Sponsoring Members and Sponsored Participants under the Exchange's rules, the financial and regulatory risk management controls and supervisory procedures required by Rule 15c3–5 under the Act [25] apply broadly to all forms of market access by broker-dealers that are exchange members or alternative trading system ("ATS") subscribers, including sponsored access, direct market access, and more traditional agency brokerage arrangements with customers, as well as proprietary trading.[26] The application of appropriate risk management controls and supervisory procedures required by Rule 15c3–5 under the Act [27] is critically important to maintaining a robust market infrastructure supporting the protection of investors, investor confidence, and fair, orderly, and efficient markets for all participants.

IV. Conclusion

It is therefore ordered, pursuant to Section 19(b)(2) of the Act,[28] that the proposed rule change (SR–EDGX–2012– 24), as modified by Amendment No. 1 thereto, is approved.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.[29]

Kevin M. O'Neill,

Deputy Secretary.

[FR Doc. 2012–21108 Filed 8–27–12; 8:45 am]

BILLING CODE 8011–01–P

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–67712; File No. SR–EDGA– 2012–27]

Self-Regulatory Organizations; EDGA Exchange, Inc.; Order Approving a Proposed Rule Change, as Modified by Amendment No. 1 Thereto, To Amend EDGA Rules Regarding Market Access

August 22, 2012.

I. Introduction

On June 22, 2012, EDGA Exchange, Inc. ("Exchange" or "EDGA") filed with the Securities and Exchange Commission ("Commission"), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act") [1] and Rule 19b–4 thereunder,[2] a proposed rule change to amend EDGA rules regarding market access for Sponsored

Participants.[3] The proposed rule change was published for comment in the **Federal Register** on July 9, 2012.[4] The Commission received no comment letters regarding the proposed rule change. On July 31, 2012, the Exchange filed Amendment No. 1 to the proposed rule change.[5] This order approves the proposed rule change, as modified by Amendment No. 1 thereto.

II. Description of the Proposal

EDGA Rule 11.3(b) sets forth the requirements for Sponsored Participants to obtain authorized access to the Exchange's System.[6] A Sponsored Participant may obtain authorized access by entering into and maintaining customer agreements with one or more Sponsoring Members [7] through which the Sponsored Participant may trade on the Exchange's System.[8] The customer agreements must incorporate the provisions of Rule 11.3(b)(2).[9] In addition, the Sponsoring Member must provide EDGA with a written statement identifying each Sponsored Participant by name and acknowledging its responsibility for the orders, executions, and actions of the Sponsored Participants.[10]

EDGA proposes to amend Rule 1.5(z), defining Sponsored Participant, and Rule 11.3(b), related to access by Sponsored Participants, to clarify the obligations of Sponsoring Members and Sponsored Participants. EDGA proposes to define Sponsored Participant as "a person which has entered into an arrangement with one or more Sponsoring Members whereby such person obtains authorized access to the System in accordance with Rule 11.3." [11] In addition, EDGA proposes to

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[3] EDGA Rule 1.5(z) defines "Sponsored Participant" as "a person which has entered into a sponsorship arrangement with a Sponsoring Member pursuant to Rule 11.3." As discussed below, the Exchange proposes to amend the definition of Sponsored Participant as part of the instant proposed rule change.

[4] *See* Securities Exchange Act Release No. 67332 (July 2, 2012), 77 FR 40396 ("Notice").

[5] In Amendment No. 1, the Exchange made a technical change to Rule 1.5(z) in Exhibit 5. Because Amendment No. 1 does not materially alter the substance of the proposed rule change, Amendment No. 1 is not subject to notice and comment.

[6] EDGA Rule 1.5(cc) defines "System" as "the electronic communications and trading facility designated by the Board through which securities orders of Users are consolidated for ranking, execution and, when applicable, routing away."

[7] EDGA Rule 1.5(aa) defines "Sponsoring Member" as "a Member that is a registered broker-dealer and that has been designated by a Sponsored Participant to execute, clear and settle transactions resulting from the System."

[8] *See* EDGA Rule 11.3(b).

[9] *See* Notice, *supra* note 4, at 40397.

[10] *See* EDGA Rule 11.3(b)(3).

