

IV. Conclusion

It is therefore ordered, pursuant to Section 19(b)(2) of the Act,²⁹ that the proposed rule change (SR-ISE-2016-08) be, and hereby is, approved.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.³⁰

Robert W. Errett,

Deputy Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-77880; File No. SR-NYSE-2016-17]

Self-Regulatory Organizations; New York Stock Exchange LLC; Order Approving Proposed Rule Change, as Modified by Amendment No. 1 Thereto, To Add Additional Order Types to the NYSE BondsSM Platform, Codify Functionality of Order Types Currently Available on NYSE Bonds, and Provide Greater Detail as to How an Indicative Match Price Is Established With Respect to Bond Auctions

May 20, 2016.

I. Introduction

On March 16, 2016, New York Stock Exchange LLC (“NYSE” or the “Exchange”) 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 Rule 86 to add additional order types to the NYSE BondsSM platform, to codify functionality of order types currently available on NYSE Bonds, and to amend the definition of Indicative Match Price (“IMP”) in current Rule 86(b)(2)(G) to provide greater detail as to how an IMP is established with respect to Bond Auctions. On March 29, 2016, the Exchange filed Amendment No. 1 to the proposal.³ The proposed rule change was published for comment in the **Federal Register** on April 5, 2016.⁴ No

comment letters were received in response to the Notice. This order approves the proposed rule change, as modified by Amendment No. 1.

II. Description of the Proposed Rule Change

The Exchange proposes to amend Rule 86 to add NYSE Bonds Fill-or-Kill Order, NYSE Bonds All-or-None Order and NYSE Bonds Minimum Quantity Order as new order types to the NYSE Bonds platform,⁵ and to codify the operation of NYSE Bonds Good ‘Til Date Order and NYSE Bonds Timed Order that, according to the Exchange, are currently available on the NYSE Bonds platform.⁶ The Exchange also proposes to amend the definition of IMP to provide greater detail as to how an IMP is established with respect to Bond Auctions.

The Exchange proposes to adopt the NYSE Bonds Fill-or-Kill Order (“NYSE Bonds FOK Order”), a NYSE Bonds Limit Order that would be executed immediately in its entirety at the best price available against a single contra party and, if not executed immediately in its entirety, would be cancelled.⁷ A NYSE Bonds FOK Order would be eligible to participate in all trading sessions,⁸ but could be executed only during the trading session in which the order is sent; otherwise the order would be rejected. A NYSE Bonds FOK Order cannot participate in either the Opening Bond Auction or the Core Bond Auction.⁹

The Exchange proposes to adopt the NYSE Bonds All-or-None Order (“NYSE Bonds AON Order”), a NYSE Bonds Limit Order (whose AON contingency

would be displayed on the order book) that would be executed in its entirety against one or more contra party, or not at all.¹⁰ If a NYSE Bonds AON Order is not executed in full, NYSE Bonds would post the order to the order book at its limit price until it is executed in full, or is cancelled. Incoming contra-side orders that cannot meet the AON quantity may trade at or bypass the price of the NYSE Bonds AON Order. A NYSE Bonds AON Order would not participate in either the Opening Bond Auction or the Core Bond Auction and the order is eligible for execution only during the trading session for which it is designated. A NYSE Bonds AON Order must be designated as “day,” “good ‘til cancelled,” or “good ‘til date.”¹¹

The Exchange also proposes to adopt the NYSE Bonds Minimum Quantity Order, a NYSE Bonds Limit Order (whose minimum quantity contingency would be displayed on the order book) that would trade against one or more contra side orders, provided the order’s quantity requirement is met.¹² In the event there is not enough contra-side liquidity available at the time a NYSE Bonds Minimum Quantity Order is submitted, NYSE Bonds would post the order on the order book at its limit price until it is executed in full, or is cancelled. Incoming contra-side orders that cannot meet the minimum quantity may trade at or bypass the price of a NYSE Bonds Minimum Quantity Order. A NYSE Bonds Minimum Quantity Order would be rejected if the minimum quantity entered on the order is greater than the total number of bonds of the order. A NYSE Bonds Minimum Quantity Order may be partially executed as long as each partial execution is for the minimum number of bonds or greater. If a balance remains after one or more partial executions and such balance is for less than the minimum quantity specified on the order, such balance would be treated as a regular limit order and placed on the order book in price-time priority. A NYSE Bonds Minimum Quantity Order would not participate in either the Opening Bond Auction or the Core Bond Auction and the order would be eligible for execution only in the trading session during which it was sent. A

