. See also Rule 0-3 under the Act (17 CFR 240.0-3)

Exhibit 1A- Notice of Proposed Rule Change, Security-Based Swap Submission, or Advance Notice by Clearing Agencies *

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The Notice section of this Form 19b-4 must comply with the guidelines for publication in the Federal Register as well as any requirements for electronic filing as published by the Commission (if applicable). The Office of the Federal Register (OFR) offers guidance on Federal Register publication requirements in the Federal Register Document Drafting Handbook, October 1998 Revision. For example, all references to the federal securities laws must include the corresponding cite to the United States Code in a footnote. All references to SEC rules must include the corresponding cite to the Code of Federal Regulations in a footnote. All references to Securities Exchange Act Releases must include the release number, release date, Federal Register cite, Federal Register date, and corresponding file number (e.g., SR-[SRO]-xx-xx). A material failure to comply with these guidelines will result in the proposed rule change, security-based swap submission, or advance notice being deemed not properly filed. See also Rule 0-3 under the Act (17 CFR 240.0-3)

Exhibit 2 - Notices, Written Comments, Transcripts, Other Communications

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Exhibit Sent As Paper Document

Copies of notices, written comments, transcripts, other communications. If such documents cannot be filed electronically in accordance with Instruction F, they shall be filed in accordance with Instruction G.

Exhibit 3 - Form, Report, or Questionnaire

Add Remove View

Exhibit Sent As Paper Document

Copies of any form, report, or questionnaire that the self-regulatory organization proposes to use to help implement or operate the proposed rule change, or that is referred to by the proposed rule change.

Exhibit 4 - Marked Copies

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The full text shall be marked, in any convenient manner, to indicate additions to and deletions from the immediately preceding filing. The purpose of Exhibit 4 is to permit the staff to identify immediately the changes made from the text of the rule with which it has been working.

Exhibit 5 - Proposed Rule Text

Add Remove View

The self-regulatory organization may choose to attach as Exhibit 5 proposed changes to rule text in place of providing it in Item I and which may otherwise be more easily readable if provided separately from Form 19b-4. Exhibit 5 shall be considered part of the proposed rule change.

Partial Amendment

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If the self-regulatory organization is amending only part of the text of a lengthy proposed rule change, it may, with the Commission's permission, file only those portions of the text of the proposed rule change in which changes are being made if the filing (i.e. partial amendment) is clearly understandable on its face. Such partial amendment shall be clearly identified and marked to show deletions and additions.

1. Text of the Proposed Rule Change

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the “Act”),¹ and Rule 19b-4 thereunder,² EDGX Exchange, Inc. (the “Exchange” or “EDGX”) is filing with the Securities and Exchange Commission (“Commission”) a proposal for the EDGX Options Market (“EDGX Options”) to adopt a principles-based approach to prohibit the misuse of material nonpublic information by Market Makers by deleting Rule 22.10 (Limitations on Dealings). The Exchange has designated this proposal as non-controversial and provided the Commission with the notice required by Rule 19b-4(f)(6)(iii) under the Act.³

(a) The text of the proposed rule change is attached as Exhibit 5. Material proposed to be added is underlined. Material proposed to be deleted is enclosed in brackets.

(b) Not applicable.

(c) Not applicable.

2. Procedures of the Self-Regulatory Organization

The proposed rule change was approved by senior management of the Exchange pursuant to authority delegated by the Board of Directors of the Exchange on February 11, 2014. Exchange staff will advise the Board of Directors of the Exchange of any action taken pursuant to delegated authority. No other action is necessary for the filing of the rule change.

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ 17 CFR 240.19b-4(f)(6)(iii).

The persons on the Exchange staff prepared to respond to questions and comments on the proposed rule change are:

Eric Swanson
EVP, General Counsel
(913) 815-7000

Anders Franzon
SVP, Associate General Counsel
(913) 815-7154

3. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change.

(a) Purpose

The Exchange proposes to adopt a principles-based approach to prohibit the misuse of material non-public information by Market Makers by deleting Rule 22.10 (Limitations on Dealings). In doing so, the Exchange, with regard to EDGX Options, would harmonize its rules governing Market Makers and Options Members that are not Market Makers relating to the protection against misuse of material, non-public information. The Exchange believes that Rule 22.10 is no longer necessary because all Options Members, including Market Makers, are subject to the Exchange's generally applicable principles-based requirements governing the protection against the misuse of material, non-public information, pursuant to Rule 5.5 (Prevention of the Misuse of Material, Non-Public Information), which obviates the need for separately prescribed requirements for a subset of Exchange participants. Additionally, there is no separate regulatory purpose served by having separate rules for Market Makers. The Exchange notes that this proposed rule change will not decrease the protections against the misuse of material, non-public information; instead, it is designed to provide more flexibility to Options Members. This is a competitive filing that is based on a proposal recently submitted by NYSE MKT LLC ("NYSE MKT") and approved by the

Commission.⁴

Background

The Exchange has two classes of EDGX Options participants. Specifically, pursuant to Rule 16.1(a)(38), the term “Options Member” means a firm or organization that is registered with the Exchange pursuant to Chapter XVII of the Rules for the purposes of participating in options trading on EDGX Options either as an “Options Order Entry Firm” or as an “Options Market Maker.” Pursuant to Rule 16.1(a)(36), the terms “Options Order Entry Firm” or “Order Entry Firm” or “OEF” mean those Options Members representing as agent Customer Orders on EDGX Options and those non-Market Maker Members conducting proprietary trading. Pursuant to Rule 16.1(a)(37), the term “Options Market Maker” or “Market Maker” means an Options Member registered with the Exchange for the purpose of making markets in options contracts traded on the Exchange and that is vested with the rights and responsibilities specified in Chapter XXII of the Rules.

