

information that you wish to make available publicly. All submissions should refer to File Number SR–NYSE–2015–48 and should be submitted on or before November 23, 2015.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.²⁶

Robert W. Errett,
Deputy Secretary.

[FR Doc. 2015–27796 Filed 10–30–15; 8:45 am]

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–76274; File No. SR–C2–2015–025]

Self-Regulatory Organizations; C2 Options Exchange, Incorporated; Notice of Filing of a Proposed Rule Change Relating to Complex Orders, as Modified by Amendment No. 1

October 27, 2015.

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 October 13, 2015, C2 Options Exchange, Incorporated (the “Exchange” or “C2”) filed with the Securities and Exchange Commission (the “Commission”) the proposed rule change as described in Items I, II, and III below, which Items have been prepared by the Exchange. On October 26, 2015, the Exchange submitted Amendment No. 1 to the proposed rule change. 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 proposed to amend Rule 6.13. The text of the proposed rule change is available on the Exchange’s Web site (<http://www.c2exchange.com/Legal/>), at the Exchange’s Office of the Secretary, 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 aspects 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 amend Rule 6.13 regarding complex orders. The proposed rule change (1) amends the rule provisions regarding the initiation of a complex order auction (“COA”), (2) adds rule provisions regarding the impact of certain incoming orders and changes in the leg markets on an ongoing COA, and (3) amends the rule provision related to the size of COA responses. The proposed rule change also makes technical and other nonsubstantive changes.

First, the Exchange proposes to amend Rule 6.13 and Interpretation and Policy .02 regarding the initiation of a COA. Currently, C2 Rule 6.13(c)(2) provides that on receipt of a COA-eligible order³ and request from the Participant representing the order that it be processed through COA, the Exchange will send request for response (“RFR”) message to all Participants who have elected to receive RFR messages.⁴ Interpretation and Policy .02(a) states that with respect to the initiation of a COA, Participants routing complex orders directly to the complex order book (“COB”) may request that the complex orders be processed by COA on a class-by-class basis. Currently, all Participants have requested that all of their COA-eligible orders process through COA upon entry into the System. Therefore, rather than have Participants affirmatively request that their COA-eligible orders COA, the Exchange proposes to amend Rule 6.13(c)(2) to provide that incoming

COA-eligible orders will COA by default.⁵

The Exchange believes Participants should still maintain flexibility to have their COA-eligible orders not COA. In order to provide Participants with this flexibility, the proposed rule change adds that, notwithstanding the foregoing, Participants may request on an order-by-order basis that a COA-eligible order not COA (referred to as a “do-not-COA” request). Because of this proposed rule change, the Exchange deletes the language in Interpretation and Policy .02(a) that indicates Participants may request that complex orders be processed by COA on a class-by-class basis, as it is no longer necessary.⁶ While the proposed rule change will not permit Participants to not COA orders on a class-by-class basis, the Exchange believes that it will not burden Participants because they have not requested this in the past. Additionally, allowing Participants to make a do-not-COA request on an order-by-order basis will better allow them to make decisions regarding the handling of their orders based on market conditions at the time they submit their orders.

While the proposed rule change provides that Participants may include a do-not-COA request on complex orders, the proposed rule change indicates that an order with a do-not-COA request may still COA after it has rested on the COB pursuant to Interpretation and Policy .02.⁷ The Exchange believes that Participants that include a do-not-COA request for an order upon entry into the System do so to receive automatic execution with the leg market or the COB, as applicable, without the delay of the COA.⁸

⁵ This proposed rule change applies to all COA-eligible orders in all classes. Stock-option orders are currently not permitted on C2. The proposed rule change does not change the allocation or priority provisions of complex orders. The proposed rule change also makes a nonsubstantive change to move language regarding the System sending RFR messages to the beginning of the provision.

⁶ The proposed rule change deletes Interpretation and Policy .02(a) in order to include all information regarding the initiation of a COA in subparagraph (c)(2) in the same place within the rule. As a result, the proposed rule change deletes the lettering for paragraph (b), which will be the only remaining provision in Interpretation and Policy .02. The proposed rule change makes nonsubstantive changes to Rule 6.13(c) as well, including a change to conform heading punctuation to that used in other headings and deletion of an extra space.

