

functionality on the Exchange. The Commission believes that waiving the 30-day operative delay is consistent with the protection of investors and the public interest, as doing so will allow the Exchange's rule text to reflect the its existing functionality, thereby helping to avoid any potential investor confusion. For this reason, the Commission designates the proposed rule change to be operative upon filing.<sup>19</sup>

At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act.

#### IV. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act. Comments may be submitted by any of the following methods:

##### *Electronic Comments*

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>); or
- Send an email to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include File Number SR-BYX-2013-032 on the subject line.

##### *Paper Comments*

- Send paper comments in triplicate to Elizabeth M. Murphy, Secretary, Securities and Exchange Commission, 100 F Street NE., Washington, DC 20549-1090.

All submissions should refer to File Number SR-BYX-2013-032. 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

<sup>19</sup> For purposes only of waiving the operative delay for this proposal, the Commission has considered the proposed rule's impact on efficiency, competition, and capital formation. See 15 U.S.C. 78c(f).

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 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-BYX-2013-032, and should be submitted on or before October 15, 2013.

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

Kevin M. O'Neill,  
Deputy Secretary.

[FR Doc. 2013-23125 Filed 9-23-13; 8:45 am]

BILLING CODE 8011-01-P

## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-70442; File No. SR-FINRA-2013-023]

### Self-Regulatory Organizations; Financial Industry Regulatory Authority, Inc.; Order Approving Proposed Rule Change Relating to Amendments to the Code of Arbitration Procedure for Customer Disputes Concerning Panel Composition

September 18, 2013.

#### I. Introduction

On February 1, 2013, the Financial Industry Regulatory Authority, Inc. ("FINRA") filed with the Securities and Exchange Commission ("Commission"), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Exchange Act")<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> a proposed rule change amending the Code of Arbitration Procedure for Customer Disputes ("Customer Code") to simplify arbitration panel selection in cases with three arbitrators. Under the proposed rule change, FINRA would no longer require a customer to elect one of the two existing panel-selection methods. Instead, parties in all customer cases with three arbitrators would use the same selection method. Specifically, FINRA would provide all parties with

<sup>20</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.

lists of ten chair-qualified public arbitrators, ten public arbitrators, and ten non-public arbitrators. FINRA would permit the parties to strike four arbitrators on the chair-qualified public list and four arbitrators on the public list. However, any party could select an all-public arbitration panel by striking all of the arbitrators on the non-public list.

The proposed rule change was published for comment in the **Federal Register** on June 20, 2013.<sup>3</sup> The Commission received fifteen comment letters on the proposed rule change,<sup>4</sup> and, on August 7, 2013, received FINRA's response to the comments.<sup>5</sup> The text of the proposed rule change is available on FINRA's Web site at <http://www.finra.org>, at the principal office of FINRA, on the Commission's Web site at <http://www.sec.gov>, and at the Commission's Public Reference Room.

This order approves the proposed rule change.

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

##### A. Current Panel Composition Methods at the Forum

Under the Customer Code, parties in arbitration participate in selecting the arbitrators who serve on their cases. Until January 31, 2011, the Customer

<sup>3</sup> See Exchange Act Release No. 69762 (June 13, 2013), 78 FR 37267 (June 20, 2013), ("Notice").