Rule 22.5 (Obligations of Market Makers) describes the obligations of Market Makers. Rule 22.6 (Market Maker Quotations) sets forth quoting obligations of Market Makers.⁵ Rule 22.10 (Limitations on Dealings) requires Market Makers to maintain information barriers that are reasonably designed to prevent the misuse of material, non-public corporate or markets information in the possession of persons on one side of the

⁴ See Securities Exchange Act Release No. 75432 (July 13, 2015), 80 FR 42597 (July 17, 2015) (Order Approving SR-NYSEMKT-2015-23).

⁵ Rule 22.6 generally requires that Market Makers provide firm, two-sided, continuous quotations, in minimum size, for the options series to which it is registered.

information barrier by persons on the other side of the information barrier.

Proposed Rule Change

The Exchange believes that the particularized guidelines for Market Makers in Rule 22.10 are no longer necessary and proposes to delete Rule 22.10. The Exchange believes that Rule 5.5 (Prevention of the Misuse of Material, Nonpublic Information), which governs the misuse of material, non-public information and applies to all Members (including Options Members), provides an appropriate, principles-based approach to prevent the market abuses that Rule 22.10 seeks to address. Specifically, Rule 5.5 requires every Member (including Options Members) to establish, maintain, and enforce written policies and procedures reasonably designed to prevent the misuse of material, non-public information by such Member or persons associated with such Member. For purposes of Rule 5.5, the misuse of material, non-public information includes, but is not limited to, the following:

- (1) Trading in any securities issued by a corporation, or in any related securities or related options or other derivative securities, while in possession of material, non-public information concerning that issuer;
- (2) Trading in a security or related options or other derivative securities, while in possession of material, non-public information concerning imminent transactions in the security or related securities; and
- (3) Disclosing to another person or entity any material nonpublic information involving a corporation whose shares are publicly traded or an imminent transaction in an underlying security or related securities for the purpose of facilitating the possible misuse of such material nonpublic information.

Because Options Members are already subject to the requirements of Rule 5.5, the Exchange does not believe that it is necessary to separately require particularized limitations on Market Makers. Deleting Rule 22.10, with its particularized limitations would provide Market Makers with the flexibility to adapt their policies and procedures as appropriate to reflect changes to their business model, business activities, or the securities market in a manner similar to how Options Members on the Exchange currently operate in conformity with Rule 5.5.

As noted above, Market Makers are distinguished under Exchange rules from other Options Members only to the extent that Market Makers have heightened quoting obligations. However, such heightened quoting obligations do not afford different or greater access to nonpublic information than any other Options Member of the Exchange.⁶ Therefore, because Market Makers do not have any trading advantages over Order Entry Firms on EDGX Options, the Exchange believes that they should be subject to the same rules regarding the protection against the misuse of material non-public information, which in this case, is existing Rule 5.5.

The Exchange notes that its proposed approach to use a principles-based approach to protecting against the misuse of material non-public information for all of its registered Options Members is consistent with recently approved rule changes for NYSE MKT and recently filed changes for the options platform of BATS Exchange, Inc. (“BATS

⁶ The Exchange notes that by deleting Rule 22.10, the Exchange would no longer require specific information barriers for Market Makers; however, as is the case currently with Options Members, information barriers of new participants would be subject to review as part of a new firm application. Moreover, the policies and procedures of Market Makers, including those relating to any information barriers, would be subject to review by FINRA, on behalf of the Exchange, pursuant to a Regulatory Services Agreement.

Options”), the International Securities Exchange LLC (“ISE”), and the Boston Options Exchange LLC (“BOX”).⁷ Each of these exchanges has moved to a principles-based approach to protecting against the misuse of material non- public information. In connection with approving those rule changes, the Commission found that, with adequate oversight by the exchanges of their members, eliminating prescriptive information barrier requirements should not reduce the effectiveness of exchange rules requiring its members to establish and maintain systems to supervise the activities of its members, including written procedures reasonably designed to ensure compliance with applicable federal securities law and regulations, and with the rules of the applicable exchange.⁸

The Exchange believes that a principles-based rule applicable to members of options markets would be effective in protecting against the misuse of material non-public information. Indeed, Exchange Rule 5.5 is currently applicable to Options Members and already requires policies and procedures reasonably designed to prevent the misuse of material nonpublic information. The Exchange believes that Rule 5.5

⁷ See Securities Exchange Act Release No. 75432 (July 13, 2015), 80 FR 42597 (July 17, 2015) (Order Approving Adopting a Principles-Based Approach to Prohibit the Misuse of Material Nonpublic Information by Specialists and e-Specialists by Deleting Rule 927.3NY and Section (f) of Rule 927.5NY); See also Securities Exchange Act Release Nos. 76327 (November 2, 2015), 80 FR 68884 (November 6, 2015) (SR-BATS-2015-93) (Notice of Filing and Immediate Effectiveness of a Proposed Rule Change To Delete Rule 22.10, Limitations on Dealings); 75792 (August 31, 2015), 80 FR 53601 (September 4, 2015) (SR-ISE-2015-26) (Notice of Filing and Immediate Effectiveness of Proposed Rule Change Adopting a Principles-Based Approach To Prohibit the Misuse of Material, Non-Public Information by Market Makers by Deleting Rule 810); 75916 (September 14, 2015), 80 FR 56503 (September 18, 2015) (SR-BOX-2015-31) (Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Adopt a Principles-Based Approach To Prohibit the Misuse of Material Nonpublic Information by Market Makers).