⁷ Interpretation and Policy .02(b) (which the proposed rule change amends to become Interpretation and Policy .02) provides that the Exchange may determine on a class-by-class basis to automatically COA nonmarketable orders resting at the top of the COB if they are within a number of ticks away from the current derived net market.

⁸ The current COA response time interval is 75 milliseconds.

²⁶ 17 CFR 200.30–3(a)(12).

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b–4.

³ A “COA-eligible order” means a complex order that, as determined by the Exchange on class-by-class basis, is eligible for a COA considering the order’s marketability (defined as a number of tickets away from the current market), size, complex order type and complex order origin types. Currently, in all classes, (a) only complex orders with origin codes for public and professional customers, (b) all complex order types except for immediate-or-cancel (“IOC”) orders, and (c) marketable orders and “tweeners” limit orders bettering the same side of the derived net market are eligible for COA.

⁴ “RFR” stands for a “request for responses” that occurs in the COA process. The RFR message will identify the component series, the size and side of the market of the COA-eligible order and any contingencies if applicable.

However, if that does not occur and the order enters the COB to rest, the Exchange believes it is appropriate to COA the order after resting on the COB (if that functionality has been activated for the class) to try and obtain an execution even though the Participant initially did not want the order to COA, as the COA will not delay execution at that point.

The Exchange notes that an order with a do-not-COA request will still have execution opportunities. For example, such an order may execute automatically upon entry into the System against the leg markets or complex orders on the COB to the extent marketable (in accordance with allocation rules set forth in Rule 6.13). Additionally, pursuant to Rule 6.13(c)(8)(A), such an order on the opposite side of and marketable against a COA-eligible order may trade against the COA-eligible order if the System receives the order while a COA is ongoing. A do-not-COA request merely provides the order with the opportunity to execute upon entry into the System rather than after going through an auction; the order will be subject to the same priority and allocation rules.⁹

Second, the proposed rule change adds subparagraphs Rule 6.13(c)(8)(D) and (E) to describe additional circumstances that will cause a COA to end early.¹⁰ Proposed subparagraph (8)(D) describes how an incoming order with a do-not-COA request or that is not COA-eligible may impact an ongoing COA. Rule 6.13(c)(8) currently describes the handling of unrelated complex orders that are received prior to the expiration of the COA Response Time Interval.¹¹ The proposed rule change

states that if an order with a do-not-COA request or an order that is not COA-eligible is received prior to the expiration of the Response Time Interval for the original COA and is on the same side of the market and at a price better than or equal to the starting price, then the original COA will end. Similar to the current provisions regarding incoming unrelated COA-eligible orders on the same side of the COA-eligible order (and at a price better than or equal to the starting price), the processing of the original COA pursuant to subparagraphs (c)(4) through (c)(6) remains the same¹² with the addition that the priority of the original COA-eligible order and the order with the do-not-COA request or the order that is not COA-eligible, as applicable, will be

eligible order will cause the original COA to end. The processing of the original COA pursuant to subparagraphs (c)(4) through (c)(6) remains the same. (The "starting price" means the better of the original COA-eligible order's limit price or the best price, on a net debit or credit basis, that existed in the Book or COB at the beginning of the response time interval.) (b) Incoming COA-eligible orders that are received prior to the expiration of the response time interval for the original COA that are on the same side of the market, at the same price or worse than the original COA-eligible order and better than or equal to the starting price will join the original COA. The processing of the original COA pursuant to subparagraphs (c)(4) through (c)(6) remains the same with the addition that the priority of the original COA-eligible order and incoming COA-eligible order(s) will be according to time priority. (c) Incoming COA-eligible orders that are received prior to the expiration of the response time interval for the original COA that are on the same side of the market and at a better price than the original COA-eligible order will join the original COA, cause the original COA to end, and a new COA to begin for any remaining balance on the incoming COA-eligible order. The processing of the original COA pursuant to subparagraphs (c)(4) through (c)(6) remains the same with the addition that the priority of the original COA-eligible order and incoming COA-eligible order will be according to time priority.