⁵ NYSE Bonds is the Exchange’s electronic system for receiving, processing, executing and reporting bids, offers, and executions in bonds. See Notice, *supra* note 4, at 19672. NYSE Bonds currently allows Users to submit limit orders and reserve orders. Current Rule 86(b)(2)(M) defines a User as any Member or Member Organization, Sponsored Participant, or Authorized Trader that is authorized to access NYSE Bonds. A NYSE Bonds Limit Order and a NYSE Bonds Reserve Order are defined in current Rules 86(b)(2)(B) and (C), respectively. The Exchange is also proposing non-substantive organizational changes to renumber sections of Rule 86.

⁶ See Notice, *supra* note 4, at 19672.

⁷ A NYSE Bonds FOK Order cannot be a NYSE Bonds Reserve Order. See proposed Rule 86(b)(2)(B)(ii).

⁸ The Opening Bond Trading Session commences with the Opening Bond Auction at 4:00 a.m. ET and concludes at 8:00 a.m. ET. See Rule 86(i)(1)(A). The Core Bond Trading Session commences with the Core Bond Auction at 8:00 a.m. ET and concludes at 5:00 p.m. ET. See Rule 86(i)(2)(A). The Late Bond Trading Session commences at 5:00 p.m. ET and concludes at 8:00 p.m. ET. See Rule 86(i)(3)(A).

⁹ The Notice provides additional details and examples related to the NYSE Bonds FOK Order. See Notice, *supra* note 4, at 19672. See also proposed Rule 86(b)(2)(B)(vii).

¹⁰ A NYSE Bonds AON Order cannot be a NYSE Bonds Reserve Order. See proposed Rule 86(b)(2)(B)(ii).

¹¹ The Notice provides additional details and examples related to the NYSE Bonds AON Order. See Notice, *supra* note 4, at 19672-73. See also proposed Rule 86(b)(2)(B)(viii).

¹² A NYSE Bonds Minimum Quantity Order cannot be a NYSE Bonds Reserve Order. See proposed Rule 86(b)(2)(B)(ii).

²⁹ 15 U.S.C. 78s(b)(2).

³⁰ 17 CFR 200.30-3(a)(12).

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ In Amendment No. 1, the Exchange proposed changes to amend the proposed rule text of Rule 86(j)(A)(ii) in Exhibit 5 and the purpose section of each of the Form 19b-4 and Exhibit 1 to clarify the effective time used to determine the priority of Timed Orders. The Exchange also amended the purpose section of each of the Form 19b-4 and Exhibit 1 to add that all-or-none and minimum quantity contingencies are displayed.

⁴ See Securities Exchange Act Release No. 77477 (March 30, 2016), 81 FR 19671 (“Notice”).

NYSE Bonds Minimum Quantity Order must be designated as “day,” “good ’til cancelled,” or “good ’til date.”¹³

The Exchange proposes to codify the operation of the NYSE Bonds Good ’Til Date Order (“NYSE Bonds GTD Order”), a NYSE Bonds Limit Order or a NYSE Bonds Reserve Order, which if not executed or cancelled, would expire at the end of the Core Bond Trading Session on the date specified on the order. A NYSE Bonds GTD Order must include an Expire Date or be designated for the Core Bond Trading Session; otherwise, the order would be rejected. A NYSE Bonds GTD Order can participate in the Core Bond Auction and the Core Bond Trading Session only. A NYSE Bonds GTD Order would participate in the Core Bond Auction if it is entered before commencement of the Core Bond Auction, and if not executed in the Core Bond Auction, would remain live on NYSE Bonds and would be eligible for execution in the Core Bond Trading Session, unless the order is cancelled. A NYSE Bonds GTD Order entered after commencement of the Core Bond Auction would participate in the Core Bond Trading Session, unless the order is cancelled. A NYSE Bonds GTD Order can participate only in the Core Bond Trading Session, and such order designated for any other trading session would be rejected. A NYSE Bonds GTD Order that is not executed or cancelled in full at the end of the trading day would be placed on the order book for the following day in price-time priority for participation in the Core Bond Trading Session after the end of the Core Bond Auction.¹⁴