⁸ Id.

provides appropriate protection against the misuse of material nonpublic information by Options Members and that there is no longer a need for prescriptive information barrier requirements set forth in Rule 22.10.

The Exchange notes that even with this proposed rule change and the elimination of the requirement that the Exchange pre-approve a Member's policies and procedures, pursuant to Rule 5.5, an Options Member would still be obligated to ensure that its policies and procedures reflect the current state of its business and continue to be reasonably designed to achieve compliance with applicable federal securities law and regulations, including Section 15(g) of the Act,⁹ and with applicable Exchange rules, including being reasonably designed to protect against the misuse of material, non-public information. Thus, the Exchange does not believe there will be any material change to Member's information barriers as a result of the Exchange's pre-approval no longer being required. In fact, the Exchange anticipates that the lack of such pre-approval would facilitate Market Maker's ability to more quickly implement changes to their information barrier as necessary to protect against the misuse of material, non-public information.

The Exchange is not proposing to change what is considered to be material, non-public information and, thus, would not expect there to be any changes to the types of information that an affiliated brokerage business of a Market Maker could share with such Market Maker. In addition, the Exchange notes that the proposed rule change would not permit the affiliates of a Market Maker to have access to any non-public order or quote information of the Market Maker, including information regarding the non-

⁹ 15 U.S.C 78o(g).

displayed size of reserve orders.¹⁰ Affiliates of Market Makers would only be permitted to have access to orders and quotes that are publicly available to all market participants.

While information barriers would not specifically be required under the proposal, Rule 5.5 already requires that an Options Member consider its business model or business activities in structuring its policies and procedures, which may dictate that an information barrier or a functional separation be part of the appropriate set of policies and procedures that would be reasonably designed to achieve compliance with applicable securities law and regulations, and with applicable Exchange rules.

The Exchange believes that the proposed reliance on the principles-based Rule 5.5 would ensure that an Options Member would be required to protect against the misuse of any material non-public information. As noted above, Rule 5.5 already requires that Members refrain from trading while in possession of material non-public information concerning imminent transactions in the security or related product. The Exchange believes that moving to a principles-based approach rather than prescribing particularized information barriers applicable to Market Makers would provide Market Makers with flexibility when managing risk across a firm, including integrating options positions with other positions of the firm or, as applicable, by the respective independent trading unit.

(b) Statutory Basis

The Exchange believes that its proposal is consistent with the requirements of the Act and the rules and regulations thereunder that are applicable to a national securities

¹⁰ The Exchange notes that, like NYSE MKT, the Exchange does not offer reserve orders, which are orders with a displayed price and size as well as a non-displayed size.

exchange, and, in particular, with the requirements of Section 6(b) of the Act.¹¹ In particular, the proposal is consistent with Section 6(b)(5) of the Act¹² because it is designed to prevent fraudulent and manipulative acts and practices, would 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 believes that the proposed rule change would remove impediments to and perfect the mechanism of a free and open market by adopting a principles-based approach to permit an Options Member to maintain and enforce policies and procedures to, among other things, prohibit the misuse of material non-public information and provide flexibility on how a Market Maker structures its operations. The Exchange notes that the proposed rule change is based upon an approved rule of the Exchange to which Options Members are subject – Rule 5.5 – and the proposed change harmonizes the rules governing Options Members. Moreover, Market Makers would continue to be subject to federal and Exchange requirements for protecting material non- public order information.¹³ The Exchange believes that the proposed rule change would remove impediments to and perfect the mechanism of a free and open market because it would harmonize the Exchange’s approach to protecting against the misuse of material nonpublic information and no longer subject Market Makers to particularized prescriptive requirements. The Exchange does not believe that the existing prescriptive requirements

¹¹ 15 U.S.C. 78f(b).

¹² 15 U.S.C. 78f(b)(5).

¹³ See 15 U.S.C. 78o(g) and Rule 5.5.

applicable to Options Market Makers are narrowly tailored to their respective role because Market Makers do not have access to Exchange trading information in a manner different from any other Options Member that is not a Market Maker.

The Exchange further believes the proposal is designed to prevent fraudulent and manipulative acts and practices and to promote just and equitable principles of trade because existing rules make clear to Options Members the type of conduct that is prohibited by the Exchange. While the proposal eliminates certain prescriptive requirements relating to the misuse of material non-public information, Market Makers would remain subject to existing Exchange rules requiring them to establish and maintain systems to supervise their activities, and to create, implement, and maintain written procedures that are reasonably designed to comply with applicable securities laws and Exchange rules, including the prohibition on the misuse of material, nonpublic information. Additionally, the policies and procedures of Market Makers, including those relating to information barriers, would be subject to review by FINRA, on behalf of the Exchange.¹⁴

The Exchange notes that the proposed rule change would still require that Market Makers maintain and enforce policies and procedures reasonably designed to ensure compliance with applicable federal securities laws and regulations and with Exchange rules. Even though there would no longer be particularized Market Maker information barriers, any Market Maker written policies and procedures would continue to be subject to oversight by the Exchange and therefore the elimination of prescribed requirements should not reduce the effectiveness of the Exchange rules to protect against the misuse of

¹⁴ See supra, note 6.

material non-public information. Rather, all Options Members will be able to utilize a flexible, principles-based approach to modify their policies and procedures as appropriate to reflect changes to their business model, business activities, or to the securities market itself. Moreover, while particularized information barriers may no longer be required, an Options Member's business model or business activities may dictate that an information barrier or functional separation be part of the appropriate set of policies and procedures that would be reasonably designed to achieve compliance with applicable securities laws and regulations, and with applicable Exchange rules. The Exchange therefore believes that the proposed rule change will maintain the existing protection of investors and the public interest that is currently applicable to Market Makers, while at the same time removing impediments to and perfecting a free and open market by moving to a principles-based approach to protect against the misuse of material non-public information.