¹² Rule 6.13(c)(4) through (c)(6) provides that at the expiration of the response time interval, the COA-eligible order will trade with orders and quotes in the following order: (a) Individual orders and quotes residing in the book (with allocation consistent with the trading priority applicable to incoming orders in the individual leg components), (b) public customer complex orders resting in the COB before, or that are received during, the response time interval and public customer RFR responses (with allocation according to time priority), (c) nonpublic customer orders resting in the COB before the response time interval (with allocation consistent with the trading priority applicable to incoming orders in the individual leg components), and (d) nonpublic customer orders resting in the COB that are received during the response time interval and nonpublic customer responses (with allocation consistent with the trading priority applicable to incoming orders in the individual leg components). If a COA-eligible order cannot be filled in whole or in a permissible ratio, the order (or any remaining balance) will route to the COB. Thus, the unrelated no-COA order or the order that is not COA-eligible will have execution opportunities against the leg markets, complex orders in the COB and COA responses, with priority after the original COA-eligible order.

according to time priority. In other words, the COA-eligible order would trade before the order with the do-not-COA request or order that is not COA-eligible, regardless of the price of each order.¹³ The purpose of this proposed provision (as it is for the current provisions related to unrelated complex orders) is to prevent the order with the do-not-COA request or the order that is not COA-eligible,¹⁴ as applicable, from executing prior to the original COA-eligible order, which, if it did not COA, may have executed or entered the COB (because it would have entered the COB first, it potentially would have priority over the incoming order to the extent the algorithm applicable to the class considered time as a factor for allocation).

For example, assume that a COA-eligible order to buy with a net limit price of \$1.20 is received when the book or COB price (and thus the starting price) is a net price bid of \$1.10. The System will initiate a COA at a net price of \$1.10. An incoming order with a do-not-COA request to buy at a net price of \$1.10 or higher causes the original COA to end. To the extent possible, the original COA-eligible order will be filled first, and then the order with the do-not-COA request will be filled (subject to the COA allocation provisions describe above).¹⁵ Any remaining balance on the original COA-eligible order or the incoming no-COA order will route to COB. The Exchange believes this result to be appropriate, even if the incoming order with the do-not-COA request had a higher buy price than the COA-eligible order (e.g. \$1.21), because if the COA-eligible order had not initiated a COA and was marketable at the time it was entered (for example, if the offer in the book was \$1.15), it could have executed against the book before the order was entered. Providing the COA-eligible order with time priority is intended to ensure it does not miss an execution opportunity it would have otherwise received if it had not initiated a COA.

Proposed subparagraph (8)(E) provides that if the leg markets were not marketable against a COA-eligible order when the order entered the System (and thus prior to the initiation of a COA) but

¹³ This time priority is the same provided to COA-eligible orders over incoming orders in subparagraphs (c)(8)(B) and (C).

¹⁴ Current paragraph (c)(8) currently addresses the impact of incoming COA-eligible orders on the same side of the original COA-eligible order. The proposed rule change adds detail regarding the impact of orders that are not COA-eligible and orders with a do-not-COA request. The Exchange believes this provides a more complete description in its rules regarding the impact of unrelated complex orders received during a COA.

¹⁵ See *id.*

⁹ A complex order that COAs upon entry into the System or after resting in the COB will not miss any execution opportunities. Pursuant to current Interpretation and Policy .02(b), an order that COAs after resting on the COB will be nonmarketable and at the top of the COB (and thus is the best-priced complex order at the time). Rule 6.13(c)(8) (including as amended by this rule filing, as further discussed below) describes how incoming complex orders received during a COA impact the COA, including providing that the COA'd order (which may be an order that COAs upon entry into the System or after resting in the COB) will have time priority over the incoming order, and ultimately provides that a COA'd order will not lose execution opportunities to complex orders submitted during the COA.

¹⁰ The proposed rule change makes corresponding changes to the heading and introductory paragraph of subparagraph (c)(8).