<sup>4</sup> See Letters from Philip M. Aidikoff, Partner, Aidikoff, Uhl and Bakhtiari, dated July 10, 2013 ("Aidikoff Letter"); Ryan K. Bakhtiari, Aidikoff, Uhl and Bakhtiari, dated July 10, 2013 ("Bakhtiari Letter"); David T. Bellaire, Esq., Executive Vice President and General Counsel, Financial Services Institute, dated July 11, 2013 ("FSI Letter"); Steve A. Buchwalter, Attorney, dated July 10, 2013 ("Buchwalter Letter"); Steven B. Caruso, Esquire, Maddox Hargett Caruso, P.C., dated June 18, 2013 ("Caruso Letter"); George Friedman, Esq., dated June 25, 2013 ("Friedman Letter"); Glenn S. Gitomer, McCausland Keen & Buckman, dated July 11, 2013 ("Gitomer Letter"); Jill I. Gross, Investor Rights Clinic, Pace University School of Law, dated July 11, 2013 ("Pace Law Letter"); Scott C. Ilgenfritz, President, Public Investors Arbitration Bar Association, dated July 11, 2013 ("PIABA Letter"); Christine Lazaro, Esq., Acting Director, and Pamela M. Albanese, Legal Intern, St. John's University School of Law Securities Arbitration Clinic, dated July 9, 2013 ("St. John's Law Letter"); Seth E. Lipner, Professor of Law, Zicklin School of Business and Deutsch & Lipner, dated July 2, 2013 ("Lipner Letter"); David P. Neuman, Stoltmann Law Offices, dated July 2, 2013 ("Neuman Letter"); Mark E. Sanders, Attorney, dated July 11, 2013 ("Sanders Letter"); Debra G. Speyer, Esq., Law Offices of Debra G. Speyer, dated July 10, 2013 ("Speyer Letter"); and Leonard Steiner, Attorney, dated July 10, 2013 ("Steiner Letter").

<sup>5</sup> Letter from Margo A. Hassan, Assistant Chief Counsel, FINRA Dispute Resolution, to Elizabeth M. Murphy, Secretary, Commission, dated August 7, 2013 ("FINRA Letter").

Although the Speyer Letter was dated July 10, 2013, it was submitted on September 13, 2013. Since it supports the proposal, we have not asked FINRA for an additional response.

Code contained one panel composition method for cases with three arbitrators (generally cases with claims of more than \$100,000).<sup>6</sup> This method provided for a panel composed of one chair-qualified public arbitrator, one public arbitrator, and one non-public arbitrator (the “Majority Public Panel Option”). To begin the selection process, FINRA used its computerized Neutral List Selection System (“NLSS”) to generate random lists of ten arbitrators in each of the three categories. The parties selected their panel through a process of striking and ranking the arbitrators on the lists generated by NLSS. The Customer Code permitted the parties to strike the names of up to four arbitrators from each list. The parties then ranked the arbitrators remaining on the lists in order of preference. FINRA appointed the panel from among the names remaining on the lists that the parties returned.<sup>7</sup>

FINRA states that customer advocates argued that the mandatory inclusion of a non-public arbitrator in a three-arbitrator case raised a perception that FINRA Dispute Resolution’s forum was not fair to customers. In order to address this perception, FINRA amended the panel composition rule (old FINRA Rule 12402), and related rules, of the Customer Code to, among other things, implement a new panel composition rule (current FINRA Rule 12403) for customer cases with three arbitrators.<sup>8</sup> Under FINRA Rule 12403, customers may choose between two panel composition methods: (1) The Majority Public Panel Option and (2) the all public panel option (the “All Public Panel Option”), which allows any party to select an arbitration panel consisting of three public arbitrators.

If a customer chooses the All Public Panel Option, FINRA sends the parties the same three lists of randomly generated arbitrators that they would have received under the Majority Public Panel Option (*i.e.*, ten chair-qualified public arbitrators, ten public arbitrators, and ten non-public arbitrators). However, Rule 12403 allows either or both parties to strike any or all of the arbitrators on the non-public arbitrator list. FINRA will not appoint a non-public arbitrator if either party individually or both parties collectively

strike all the arbitrators appearing on the non-public list or if all remaining arbitrators on the non-public list are unable or unwilling to serve for any reason. In these situations, FINRA will select the next highest-ranked public arbitrator to complete the panel. In other words, if a customer chooses the All Public Panel Option, any party can ensure that the panel will have three public arbitrators by striking all the arbitrators on the non-public list.

FINRA Rule 12403 provides that a customer may choose a panel composition method in the statement of claim (or accompanying documentation) or at any time up to 35 days from service of the statement of claim. To make the customer aware of his or her available options, FINRA states that it generally notifies the customer in writing that he or she may elect the All Public Panel Option within 35 days from service of the statement of claim. In the absence of an affirmative choice by the customer, the Majority Public Panel Option is the default composition method.