4. 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. In this regard and as indicated above, the Exchange notes that the rule change is being proposed as a competitive response to a filing submitted by NYSE MKT that was recently approved by the Commission.¹⁵ The Exchange believes this proposed rule change is necessary to permit fair competition among the options exchanges.

The Exchange believes that the proposal will enhance competition by allowing Market Makers to comply with applicable Exchange rules in a manner best suited to their

¹⁵ See supra, note 4.

business models, business activities, and the securities markets, thus reducing regulatory burdens while still ensuring compliance with applicable securities laws and regulations and Exchange rules. The Exchange believes that the proposal will foster a fair and orderly marketplace without being overly burdensome upon Market Makers.

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

The Exchange has not solicited, and does not intend to solicit, comments on this proposed rule change. The Exchange has not received any written comments from members or other interested parties.

6. Extension of Time Period for Commission Action

Not applicable.

7. Basis for Summary Effectiveness Pursuant to Section 19(b)(3) or for Accelerated Effectiveness Pursuant to Section 19(b)(2)

The Exchange has designated this rule filing as non-controversial under Section 19(b)(3)(A) of the Act¹⁶ and paragraph (f)(6) of Rule 19b-4 thereunder.¹⁷ 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) and will not become operative for 30 days from the date on which it was filed, or such shorter time as the Commission may designate. In addition, 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

¹⁶ 15 U.S.C. 78s(b)(3)(A).

¹⁷ 17 CFR 240.19b-4.

prior to the date of filing, or such shorter time as designated by the Commission.¹⁸ The proposed rule change is substantially similar in all material respects to a proposal submitted by NYSE MKT that was recently approved by the Commission.¹⁹ The Exchange believes that this proposed rule change, which is essential for competitive purposes and to promote a free and open market for the benefit of investors, does not raise any new, unique or substantive issues from those raised in the NYSE MKT filing. Accordingly, the Exchange has designated this rule filing as non-controversial under Section 19(b)(3)(A) of the Act²⁰ and paragraph (f)(6) of Rule 19b-4 thereunder.²¹

The Exchange respectfully requests that the Commission waive the 30-day operative delay so that the proposed rule change may become effective and operative upon filing with the Commission pursuant to Section 19(b)(3)(A) of the Act²² and paragraph (f)(6) of Rule 19b-4 thereunder.²³ Waiver of the pre-filing period and the operative delay is consistent with the protection of investors and the public interest because it will ensure fair competition among the exchanges by allowing the Exchange to adopt a principles-based approach to protecting against the misuse of material nonpublic information in the options market. 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 of the Act.

¹⁸ 17 CFR 240.19b-4(f)(6)(iii).

¹⁹ See supra, note 4.

²⁰ 15 U.S.C. 78s(b)(3)(A).

²¹ 17 CFR 240.19b-4.

²² 15 U.S.C. 78s(b)(3)(A).

²³ 17 CFR 240.19b-4(f)(6).

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.

8. Proposed Rule Change Based on Rule of Another Self-Regulatory Organization or of the Commission

As discussed above, the Exchange believes that the proposed rule change is substantially similar in all material respects to recently filed changes for BATS Options, except for the discussion of reserve orders in the BATS Options filing, which are not offered by the Exchange on the EDGX Options platform.²⁴ The Exchange also believes that the proposed rule change is substantially similar in all material respects to a proposal submitted by NYSE MKT that was recently approved by the Commission.²⁵

9. Security-Based Swap Submissions Filed Pursuant to Section 3C of the Act

Not applicable.

10. Advance Notices Filed Pursuant to Section 806(e) of the Payment, Clearing and Settlement Supervision Act

Not applicable.

11. Exhibits

Exhibit 1: Completed Notice of the Proposed Rule Change for publication in the Federal Register.

Exhibits 2–4: Not applicable.

Exhibit 5: Text of Proposed Rule Change

²⁴ See supra, notes 7 and 10.

²⁵ See supra, note 4.

EXHIBIT 1

SECURITIES AND EXCHANGE COMMISSION

(Release No. 34-_____; File No. SR-EDGX-2015-59)

Self-Regulatory Organizations; EDGX Exchange, Inc.; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to Delete Rule 22.10, Limitation on Dealings, Related to the EDGX Options Market

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the “Act”),¹ and Rule 19b-4 thereunder,² notice is hereby given that on _____, 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 Act³ and Rule 19b-4(f)(6)(iii) thereunder,⁴ 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 filed a proposal for the EDGX Options Market (“EDGX Options”) to adopt a principles-based approach to prohibit the misuse of material nonpublic information by Market Makers by deleting Rule 22.10 (Limitations on Dealings). The

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).