¹¹ Rule 6.13(c)(8) states that incoming complex orders that are received prior to the expiration of the response time interval for a COA-eligible order (the "original COA") will impact the original COA as follows: (a) Incoming complex orders that are received prior to the expiration of the response time interval for the original COA that are on the opposite side of the market and are marketable against the starting price of the original COA-

became marketable with the COA-eligible order prior to the expiration of the Response Time Interval, it will cause the COA to end.¹⁶ The processing of the original COA pursuant to subparagraphs (c)(4) through (c)(6) remains the same.

For example, assume that the derived net leg market is \$1.00 to \$1.05. A COA-eligible order to buy at a net price of \$1.02 is entered and initiates a COA. During the COA (prior to the end of the Response Time Interval), the derived net leg market offer changes to \$1.01. Because this is marketable against the COA-eligible order, this change in the derived net leg markets will cause the COA to end. Assuming the derived net leg market offer price of \$1.01 is the best net price at the end of the COA,¹⁷ the COA-eligible order will execute against the leg markets at that net price, and any remainder will then trade against complex orders in the COB and auction responses. If a complex order to buy was resting on the COB (for example, at a net price of \$1.01) at the initiation of the COA (for example, a do-not-COA order or an order that is not COA-eligible),¹⁸ that order and the COA-eligible order would be allocated against the leg markets in the same manner as any other two complex orders pursuant to Rule 6.53C(c)(ii) regarding COB executions, which is by price and then pursuant to the rules of trading priority otherwise applicable to incoming orders in the individual component legs. The COA-eligible order would always have priority over the resting order, as it would always have a higher (if a buy order) or lower (if a sell order) net price than the resting order.

In the example above, if a complex order to buy at a net price of \$1.01 was resting in the COB at the time the COA-eligible order to buy at a net price of \$1.02 entered the System and initiated the COA, and the same change in the derived net leg markets occurs, assuming the derived net leg market

offer price of \$1.01 is the best net price at the end of the COA, the COA-eligible order will trade against the derived net leg offer at \$1.01 first, because it was entered at (and thus willing to pay) a better net price than the resting complex order (to the extent there was insufficient size in the leg markets to fill the COA-eligible order, the remainder would then execute against complex orders in the COB and auction responses). If there is sufficient size left in the leg markets to trade against the resting complex order, then the resting order will also trade (in full or in a permissible ratio).

Third, the proposed rule amends Rule 6.13(c)(3)(A) to delete the language that RFR responses are limited to the size of the COA-eligible order for allocation purposes. If the allocation algorithm for complex orders in a class is pro-rata, the System is unable to block RFR responses that are larger than the size of the COA-eligible order. This proposed rule change will result in the rule regarding RFR responses more accurately reflecting current System functionality. The Exchange notes that RFR responses must continue to be on the opposite side of the market of the COA-eligible order and be expressed in the applicable minimum increment. RFR responses will be subject to the same allocation and priority rules. Pursuant to Rule 6.13(c)(7), RFR responses are firm with respect to the COA-eligible order for which the responses are submitted, provided that responses that exceed the size of a COA-eligible order are also eligible to trade with other incoming COA-eligible orders that are received during the Response Time Interval.¹⁹

Finally, the proposed rule change makes technical and other nonsubstantive changes. Currently, Interpretation and Policy .05 provides that the Exchange may determine on a class-by-class basis (and announce via

Regulatory Circular) which electronic allocation algorithm from Rule 6.12 will apply to complex orders in lieu of Rule 6.13(b)(1)(B) for COB executions and/or (Rule 6.13(c)(5)(B) through (D) for COA. The proposed rule change moves that language from Interpretation and Policy .05 to those paragraphs.²⁰ The Exchange believes it is simpler and more convenient to have the information regarding how COB and COA executions may allocate in one place within the rules.²¹ The Exchange also amends Rule 6.13(c)(5)(B) and (D) to add responses in the second sentence of each subparagraph. Those subparagraphs address the allocation of COA-eligible orders against certain orders and responses (as indicated in the initial sentence of each subparagraph), and the proposed rule change is consistent with that purpose. Additional nonsubstantive changes to Rule 6.13 are discussed above.