[11] *See* EDGA Rule 1.5(z); Amendment No. 1 at 4.

delete certain contractual provisions under Rule 11.3(b) that EDGA believes are no longer necessary given the obligations applicable to Sponsoring Members under Rule 15c3–5 under the Act ("Market Access Rule").[12] The Exchange also proposes to amend Rule 11.3(a) to require that only Members,[13] and not Users [14] (which includes Members as well as their Sponsored Participants), enter into agreements with the Exchange to obtain authorized access to EDGA's System.[15] Sponsored Participants, in turn, must enter into and maintain sponsored or direct access arrangements with one or more Sponsoring Members establishing the proper relationship(s) and account(s) through which the Sponsored Participants may trade on the Exchange's System.[16]

EDGA also proposes amendments to maintain transparency into who is accessing the Exchange's System.[17] Sponsoring Members will need to maintain a list of Sponsored Participants authorized to access the Exchange's System pursuant to Rule 11.3, update that list as necessary, and provide the list to the Exchange upon request.[18] In addition, the Exchange proposes to require that Sponsoring Members shall comply with all requirements of Rule 15c3–5 under the Act [19] with regard to market access arrangements with Sponsored Participants.[20]

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[12] 17 CFR 240.15c3–5. *See* Notice, *supra* note 4, at 40397. EDGA proposes to delete the provisions in Rule 11.3(b)(2)(A)–(I), the second sentence of Rule 11.3(b)(1), and Rule 11.3(b)(3).

[13] EDGA Rule 1.5(n) defines "Member" as "any registered broker or dealer, or any person associated with a registered broker or dealer, that has been admitted to membership in the Exchange."

[14] EDGA Rule 1.5(ee) defines "User" as "any Member or Sponsored Participant who is authorized to obtain access to the System pursuant to Rule 11.3."

[15] *See* EDGA Rule 11.3(a).

[16] *See* EDGA Rule 11.3(b)(1).

[17] *See* Notice, *supra* note 4, at 40397.

[18] *See* EDGA Rule 11.3(b)(2). EDGA is retaining the requirement in Rule 11.4(a) that all Members maintain a list of Authorized Traders who may obtain access to the System on behalf of the Member or the Member's Sponsored Participants, and provide that list to the Exchange upon request. *See* Notice, *supra* note 4, at 40397.

[19] *See* 17 CFR 240.15c3–5. Rule 15c3–5 is designed to ensure that broker-dealers appropriately control the risks associated with market access, so as not to jeopardize their own financial condition, that of other market participants, the integrity of trading on the securities markets, or the stability of the financial system. *See* Risk Management Controls for Brokers or Dealers with Market Access, Securities Exchange Act Release No. 63241 (November 3, 2010), 75 FR 69792 (November 15, 2010) ("Market Access Rule Adopting Release").

[20] *See* EDGA Rule 11.3(b)(3).

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[25] 17 CFR 240.15c3–5.

[26] *See* Market Access Rule Adopting Release, *supra* note 19, 75 FR at 69798.

[27] 17 CFR 240.15c3–5.

[28] 15 U.S.C. 78s(b)(2).

[29] 17 CFR 200.30–3(a)(12).

[1] 15 U.S.C. 78s(b)(1).

[2] 17 CFR 240.19b–4.

III. Discussion and Commission's Findings

After careful review, the Commission finds that the proposed rule change, as modified by Amendment No. 1 thereto, is consistent with the requirements of the Act and the rules and regulations thereunder applicable to a national securities exchange.[21] In particular, the Commission finds that the proposed rule change is consistent with Section 6(b)(5) of the Act,[22] which requires, among other things, that the rules of a national securities exchange be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general, to protect investors and the public interest.

The Commission finds that the instant proposed rule change is consistent with the Act. The Commission notes that the Exchange believes the proposal should serve to eliminate potential confusion regarding the obligations of Sponsoring Members and Sponsored Participants under Exchange rules. In addition, the Commission notes that the Exchange proposes to require Sponsoring Members to comply with Rule 15c3–5 under the Act[23] with regard to market access arrangements with Sponsored Participants.[24] In this regard, the Commission notes that although the proposal relates to obligations of Sponsoring Members and Sponsored Participants under the Exchange's rules, the financial and regulatory risk management controls and supervisory procedures required by Rule 15c3–5 under the Act[25] apply broadly to all forms of market access by broker-dealers that are exchange members or alternative trading system ("ATS") subscribers, including sponsored access, direct market access, and more traditional agency brokerage arrangements with customers, as well as proprietary trading.[26] The application of appropriate risk management controls and supervisory procedures required by Rule 15c3–5 under the Act[27] is critically important to maintaining a robust market infrastructure supporting the protection of investors, investor

confidence, and fair, orderly, and efficient markets for all participants.