#### *B. Proposal to Use One Panel Composition Method at the Forum*

Based on its experience with the two panel composition methods, FINRA is proposing to amend Rule 12403 to use one panel composition method in all customer cases.<sup>9</sup> That method would mirror the All Public Panel Option, with one clarifying change relating to striking and ranking arbitrators. Currently, Rule 12403(d)(3)(B)(i) provides that “[e]ach separately represented party may strike up to four of the arbitrators from the chairperson and public arbitrator lists for any reason by crossing through the names of the arbitrators.” FINRA is proposing to clarify that provision by amending it to state that “[e]ach separately represented party may strike up to four of the arbitrators from the

chairperson list and up to four of the arbitrators from the public arbitrator list for any reason by crossing through the names of the arbitrators.”

### **III. Discussion of Comment Letters and FINRA’s Response**

As noted above, the Commission received fifteen comment letters on the proposed rule change. Thirteen comment letters expressed support for the proposal, although two of these thirteen also raised specific concerns.<sup>10</sup> Two commenters opposed the proposal in part.<sup>11</sup> The comment letters and FINRA’s response are summarized below.

Eleven commenters expressed support for the proposal.<sup>12</sup> In particular, one commenter expressed wholehearted support for the proposal.<sup>13</sup> Other commenters noted their support for making the All Public Panel Option the default option. For example, several commenters stated that making this method the default would relieve customers of the burden associated with affirmatively selecting an all public panel;<sup>14</sup> while others stated that making this method the default would protect investors with arbitration claims.<sup>15</sup> Other commenters expressly noted their support for implementing a single method of panel selection. For example, one commenter stated that implementing a single panel-selection method would benefit public investors and the integrity of the arbitration forum.<sup>16</sup> Another commenter stated that a single method would benefit public investors, particularly pro se claimants.<sup>17</sup>

One commenter generally supported the proposed rule change, but expressed concern that, if it was approved, FINRA would stop tracking the disparity in results between all public panels and those that include non-public arbitrators.<sup>18</sup> This commenter also suggested that FINRA amend the definition of “public arbitrator” to exclude attorneys who spend a

<sup>9</sup> In the Notice, FINRA represented that from February 1, 2011 (the date the current panel composition rule went into effect) through March 31, 2013, customers in approximately three-quarters of eligible cases have chosen the All Public Panel Option. Of the customers using the Majority Public Panel Option, 77 percent have done so by default rather than by making an affirmative choice (*i.e.*, these customers did not make an election in their statement of claim or accompanying documentation, and did not respond to the follow-up letter FINRA sent). FINRA also represented that over the same time period customers selecting the All Public Panel Option have chosen to strike all of the non-public arbitrators in 66 percent of the cases during the ranking process. Customers have ranked one or more non-public arbitrators in 34 percent of cases and four or more in 13 percent of cases proceeding under the All Public Panel Option. Industry parties have ranked one or more non-public arbitrators in 97 percent of cases and have ranked four or more non-public arbitrators in 90 percent of cases.

<sup>6</sup> See FINRA Rule 12401 which provides that if the amount of a claim is more than \$100,000, exclusive of interest and expenses, or is unspecified, or if the claim does not request money damages, the panel will consist of three arbitrators, unless the parties agree in writing to one arbitrator.

<sup>7</sup> Under the Majority Public Panel Option, a customer can ensure the participation of a non-public arbitrator.

<sup>8</sup> See Exchange Act Rel. No. 63799 (Jan. 31, 2011), 76 FR 6500 (Feb. 4, 2011) (“2011 Order”) and Regulatory Notice 11–05 (Feb. 2011).

<sup>10</sup> See FSI Letter and PIABA Letter.

<sup>11</sup> See Friedman Letter and Pace Law Letter.

<sup>12</sup> See Aidikoff Letter, Bakhtiari Letter, Buchwalter Letter, Caruso Letter, Gitomer Letter, Lipner Letter, Neuman Letter, Sanders Letter, Speyer Letter, St. John’s Law Letter, and Steiner Letter.