2. Statutory Basis

The Exchange believes the proposed rule change is consistent with the Securities Exchange Act of 1934 (the "Act") and the rules and regulations thereunder applicable to the Exchange and, in particular, the requirements of Section 6(b) of the Act.²² Specifically, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)²³ requirements that the rules of an exchange be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in securities, to remove impediments to and perfect the mechanism of a free and

²⁰ The proposed rule change makes a corresponding change to Interpretation and Policy .06(c), which relates to executions of stock-options orders (types of complex orders) in the COB. The proposed rule change also deletes the rule text that states that in such classes, the orders and quotes in the individual leg series legs will continue to have the same priority as set forth in Rule 6.13(b)(1)(A) for COB and Rule 6.13(c)(5)(A) for COA, as the Exchange believes this language is duplicative. Those paragraphs continue to state that complex orders that trade with orders and quotes in the Book (whether through COB or COA) will be allocated in accordance with the trading priority applicable in the individual component legs, with no discretion for the Exchange to change the allocation algorithm for those executions.

²¹ The proposed rule change also deletes the language that the Exchange may announce this determination by Regulatory Circular, as Rule 6.13, Interpretation and Policy .01 indicates that the Exchange will announce by Regulatory Circular all determinations it makes under Rule 6.13, which includes the determination of allocation algorithms for COB and COA.

²² 15 U.S.C. 78f(b).

²³ 15 U.S.C. 78f(b)(5).

¹⁶ This is similar to the result described in subparagraph (8)(A), which provides that an incoming complex order on the opposite side of the market as and marketable against the COA-eligible order will cause the COA to end.

¹⁷ The leg market offer would be the best price at the end of the COA if no auction response, order resting in the COB, or order that entered the System during the COA had a better price.

¹⁸ As previously indicated, only orders that are marketable or that improve the price on the same side of the market initiate a COA. See *supra* note 1. Thus, for there to be a situation where a complex order was already resting on the COB at the initiation of a COA, the order resting on the COB would be at a worse price than the COA-eligible order that initiated the COA. If there is a complex order resting on the COB when that is on the same side and at the same or better price than an incoming complex order, then the incoming order will not COA and will also enter on the COB.

¹⁹ Please note that the System currently accepts RFR responses that exceed the size of COA-eligible order. The intent of the provision proposed to be deleted was to consider the size of any response that did exceed the size of the COA-eligible order to the size of that order for allocation purposes (for example, if a COA-eligible order is for 200, and a response is for 500, the System considers the size to be 500 when allocating orders and responses against the COA-eligible order, rather than considering the size to be 200). However, the System is unable to do this, and thus excess-sized responses are considered at that size for allocation purposes. However, the excess size of responses is still eligible to trade as set forth in Rule 6.13(c)(7). Additionally, Participants continue to be subject to all rules related to business conduct, including Rule 4.1 related to just and equitable principles of trade and Rule 4.7 related to manipulation (which rules are incorporated into C2's rules by reference to Chicago Board Options Exchange, Incorporated Rules 4.1 and 4.7).

open market and a national market system, and, in general, to protect investors and the public interest. Additionally, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)²⁴ requirement that the rules of an exchange not be designed to permit unfair discrimination between customers, issuers, brokers, or dealers.

In particular, the proposed rule change removes impediments to a free and open market and protects investors by providing Participants with more flexibility regarding when complex orders will not COA. The proposed rule change removes the affirmative obligation currently imposed on Participants to request that their COA-eligible orders COA on a class-by-class basis, as Participants currently request that all of their COA-eligible orders COA upon entry into the System. Therefore, the proposed rule change to have COA as the default setting for COA-eligible orders will have no impact on COA-eligible orders submitted to the Exchange. The proposed rule change will allow Participants to evaluate then-current market conditions and determine if they do not want to COA orders based on those conditions and instead want those orders to route to the COB for potential immediate execution. These orders with do-not COA requests will continue to have execution opportunities and be subject to the same priority and allocation rules. In addition, the proposed rule change promotes just and equitable principles of trade and promotes competition because another options exchange has a substantially similar rule, as further described below, which similarly allows members to designate that orders not initiate a complex order auction on that exchange.²⁵