The Exchange proposes to codify the operation of the NYSE Bonds Timed Order, a NYSE Bonds Limit Order or a NYSE Bonds Reserve Order that remains in effect for a period of time specified on the order (*i.e.*, Effective Time and Expire Time) for the day on which the order is entered until the order is executed or cancelled. A NYSE Bonds Timed Order would be accepted, and may be cancelled, during all trading sessions, provided that the order is submitted during the trading session in which it is to become effective. A NYSE Bonds Timed Order would participate in the Core Bond Auction and Core Bond Trading Session if the order is entered before commencement of the Core Bond Auction, and if the order is

not executed in the Core Bond Auction, or not cancelled, it would be eligible for execution in the Core Bond Trading Session. A NYSE Bonds Timed Order must include an Effective Time, an Expire Time, or a designated trading session; otherwise, the order would be rejected.

A NYSE Bonds Timed Order submitted with an Effective Time alone becomes effective at the Effective Time and if not executed, the order would be cancelled at the end of the Late Bond Trading Session. A NYSE Bonds Timed Order submitted with an Expire Time alone becomes effective at the time it is sent to the Exchange and if not executed, the order would be cancelled at the Expire Time designated on the order. A NYSE Bonds Timed Order submitted with a designated trading session alone or with a designated trading session and either an Effective Time or an Expire Time would become effective at the time the designated trading session begins and if not executed, the order would be cancelled at the end of the designated trading session.¹⁵ NYSE Bonds would disregard the Effective Time or Expire Time submitted with a NYSE Bonds Timed Order that is designated for a specific trading session. Additionally, a NYSE Bonds Timed Order submitted with a time in force of Day during a trading session without an Effective Time, an Expire Time, or a designated trading session would be treated as a Day limit order and, if not executed, would be cancelled at the end of the Core Bond Trading Session.¹⁶

Finally, the Exchange proposes to amend the definition of IMP in current Rule 86(b)(2)(G) to provide greater detail as to how an IMP is established with respect to Bond Auctions. Specifically, the Exchange proposes to define the IMP in a particular bond as a single price at which the maximum number of bonds is executable. If there are two or more prices at which the maximum number of bonds is executable, the IMP would be the price that is closest to the Reference Price provided that the IMP cannot be lower (higher) than any unmatched top of book order to buy (sell) that was eligible to participate in an auction at the IMP. For the Opening Bond Auction, the Reference Price is the

closing price in a bond on the previous trading day or if the bond did not trade on the previous trading day, the closing price on the last day that the bond traded.¹⁷ For the Core Bond Auction and the Bond Halt Auction, the Reference Price is the last price of a bond on the trading day prior to the applicable auction, and if none, the previous trading day’s closing price, and if none, the closing price on the last day that the bond traded. If orders to buy and orders to sell are not marketable (*i.e.*, the price of a bond order to buy is not equal to or greater than the price of a bond order to sell), then the IMP would be determined by the side and volume at the top of book, with the price of the side with the greater volume establishing the IMP. Current Rules 86(l)(3)(A) and 86(n)(2)(E) provide that a Bond Auction or a Bond Halt Auction, respectively, would not occur in the event of a failure to establish an IMP. The Exchange proposes to amend these rules to provide that, for non-marketable buy and sell orders entered in NYSE Bonds where the size of the best bid and best offer are the same, an IMP would not be established and a Bond Auction or Bond Halt Auction would not occur.¹⁸