<sup>13</sup> See Buchwalter Letter.

<sup>14</sup> See Gitomer Letter, Lipner Letter, Neuman Letter, Speyer Letter, St. John’s Law Letter, and Steiner Letter. See also Pace Law Letter.

<sup>15</sup> See Bakhtiari Letter and Sanders Letter.

<sup>16</sup> See Caruso Letter.

<sup>17</sup> See Aidikoff Letter.

<sup>18</sup> See FSI Letter (stating that “all public panels deliver more favorable outcomes for investors than those panels with non-public arbitrators that understand the financial industry.”).

significant portion of their time representing investors and claimants in FINRA arbitrations. This commenter's suggestion would effectively prevent those attorneys from serving as "public arbitrators" on arbitration panels.<sup>19</sup>

FINRA responded that it will continue tracking award results separately for all public panels and majority public panels and will consider the cause for any disparity if the data suggest the need to do so. FINRA also stated that it is not proposing to amend its arbitrator definitions, and therefore believes that the commenter's suggestion is outside the scope of the proposed rule change. FINRA noted, however, that it is separately reviewing its non-public and public arbitrator definitions for potential changes, including whether to exclude attorneys who spend a significant portion of their time representing investors and claimants in FINRA arbitrations.

Another commenter also generally supported the proposed rule change.<sup>20</sup> This commenter also suggested that FINRA emphasize in its transmittal letter accompanying the arbitrator ranking form and the arbitrator disclosure reports that each party has the ability and right to have the case heard by an arbitration panel comprised of only public arbitrators. This commenter expressed the view that emphasizing the two alternative types of panels available under the revised rule and the ability and right of the parties to have their cases heard by an all-public panel would be appropriate and beneficial to investors.<sup>21</sup>

FINRA responded that it will revise the transmittal letter accompanying the arbitrator ranking form and the arbitrator disclosure reports to clarify earlier in the letter that any party has the option of selecting an all public panel.

Two commenters opposed the proposal, in part, because it would eliminate a customer's ability to ensure that a non-public arbitrator is empaneled.<sup>22</sup> Both commenters suggested that there may be circumstances in which a customer may want a non-public arbitrator on his or her panel. For example, one commenter noted that a customer may believe that a non-public arbitrator would be a better arbiter of the professional norms of the broker-dealer activity at issue in an arbitration.<sup>23</sup> Both commenters stated, however, that under the proposal a

broker-dealer counterparty could frustrate a customer's objective by striking all ten names on the non-public arbitrators list. Alternatively, these commenters recommended (1) that FINRA retain the two current panel composition methods and (2) if the customer does not affirmatively opt out of the All Public Panel Option within 35 days, the default would be the All Public Panel Option instead of the current Majority Public Panel Option. The commenters expressed the belief that this method would preserve a customer's right to ensure the presence of a non-public arbitrator on his or her panel while addressing FINRA's concern about inexperienced parties inadvertently failing to exercise their right to elect the All Public Panel Option.<sup>24</sup>

FINRA acknowledged the commenters' concern that parties would no longer be guaranteed the option of having a non-public arbitrator on their panel.<sup>25</sup> FINRA noted, however, that forum users have not generally raised this concern with FINRA. In addition, FINRA stated that if either party or both parties strike all the names on the non-public arbitrators list, or if the non-public arbitrator they select is not available to serve, the parties can still agree to empanel a non-public arbitrator. In this situation, the parties could ask FINRA to send a supplemental list of non-public arbitrators for the parties' review. FINRA indicated that it would generally accommodate such requests.

FINRA agreed with commenters that the non-public arbitrators on its roster are capable of identifying and judging poor broker conduct.<sup>26</sup> However, FINRA stated that the public arbitrators on its roster are also capable of doing so. FINRA explained that both customer and firm representatives frequently use expert witnesses at a hearing. Accordingly, in FINRA's view, if a customer is concerned about whether an all public panel can properly identify poor broker conduct, he or she will generally already have access to an expert witness to testify about industry practices. FINRA stated that customers will rarely have to incur additional expenses related to the use of expert witnesses because of the proposed rule change. FINRA further indicated that the benefits of simplifying the panel

selection method outweigh this potential for additional costs.