Exchange has designated this proposal as non-controversial and provided the Commission with the notice required by Rule 19b-4(f)(6)(iii) under the Act.⁵

The text of the proposed rule change is available at the Exchange's website at www.batstrading.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 Statutory Basis for, the Proposed Rule Change

1. Purpose

The Exchange proposes to adopt a principles-based approach to prohibit the misuse of material non-public information by Market Makers by deleting Rule 22.10 (Limitations on Dealings). In doing so, the Exchange, with regard to EDGX Options, would harmonize its rules governing Market Makers and Options Members that are not Market Makers relating to the protection against misuse of material, non-public information. The Exchange believes that Rule 22.10 is no longer necessary because all Options Members, including Market Makers, are subject to the Exchange's generally applicable principles-based requirements

⁵ 17 CFR 240.19b-4(f)(6)(iii).

governing the protection against the misuse of material, non-public information, pursuant to Rule 5.5 (Prevention of the Misuse of Material, Non-Public Information), which obviates the need for separately prescribed requirements for a subset of Exchange participants. Additionally, there is no separate regulatory purpose served by having separate rules for Market Makers. The Exchange notes that this proposed rule change will not decrease the protections against the misuse of material, non-public information; instead, it is designed to provide more flexibility to Options Members. This is a competitive filing that is based on a proposal recently submitted by NYSE MKT LLC (“NYSE MKT”) and approved by the Commission.⁶

Background

The Exchange has two classes of EDGX Options participants. Specifically, pursuant to Rule 16.1(a)(38), the term “Options Member” means a firm or organization that is registered with the Exchange pursuant to Chapter XVII of the Rules for the purposes of participating in options trading on EDGX Options either as an “Options Order Entry Firm” or as an “Options Market Maker.” Pursuant to Rule 16.1(a)(36), the terms “Options Order Entry Firm” or “Order Entry Firm” or “OEF” mean those Options Members representing as agent Customer Orders on EDGX Options and those non-Market Maker Members conducting proprietary trading. Pursuant to Rule 16.1(a)(37), the term “Options Market Maker” or “Market Maker” means an Options Member registered with the Exchange for the purpose of making markets in options contracts traded on the Exchange and that is vested with the rights and responsibilities specified in

⁶ See Securities Exchange Act Release No. 75432 (July 13, 2015), 80 FR 42597 (July 17, 2015) (Order Approving SR-NYSEMKT-2015-23).

Chapter XXII of the Rules.

Rule 22.5 (Obligations of Market Makers) describes the obligations of Market Makers. Rule 22.6 (Market Maker Quotations) sets forth quoting obligations of Market Makers.⁷ Rule 22.10 (Limitations on Dealings) requires Market Makers to maintain information barriers that are reasonably designed to prevent the misuse of material, non-public corporate or markets information in the possession of persons on one side of the information barrier by persons on the other side of the information barrier.

Proposed Rule Change

The Exchange believes that the particularized guidelines for Market Makers in Rule 22.10 are no longer necessary and proposes to delete Rule 22.10. The Exchange believes that Rule 5.5 (Prevention of the Misuse of Material, Nonpublic Information), which governs the misuse of material, non-public information and applies to all Members (including Options Members), provides an appropriate, principles-based approach to prevent the market abuses that Rule 22.10 seeks to address. Specifically, Rule 5.5 requires every Member (including Options Members) to establish, maintain, and enforce written policies and procedures reasonably designed to prevent the misuse of material, non-public information by such Member or persons associated with such Member. For purposes of Rule 5.5, the misuse of material, non-public information includes, but is not limited to, the following:

⁷ Rule 22.6 generally requires that Market Makers provide firm, two-sided, continuous quotations, in minimum size, for the options series to which it is registered.

- (1) Trading in any securities issued by a corporation, or in any related securities or related options or other derivative securities, while in possession of material, non-public information concerning that issuer;
- (2) Trading in a security or related options or other derivative securities, while in possession of material, non-public information concerning imminent transactions in the security or related securities; and
- (3) Disclosing to another person or entity any material nonpublic information involving a corporation whose shares are publicly traded or an imminent transaction in an underlying security or related securities for the purpose of facilitating the possible misuse of such material nonpublic information.

Because Options Members are already subject to the requirements of Rule 5.5, the Exchange does not believe that it is necessary to separately require particularized limitations on Market Makers. Deleting Rule 22.10, with its particularized limitations would provide Market Makers with the flexibility to adapt their policies and procedures as appropriate to reflect changes to their business model, business activities, or the securities market in a manner similar to how Options Members on the Exchange currently operate in conformity with Rule 5.5.

As noted above, Market Makers are distinguished under Exchange rules from other Options Members only to the extent that Market Makers have heightened quoting obligations. However, such heightened quoting obligations do not afford different or greater access to nonpublic information than any other Options Member of the

Exchange.⁸ Therefore, because Market Makers do not have any trading advantages over Order Entry Firms on EDGX Options, the Exchange believes that they should be subject to the same rules regarding the protection against the misuse of material non-public information, which in this case, is existing Rule 5.5.