The current rules describe how COA-eligible orders received while a COA is ongoing would impact the COA. The proposed rule change also adds detail regarding how incoming orders with do-not-COA requests or that are not COA-eligible, as well as how changes in the leg markets, may impact ongoing COAs, which protects investors by enhancing the description in C2 Rules of current COA functionality and circumstances that may cause a COA to end early. Because the proposed rule change adds a provision regarding no-COA orders to the C2 Rules, the Exchange believes it is appropriate to add the provision regarding how no-COA orders would

impact a COA to the C2 Rules as well to ensure investors understand how these orders may impact a COA. The Exchange believes the proposed rule change promotes just and equitable principles of trade because, if these orders cause a COA to end, any executions that occur following the COA occur in accordance with allocation principles in place, subject to an exception that the original COA-eligible order receive time priority. This exception prevents an order that was entered after the initiation of a COA from trading ahead of an order with the same price that may have executed or entered the COB if it did not COA. Similarly, the Exchange believe it is fair for a COA-eligible order that was entered at a better price than an order that was resting in the COB prior to initiation of the COA to execute against leg markets that become marketable against the COA-eligible order and resting order during the COA, because the Participant who entered the COA-eligible order was willing to pay a better price than that of the resting order. Incoming orders that do not COA and leg market changes impact a COA in a substantially similar manner as incoming COA-eligible orders; the proposed rule change just applies to different order types not covered by the current Rules. This proposed change does not substantively change the COA or allocation process.

The proposed rule change to delete the provision limiting the size of RFR responses to the size of the COA-eligible order further perfects the mechanism of a free and open market and protects investors because it more accurately describes current System functionality. RFR responses will be subject to the same allocation and priority rules, and COA will continue to function in the same manner. The Exchange notes that the rule related to the complex order auctions of another exchange does not limit responses size to the size of the auctioned order.²⁶ The proposed rule change to reorganize certain provisions eliminates potential confusion regarding the processing of complex orders, which further benefits and protects investors.

B. Self-Regulatory Organization's Statement on Burden on Competition

C2 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. The proposed rule change, including the ability to designate orders to not COA, is available to all Participants. The Exchange

believes the proposed rule change provides Participants with more flexibility with respect to the submission of their complex orders. The proposed rule change also eliminates the affirmative obligation imposed on Participants to request that COA-eligible orders COA, which they all do for all classes. While Participants may need to undertake system work to allow them to include a do-not-COA request on orders, use of this designation is voluntary. C2 believes this flexibility may promote competition by encouraging submission of complex orders to the Exchange. To the extent that proposed rule change makes C2 a more attractive marketplace to market participants on other exchanges, such market participants may elect to send orders to C2 to take advantage of the additional functionality. Additionally, other exchanges may determine to provide similar functionality and further enhance competition. The Exchange also notes that another options exchange has substantially similar provisions as the proposed rule change, as described above.

The proposed rule change to add detail to the rules regarding the impact of changes in the leg markets on a COA describes current functionality and is merely intended to enhance the description of this functionality in the Rules, and thus has no impact on competition. The nonsubstantive and technical changes have no impact on competition.

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

The Exchange neither solicited nor received comments on the proposed rule change.

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

Within 45 days of the date of publication of this notice in the **Federal Register** or within such longer period up to 90 days (i) as the Commission may designate if it finds such longer period to be appropriate and publishes its reasons for so finding or (ii) as to which the Exchange consents, the Commission will:

A. By order approve or disapprove such proposed rule change, or

B. institute proceedings to determine whether the proposed rule change should be disapproved.

IV. Solicitation of Comments

Interested persons are invited to submit written data, views, and

²⁴ *Id.*

²⁵ See NASDAQ OMX PHLX LLC ("PHLX") Rule 1080, Commentary .07(a)(viii) and (e) (describing the complex order live auction ("COLA") process and "do not auction" orders).

²⁶ See *id.*

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. Please include File Number SR-C2-2015-025 on the subject line.