In sum, FINRA stated that based on its experience using the two panel selection methods, it believes that a simpler approach to panel selection would benefit all parties using its forum and would improve the efficiency of case administration. Therefore, FINRA declined to amend its proposal as suggested by the commenters.

#### IV. Discussion and Commission's Findings

The Commission has carefully reviewed the proposed rule change, the comments received, and FINRA's response. Based on its review, the Commission finds that the proposed rule change is consistent with the requirements of the Exchange Act and the rules and regulations thereunder applicable to a national securities association.<sup>27</sup> In particular, the Commission finds that the proposed rule change is consistent with the provisions of Exchange Act Section 15A(b)(6),<sup>28</sup> which requires, among other things, that FINRA rules must be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, and, in general, to protect investors and the public interest.

More specifically, the Commission believes that the proposal is consistent with the provisions of Exchange Act Section 15A(b)(6) because it would (a) simplify the arbitrator selection process for all parties and FINRA staff while leaving in place the method used by customers in approximately three-quarters of customer cases since the method became effective; and (b) ensure that customers would not inadvertently miss the opportunity to select an all public panel because it would be the default option. In the 2011 Order, we noted commenter concerns that customers without attorneys, or attorneys new to the practice of securities arbitration, might not elect the All Public Panel Option within the prescribed deadline, or might not appreciate the significance of making such an election.<sup>29</sup> In light of those comments, FINRA implemented the notification procedure discussed earlier. As stated above, the proposed rule change would further ameliorate these concerns by making the All Public Panel Option the default option.

<sup>19</sup> *Id.*

<sup>20</sup> See PIABA Letter.

<sup>21</sup> *Id.*

<sup>22</sup> See Friedman Letter and Pace Law Letter.

<sup>23</sup> See Pace Law Letter.

<sup>24</sup> *Id.*

<sup>25</sup> See FINRA Letter. As stated above, under the All Public Panel Option, any party can ensure that the panel will have three public arbitrators by striking all the arbitrators on the non-public list.

<sup>26</sup> See Friedman Letter and Pace Law Letter.

<sup>27</sup> In approving the proposed rule change, the Commission has considered the impact on efficiency, competition, and capital formation. See 15 U.S.C. 78c(f).

<sup>28</sup> 15 U.S.C. 78o-3(b)(6).

<sup>29</sup> *Supra* note 8.

In addition, the Commission believes that the proposed rule change would not increase, and could decrease, the burden parties incur in panel selection. FINRA would continue to send the parties the same three lists of arbitrators. While the parties could choose to continue to review all three lists, they could also choose to strike all of the non-public arbitrators and only review the remaining two lists.

We appreciate the concerns of some commenters, and recognize that some customers may want to empanel a non-public arbitrator in a particular matter. Therefore, we are requesting FINRA to gather statistics for a period of one year from the effective date of this rule change and report to the Commission on the number of cases in which a customer ranking a non-public arbitrator nonetheless receives an all public panel.

For the reasons stated above, the Commission finds that the rule change is consistent with the Exchange Act and the rules and regulations thereunder.

## V. Conclusion

*It is therefore ordered*, pursuant to Exchange Act Section 19(b)(2),<sup>30</sup> that the proposed rule change (SR-FINRA-2013-023) be, and it hereby is, approved.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>31</sup>

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

[FR Doc. 2013-23127 Filed 9-23-13; 8:45 am]

BILLING CODE 8011-01-P

## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-70441; File No. SR-BATS-2013-050]

### Self-Regulatory Organizations; BATS Exchange, Inc.; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change To Eliminate References to Obsolete Functionality

September 18, 2013.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the "Act"),<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on September 12, 2013, BATS Exchange, Inc. (the "Exchange" or "BATS") filed with the Securities and Exchange Commission ("Commission") the proposed rule change as described in Items I and II below, which Items have

been prepared by the Exchange. The Exchange has designated this proposal as a "non-controversial" proposed rule change pursuant to Section 19(b)(3)(A) of the Act<sup>3</sup> and Rule 19b-4(f)(6)(iii) thereunder,<sup>4</sup> which renders it effective upon filing with the Commission. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