The Exchange notes that its proposed approach to use a principles-based approach to protecting against the misuse of material non-public information for all of its registered Options Members is consistent with recently approved rule changes for NYSE MKT and recently filed changes for the options platform of BATS Exchange, Inc. (“BATS Options”), the International Securities Exchange LLC (“ISE”), and the Boston Options Exchange LLC (“BOX”).⁹ Each of these exchanges has moved to a principles-based

⁸ The Exchange notes that by deleting Rule 22.10, the Exchange would no longer require specific information barriers for Market Makers; however, as is the case currently with Options Members, information barriers of new participants would be subject to review as part of a new firm application. Moreover, the policies and procedures of Market Makers, including those relating to any information barriers, would be subject to review by FINRA, on behalf of the Exchange, pursuant to a Regulatory Services Agreement.

⁹ See Securities Exchange Act Release No. 75432 (July 13, 2015), 80 FR 42597 (July 17, 2015) (Order Approving Adopting a Principles-Based Approach to Prohibit the Misuse of Material Nonpublic Information by Specialists and e-Specialists by Deleting Rule 927.3NY and Section (f) of Rule 927.5NY); See also Securities Exchange Act Release Nos. 76327 (November 2, 2015), 80 FR 68884 (November 6, 2015) (SR-BATS-2015-93) (Notice of Filing and Immediate Effectiveness of a Proposed Rule Change To Delete Rule 22.10, Limitations on Dealings); 75792 (August 31, 2015), 80 FR 53601 (September 4, 2015) (SR-ISE-2015-26) (Notice of Filing and Immediate Effectiveness of Proposed Rule Change Adopting a Principles-Based Approach To Prohibit the Misuse of Material, Non-Public Information by Market Makers by Deleting Rule 810); 75916 (September 14, 2015), 80 FR 56503 (September 18, 2015) (SR-BOX-2015-31) (Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Adopt a Principles-Based Approach To Prohibit the Misuse of Material Nonpublic Information by Market Makers).

approach to protecting against the misuse of material non- public information. In connection with approving those rule changes, the Commission found that, with adequate oversight by the exchanges of their members, eliminating prescriptive information barrier requirements should not reduce the effectiveness of exchange rules requiring its members to establish and maintain systems to supervise the activities of its members, including written procedures reasonably designed to ensure compliance with applicable federal securities law and regulations, and with the rules of the applicable exchange.¹⁰

The Exchange believes that a principles-based rule applicable to members of options markets would be effective in protecting against the misuse of material non-public information. Indeed, Exchange Rule 5.5 is currently applicable to Options Members and already requires policies and procedures reasonably designed to prevent the misuse of material nonpublic information. The Exchange believes that Rule 5.5 provides appropriate protection against the misuse of material nonpublic information by Options Members and that there is no longer a need for prescriptive information barrier requirements set forth in Rule 22.10.

The Exchange notes that even with this proposed rule change and the elimination of the requirement that the Exchange pre-approve a Member's policies and procedures, pursuant to Rule 5.5, an Options Member would still be obligated to ensure that its policies and procedures reflect the current state of its business and continue to be reasonably designed to achieve compliance with applicable federal securities law and

¹⁰ Id.

regulations, including Section 15(g) of the Act,¹¹ and with applicable Exchange rules, including being reasonably designed to protect against the misuse of material, non-public information. Thus, the Exchange does not believe there will be any material change to Member's information barriers as a result of the Exchange's pre-approval no longer being required. In fact, the Exchange anticipates that the lack of such pre-approval would facilitate Market Maker's ability to more quickly implement changes to their information barrier as necessary to protect against the misuse of material, non-public information.

The Exchange is not proposing to change what is considered to be material, non-public information and, thus, would not expect there to be any changes to the types of information that an affiliated brokerage business of a Market Maker could share with such Market Maker. In addition, the Exchange notes that the proposed rule change would not permit the affiliates of a Market Maker to have access to any non-public order or quote information of the Market Maker, including information regarding the non-displayed size of reserve orders.¹² Affiliates of Market Makers would only be permitted to have access to orders and quotes that are publicly available to all market participants.

While information barriers would not specifically be required under the proposal, Rule 5.5 already requires that an Options Member consider its business model or business activities in structuring its policies and procedures, which may dictate that an information barrier or a functional separation be part of the appropriate set of policies and

¹¹ 15 U.S.C 78o(g).

¹² The Exchange notes that, like NYSE MKT, the Exchange does not offer reserve orders, which are orders with a displayed price and size as well as a non-displayed size.

procedures that would be reasonably designed to achieve compliance with applicable securities law and regulations, and with applicable Exchange rules.

The Exchange believes that the proposed reliance on the principles-based Rule 5.5 would ensure that an Options Member would be required to protect against the misuse of any material non-public information. As noted above, Rule 5.5 already requires that Members refrain from trading while in possession of material non-public information concerning imminent transactions in the security or related product. The Exchange believes that moving to a principles-based approach rather than prescribing particularized information barriers applicable to Market Makers would provide Market Makers with flexibility when managing risk across a firm, including integrating options positions with other positions of the firm or, as applicable, by the respective independent trading unit.

2. Statutory Basis

The Exchange believes that its proposal is consistent with the requirements of the Act 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.¹³ In particular, the proposal is consistent with Section 6(b)(5) of the Act¹⁴ because it is designed to prevent fraudulent and manipulative acts and practices, would 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.

¹³ 15 U.S.C. 78f(b).

¹⁴ 15 U.S.C. 78f(b)(5).