Paper Comments

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

All submissions should refer to File Number SR-C2-2015-025. This file number should be included on the subject line if email is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet Web site (<http://www.sec.gov/rules/sro.shtml>). Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for Web site viewing and printing in the Commission's Public Reference Room, 100 F Street NE., Washington, DC 20549 on official business days between the hours of 10:00 a.m. and 3:00 p.m. Copies of the 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-C2-2015-025 and should be submitted on or before November 23, 2015.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.²⁷

Robert W. Errett,

Deputy Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-76278; File No. SR-FICC-2015-004]

Self-Regulatory Organizations; Fixed Income Clearing Corporation; Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Provide Additional Details Regarding the Requirement That Members Participate in Annual Testing of Business Continuity and Disaster Recovery Plans

October 27, 2015.

Pursuant to Section 19(b)(1)¹ of the Securities Exchange Act of 1934 ("Act") and Rule 19b-4² thereunder, notice is hereby given that on October 26, 2015, Fixed Income Clearing Corporation ("FICC") 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 FICC. FICC filed the proposed rule change pursuant to Section 19(b)(3)(A)³ of the Act and Rule 19b-4(f)(6)⁴ thereunder. The proposed rule change was effective upon filing with the Commission. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

I. Clearing Agency's Statement of the Terms of Substance of the Proposed Rule Change

The proposed rule change consists of a change to Rule 3 of the Clearing Rules of the Mortgage-Backed Securities Division ("MBSD," and its Clearing Rules, "MBSD Rules") of FICC and Rule 3 of the Rulebook of the Government Securities Division ("GSD," and its Rulebook, "GSD Rules") of FICC to provide additional details regarding the requirement that MBSD and GSD Members participate in annual testing of FICC's business continuity and disaster recovery plans ("BCP Testing").⁵

II. Clearing Agency's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, FICC 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. FICC has prepared summaries, set forth in sections A, B and C below, of the most significant aspects of such statements.

(A) *Clearing Agency's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change*

1. Purpose

The proposed rule change would amend Rule 3 (Ongoing Membership Requirements) of the MBSD Rules and Rule 3 (Ongoing Membership Requirements) of the GSD Rules to provide additional details regarding the requirement that MBSD and GSD Members participate in FICC's annual BCP Testing. Currently, pursuant to Rule 2A (Initial Membership Requirements) of the MBSD Rules and Rule 2A (Initial Membership Requirements) of the GSD Rules, each applicant for membership of either MBSD or GSD must fulfill operational testing requirements, as established by FICC, that may be imposed to ensure the operational capability of the applicant.⁶ Once a firm becomes a Member of GSD or MBSD, MBSD Rule 3 and GSD Rule 3 each of their respective [sic] provides that Members may be required to fulfill certain operational testing requirements that may be imposed by FICC to test and monitor the continuing operational capability of the Members.⁷

Recently, the Commission promulgated Regulation Systems Compliance and Integrity ("Reg. SCI"), which requires FICC to establish standards to designate members⁸ and requires participation by such designated members in scheduled BCP Testing with FICC on an annual basis.⁹ Although FICC already conducts annual BCP Testing with certain MBSD and GSD Members,¹⁰ FICC is proposing to amend Rule 3 of the MBSD Rules and Rule 3 of the GSD Rules to further

⁶ Rule 2A, Section 2 of MBSD Rules and Rule 2A, Section 5 of GSD Rules, *supra*, note 5.

⁷ Rule 3, Section 6 of MBSD Rules and Rule 3 Section 5 of GSD Rules, *supra*, note 5.

⁸ 17 CFR 242.1004(a). In adopting Reg. SCI, the Commission determined not to require covered entities to notify the Commission of its designations or the standards that will be used in designating members, recognizing instead that each entity's standards, designations, and updates, if applicable, would be part of its records and, therefore, available to the Commission and its staff upon request. See Securities and Exchange Act Release No. 73639 (November 19, 2014), 79 FR 72252 (December 5, 2014) (File No. S7-01-13).

⁹ 17 CFR 242.1004(a) and (b).

¹⁰ Rule 3, Section 6 of MBSD Rules and Rule 3 Section 5 of GSD Rules, *supra*, note 5.

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).

⁵ Terms not otherwise defined herein have the meaning set forth in the MBSD Rules and GSD Rules available at <http://www.dtcc.com/legal/rules-and-procedures.aspx>.

²⁷ 17 CFR 200.30-3(a)(12).