#### I. Self-Regulatory Organization's Statement of the Terms of the Substance of the Proposed Rule Change

The Exchange filed a proposal to eliminate reference to a Market Maker order functionality in Rule 11.8(e) that has now been retired by the Exchange. The Exchange is also proposing to eliminate reference to BATS' TCP FAST PITCH, which is a data product that has also been discontinued by the Exchange.

The text of the proposed rule change is available at the Exchange's Web site at <http://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

Proposed Change to Rule 11.8

###### Background

On August 29, 2012, the Commission approved the Exchange's proposed rule change to adopt a new Market Maker Peg Order functionality that was designed to replace the automated functionality (commonly referred to as the Market Maker Quoter) provided to Market Makers in Rule 11.8(e).<sup>5</sup> The Exchange originally adopted Rule

11.8(e) as part of an effort to address issues uncovered by the aberrant trading that occurred on May 6, 2010.<sup>6</sup> The Market Maker Quoter functionality was designed to help Market Makers meet the enhanced obligations imposed on them post May 6, 2010<sup>7</sup> and avoid execution of Market Maker "stub quotes" in instances of aberrant trading.<sup>8</sup> Although the Market Maker Quoter was successful in allowing Exchange Market Makers to meet their enhanced obligations and in avoiding the deleterious effect on the markets caused by "stub quote" executions, the functionality presented difficulties to Market Makers in meeting their obligations under Rule 15c3-5 under the Act (the "Market Access Rule")<sup>9</sup> and Regulation SHO.<sup>10</sup>

The Exchange introduced the Market Maker Peg Order to simplify Market Maker compliance with the requirements of the Market Access Rule and Regulation SHO. The Market Maker Peg Order allows Market Makers to control the origination of their orders, as required by the Market Access Rule, while also allowing Market Makers to make marking and locate determinations prior to order entry, as required by Regulation SHO. As such, Market Makers are fully able to comply with the requirements of the Market Access Rule and Regulation SHO, as they would when placing any order,

<sup>6</sup> Securities Exchange Act Release No. 63255 (Nov. 5, 2010), 75 FR 69484 (Nov. 12, 2010) (SR-BATS-2010-025).

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

<sup>8</sup> For each issue in which a market maker was registered, the Market Maker Quoter functionality optionally created a quotation for display to comply with market making obligations. Compliant displayed quotations were thereafter allowed to rest and were not adjusted unless the relationship between the quotation and its related national best bid or national best offer, as appropriate, either: (a) Shrank to a specified number of percentage points away from the Designated Percentage towards the then current national best bid or national best offer, which number of percentage points was determined and published in a circular distributed to Members from time to time; or (b) expanded to within 0.5% of the applicable percentage necessary to trigger an individual stock trading pause, whereupon such bid or offer was cancelled and re-entered at the Designated Percentage away from the then current national best bid and national best offer, or if no national best bid or national best offer, at the Designated Percentage away from the last reported sale from the responsible single plan processor. Quotations independently entered by market makers were allowed to move freely towards the national best bid or national best offer, as appropriate, for potential execution. In the event of an execution against a quote generated pursuant to the Market Maker Quoter functionality, the Market Maker's quote was refreshed on the executed side of the market at the applicable Designated Percentage away from the then national best bid (offer), or if no national best bid (offer), the last reported sale. See Rule 11.8(e).

<sup>9</sup> 17 CFR 240.15c3-5.

<sup>10</sup> 17 CFR 242.200-242.204.

<sup>30</sup> 15 U.S.C. 78s(b)(2).

<sup>31</sup> 17 CFR 200.30-3(a)(12).

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

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

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

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

<sup>5</sup> Securities Exchange Act Release No. 67756 (Aug. 29, 2012), 77 FR 54633 (Sept. 5, 2012) (SR-BATS-2012-026).