The Exchange believes that the proposed rule change would remove impediments to and perfect the mechanism of a free and open market by adopting a principles-based approach to permit an Options Member to maintain and enforce policies and procedures to, among other things, prohibit the misuse of material non-public information and provide flexibility on how a Market Maker structures its operations. The Exchange notes that the proposed rule change is based upon an approved rule of the Exchange to which Options Members are subject – Rule 5.5 – and the proposed change harmonizes the rules governing Options Members. Moreover, Market Makers would continue to be subject to federal and Exchange requirements for protecting material non- public order information.¹⁵ The Exchange believes that the proposed rule change would remove impediments to and perfect the mechanism of a free and open market because it would harmonize the Exchange’s approach to protecting against the misuse of material nonpublic information and no longer subject Market Makers to particularized prescriptive requirements. The Exchange does not believe that the existing prescriptive requirements applicable to Options Market Makers are narrowly tailored to their respective role because Market Makers do not have access to Exchange trading information in a manner different from any other Options Member that is not a Market Maker.

The Exchange further believes the proposal is designed to prevent fraudulent and manipulative acts and practices and to promote just and equitable principles of trade because existing rules make clear to Options Members the type of conduct that is prohibited by the Exchange. While the proposal eliminates certain prescriptive

¹⁵ See 15 U.S.C. 78o(g) and Rule 5.5.

requirements relating to the misuse of material non-public information, Market Makers would remain subject to existing Exchange rules requiring them to establish and maintain systems to supervise their activities, and to create, implement, and maintain written procedures that are reasonably designed to comply with applicable securities laws and Exchange rules, including the prohibition on the misuse of material, nonpublic information. Additionally, the policies and procedures of Market Makers, including those relating to information barriers, would be subject to review by FINRA, on behalf of the Exchange.¹⁶

The Exchange notes that the proposed rule change would still require that Market Makers maintain and enforce policies and procedures reasonably designed to ensure compliance with applicable federal securities laws and regulations and with Exchange rules. Even though there would no longer be particularized Market Maker information barriers, any Market Maker written policies and procedures would continue to be subject to oversight by the Exchange and therefore the elimination of prescribed requirements should not reduce the effectiveness of the Exchange rules to protect against the misuse of material non-public information. Rather, all Options Members will be able to utilize a flexible, principles-based approach to modify their policies and procedures as appropriate to reflect changes to their business model, business activities, or to the securities market itself. Moreover, while particularized information barriers may no longer be required, an Options Member's business model or business activities may dictate that an information barrier or functional separation be part of the appropriate set of policies and procedures

¹⁶ See supra, note 8.

that would be reasonably designed to achieve compliance with applicable securities laws and regulations, and with applicable Exchange rules. The Exchange therefore believes that the proposed rule change will maintain the existing protection of investors and the public interest that is currently applicable to Market Makers, while at the same time removing impediments to and perfecting a free and open market by moving to a principles-based approach to protect against the misuse of material non-public information.

(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. In this regard and as indicated above, the Exchange notes that the rule change is being proposed as a competitive response to a filing submitted by NYSE MKT that was recently approved by the Commission.¹⁷ The Exchange believes this proposed rule change is necessary to permit fair competition among the options exchanges.

The Exchange believes that the proposal will enhance competition by allowing Market Makers to comply with applicable Exchange rules in a manner best suited to their business models, business activities, and the securities markets, thus reducing regulatory burdens while still ensuring compliance with applicable securities laws and regulations and Exchange rules. The Exchange believes that the proposal will foster a fair and orderly marketplace without being overly burdensome upon Market Makers.

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

¹⁷ See supra, note 6.

The Exchange has not solicited, and does not intend to solicit, comments on this proposed rule change. The Exchange has not received any written comments from members or other interested parties.

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

Because the foregoing proposed rule change does not: (A) significantly affect the protection of investors or the public interest; (B) impose any significant burden on competition; and (C) by its terms, become operative for 30 days from the date on which it was filed or such shorter time as the Commission may designate it has become effective pursuant to Section 19(b)(3)(A) of the Act¹⁸ and paragraph (f)(6) of Rule 19b-4 thereunder,¹⁹ the Exchange has designated this rule filing as non-controversial. The Exchange has given the Commission 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.

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: (1) necessary or appropriate in the public interest; (2) for the protection of investors; or (3) 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.

¹⁸ 15 U.S.C. 78s(b)(3)(A).

¹⁹ 17 CFR 240.19b-4.

IV. Solicitation of Comments

Interested persons are invited to submit written data, views and arguments concerning the foregoing, including whether the proposal 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. Please include File No. SR-EDGX-2015-59 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 No. SR-EDGX-2015-59. 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 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 am and 3:00 pm. 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 No. SR-EDGX-2015-59 and should be submitted on or before [_____21 days from publication in the Federal Register].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.²⁰

Robert W. Errett
Deputy Secretary

²⁰ 17 CFR 200.30-3(a)(12).

Note: Proposed new language is underlined. Proposed deletions are enclosed in [brackets].

Rules of EDGX Exchange, Inc.

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CHAPTER XXII. MARKET PARTICIPANTS

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Rule 22.10. (Reserved.)[Limitations on Dealings

(a) General Rule.

A Market Maker on EDGX Options may engage in Other Business Activities, or it may be affiliated with a broker-dealer that engages in Other Business Activities, only if there is an Information Barrier between the market making activities and the Other Business Activities. “Other Business Activities” means:

- (1) conducting an investment banking or public securities business;
 - (2) making markets in the stocks underlying the options in which it makes markets; or
 - (3) functioning as an Order Entry Firm, except where such Market Maker, or broker-dealer with which such Market Maker is affiliated: (A) engages solely in proprietary trading and does not, under any circumstance, maintain customer accounts or solicit or accept orders or funds from or on behalf of customers, including broker-dealers and other securities firms; and (B) does not place or accept or utilize any order types which call for the participation of, or interaction with, public customers, including broker-dealers and other securities firms.
- (b) “Information Barrier”.