IV. Conclusion

It is therefore ordered, pursuant to Section 19(b)(2) of the Act,[28] that the proposed rule change (SR–EDGA–2012–27), as modified by Amendment No. 1 thereto, is approved.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.[29]

Kevin M. O'Neill,

Deputy Secretary.

[FR Doc. 2012–21109 Filed 8–27–12; 8:45 am]

BILLING CODE 8011–01–P

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–67714; File No. SR–NYSEArca–2012–87]

Self-Regulatory Organizations; NYSE Arca, Inc.; Notice of Filing and Immediate Effectiveness of Proposed Rule Change Amending NYSE Arca Options Rule 6.40 To Expand the Existing Market Maker Risk Limitation Mechanism Making It Available for Orders From Market Makers as Well as Non-Market Maker OTP Firms and OTP Holders, and To Provide for Two Additional Risk Limitation Mechanisms

August 22, 2012.

Pursuant to Section 19(b)(1)[1] of the Securities Exchange Act of 1934 (the "Act")[2] and Rule 19b-4 thereunder,[3] notice is hereby given that, on August 10, 2012, NYSE Arca, Inc. (the "Exchange" or "NYSE Arca") filed with the Securities and Exchange Commission (the "Commission") the proposed rule change as described in Items I and II below, which Items have been prepared by the self-regulatory organization. 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 amend NYSE Arca Options Rule 6.40 to expand the existing Market Maker Risk Limitation Mechanism to make it available for orders from Market Makers as well as non-Market Maker OTP Firms and OTP Holders, and to provide for two additional risk limitation

mechanisms. The text of the proposed rule change is available on the Exchange's Web site at *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 Exchange adopted the existing Market Maker Risk Limitation Mechanism to provide a transaction-based mechanism for limiting a Market Maker's risk during periods of increased and significant trading activity on the Exchange in the Market Maker's appointment.[4] The Exchange now proposes to expand the existing Market Maker Risk Limitation Mechanism to make it available for orders from Market Makers as well as orders from non-Market Maker OTP Firms and OTP Holders ("non-Market Makers"),[5] and to provide for two additional risk limitation mechanisms (collectively, the "Risk Limitation Mechanisms"). The Exchange is proposing these changes to permit Market Makers and non-Market Makers to better manage the risk of multiple, nearly simultaneous executions against their proprietary interest that, in today's highly automated and electronic trading environment, can occur across multiple series of different option classes. Consistent with the ability to better manage risk, the Exchange anticipates that these changes could enhance the Exchange's overall market quality as a result of narrowed quote widths and

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[21] In approving this proposed rule change, the Commission has considered the proposed rule's impact on efficiency, competition, and capital formation. *See* 15 U.S.C. 78c(f).

[22] 15 U.S.C. 78f(b)(5).

[23] 17 CFR 240.15c3–5.

[24] *See* EDGA Rule 11.3(b)(3).

[25] 17 CFR 240.15c3–5.

[26] *See* Market Access Rule Adopting Release, *supra* note 19, 75 FR at 69798.

[27] 17 CFR 240.15c3–5.

[28] 15 U.S.C. 78s(b)(2).

[29] 17 CFR 200.30–3(a)(12).

[1] 15 U.S.C.78s(b)(1).

[2] 15 U.S.C. 78a.

[3] 17 CFR 240.19b–4.

[4] *See* Securities Exchange Act Release No. 54238 (July 28, 2006), 71 FR 44758 (August 7, 2006) (SR–NYSEArca–2006–13).

[5] The Exchange proposes to specify within NYSE Arca Options Rule 6.40(a) that non-Market Maker OTP Firms and OTP Holders will be referred to as "non-Market Makers" for purposes of NYSE Arca Options Rule 6.40.