For the purposes of this Rule, an Information Barrier is an organizational structure in which:

- (1) The market making functions are conducted in a physical location separate from the locations in which the Other Business Activities are conducted, in a manner that effectively impedes the free flow of communications between designated representatives of an Options Member performing the function of a Market Maker and persons conducting the Other Business Activities. However, upon request and not on his own initiative, a designated representative of an Options Member performing the function of a Market Maker may furnish to a person performing the function of an OEF or other persons at the same firm or an affiliated firm (“affiliated persons”), the same market or trading information, so long as the Market Maker also may make available such information to non-affiliated persons with whom the Market Maker may have the same

type of business relationship. The designated representative of a Market Maker must provide such information to affiliated persons in the same manner that he would make such information available to a non-affiliated person.

(2) There are procedures implemented to prevent the use of material nonpublic corporate or market information in the possession of persons on one side of the barrier from influencing the conduct of persons on the other side of the barrier. These procedures, at a minimum, must provide that:

(A) the designated representative of an Options Member performing the function of a Market Maker does not take advantage of knowledge of pending transactions, order flow information, corporate information or recommendations arising from the Other Business Activities; and

(B) all information pertaining to the Market Maker's positions and trading activities is kept confidential and not made available to persons on the other side of the Information Barrier, except as provided in Paragraph (b)(1) of this Rule.

(C) Persons on one side of the barrier may not exercise influence or control over persons on the other side of the barrier, provided that:

(1) the market making function and the Other Business Activities may be under common management as long as any general management oversight does not conflict with or compromise the Market Maker's responsibilities under Exchange Rules; and

(2) the same person or persons (the "Supervisor") may be responsible for the supervision of the market making and OEF functions of the same firm or affiliated firms in order to monitor the overall risk exposure of the firm or affiliated firms. While the Supervisor may establish general trading parameters with respect to both market making and other proprietary trading other than on an order-specific basis, the Supervisor may not:

1) actually perform the function of either a Market Maker or OEF;

2) provide to any person performing the function of an OEF any information relating to market making activity beyond the information that a designated representative of an Options Member performing the function of a Market Maker may provide under subparagraph (b)(1), above; nor

- 3) provide a designated representative of an Options Member performing the function of Market Maker with specific information regarding the firm's pending transactions or order flow arising out of its OEF activities.

(D) Documenting and Reporting of Information Barrier Procedures. An Options Member implementing an Information Barrier pursuant to this Rule shall submit to EDGX Options a written statement setting forth:

- (1) The manner in which it intends to satisfy the conditions in paragraph (b) of this Rule, and the compliance and audit procedures it proposes to implement to ensure that the Information Barrier is maintained;

- (2) The names and titles of the person or persons responsible for maintenance and surveillance of the procedures;

- (3) A commitment to provide the Exchange with such information and reports as the Exchange may request relating to its transactions;

- (4) A commitment to take appropriate remedial action against any person violating this Rule or the Options Member's internal compliance and audit procedures adopted pursuant to paragraph (c)(1) of this Rule, and that it recognizes that the Exchange may take appropriate remedial action, including (without limitation) reallocation of securities in which it serves as a Market Maker, in the event of such a violation;

- (5) Whether the Options Member or an affiliate intends to clear its proprietary trades and, if so, the procedures established to ensure that information with respect to such clearing activities will not be used to compromise the Options Member's Information Barrier, which procedures, at a minimum, must be the same as those used by the Options Member or the affiliate to clear for unaffiliated third parties; and

- (6) That it recognizes that any trading by a person while in possession of material, non-public information received as a result of the breach of the internal controls required under this Rule may be a violation of Rules 10b-5 and 14e-3 under the Exchange Act or one or more other provisions of the Exchange Act, the Rules thereunder or Exchange Rules, and that the Exchange intends to review carefully any such trading of which it becomes aware to determine whether a violation has occurred.

(E) Exchange Approval of Information Barrier Procedures. The written statement required by paragraph (D) of this Rule must detail the internal controls

that the Options Member will implement to satisfy each of the conditions stated in that Rule, and the compliance and audit procedures proposed to implement and ensure that the controls are maintained. If the Exchange determines that the organizational structure and the compliance and audit procedures proposed by the Options Member are acceptable under this Rule, the Exchange shall so inform the Options Member, in writing. Absent the Exchange finding an Options Member's Information Barrier procedures acceptable, a Market Maker may not conduct Other Business Activities.

(F) Clearing Arrangements. Paragraph (D)(v) permits an Options Member or an affiliate of the Options Member to clear the Member's Market Maker transactions if it establishes procedures to ensure that information with respect to such clearing activities will not be used to compromise the Information Barrier. In this regard:

(1) The procedures must provide that any information pertaining to Market Maker securities positions and trading activities, and information derived from any clearing and margin financing arrangements, may be made available only to those employees (other than employees actually performing clearing and margin functions) specifically authorized under this Rule to have access to such information or to other employees in senior management positions who are involved in exercising general managerial oversight with respect to the market making activity.

(2) Any margin financing arrangements must be sufficiently flexible so as not to limit the ability of any Market Maker to meet market making or other obligations under the Exchange's and Rules.]

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