In addition to adding order types to the NYSE Bonds platform and codifying functionality of order types currently available on NYSE Bonds, the Exchange also proposes to amend other parts of Rule 86 that are impacted by this proposed rule change. Rule 86(h) currently states that orders can only be designated for Bond Trading Sessions and cannot be designated for participation in Bond Auctions. The rule further states that participation in Bond Auctions is automatic if an order is designated for participation in a particular Bond trading Session and is entered prior to the commencement of the related Bond Auction. Given that not all of the new order types are eligible to participate in Bond Auctions, the Exchange proposes to amend the current rule to clarify that participation in Bond Auctions is not automatic if an order is designated for participation in a particular Bond Trading Session.¹⁹

Additionally, Rule 86(j) currently states that buy and sell orders in NYSE Bonds are displayed, matched and

¹³ The Notice provides additional details and examples related to the NYSE Bonds Minimum Quantity Order. See Notice, *supra* note 4, at 19673–74. See also proposed Rule 86(b)(2)(B)(ix).

¹⁴ The Notice provides additional details and examples related to the NYSE Bonds GTD Order. See Notice, *supra* note 4, at 19674–75. See also proposed Rule 86(b)(2)(B)(v).

¹⁵ A NYSE Bonds Timed Order submitted during a designated trading session becomes effective at the time the order is received and, if not executed, would be cancelled at the end of such designated trading session. See Notice, *supra* note 4, at 19675 n.18.

¹⁶ The Notice provides additional details and examples related to the NYSE Bonds Timed Order. See Notice, *supra* note 4, at 19675–76. See also proposed Rule 86(b)(2)(B)(vi).

¹⁷ The Exchange proposes to delete the words “the price that is closest to” from the current rule to more precisely reflect the price that would be used to determine the Reference Price on the last day that a bond traded. See proposed Rule 86(b)(2)(D)(i)(a).

¹⁸ The Notice provides additional details and examples related to the calculation of the IMP. See Notice, *supra* note 4, at 19676–77. See also proposed Rule 86(b)(2)(D).

¹⁹ See Notice, *supra* note 4, at 19677.

executed according to price, with the highest bid price and the lowest offer price receiving highest priority and, within each price, according to the time of order entry. For Timed Orders, priority within each price is determined based on the effective time of the order, as provided in proposed Rule 86(b)(2)(B)(vi)(3)(a)–(c). Timed Orders submitted with an Effective Time become effective at the time designated on the order (*i.e.*, at the Effective Time), whereas Timed Orders submitted with an Expire Time become effective at the time such order is submitted. Additionally, Timed Orders submitted with a designated trading session alone or with a designated trading session and either an Effective Time or an Expire Time become effective at the time the designated trading session begins, whereas Timed Orders submitted during a designated trading session become effective at the time such order is received. The Exchange proposes to reflect these differences with an amendment to Rule 86(j)(A)(ii).²⁰

Finally, the Exchange proposes to make non-substantive organizational changes to the rule text in order to make the rule easier to read and understand. Specifically, the Exchange is proposing to renumber each of paragraphs (C), (D), and (E) to (B)(ii), (B)(iii), and (B)(iv) and to renumber each of paragraphs (F) through (O) to (C) through (K).

III. Discussion and Commission Findings

After careful review, the Commission finds that the proposed rule change 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 foster cooperation and coordination with persons engaged in facilitating transactions in securities, 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; and are not designed to

²⁰ See *id.*

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).

permit unfair discrimination between customers, issuers, brokers, or dealers.

The Commission notes that the Exchange believes that the proposed rule change would protect investors and remove impediments to, and perfect the mechanisms of, a free and open market and a national market system by offering its Users additional order types and therefore affording them greater opportunities to execute their bond orders on the Exchange.²³ The Exchange further states that its proposal to adopt new order types on NYSE Bonds, including All-or-None, Fill-or-Kill, and Minimum Quantity orders, is consistent with order types available on other ATSS and exchanges.²⁴ The Commission notes that, according to the Exchange, the proposal to codify Good 'Til Date Orders and Timed Orders does not add any new functionality but instead provides additional clarity and transparency regarding current functionality offered by the Exchange.²⁵ Finally, the Commission notes that the Exchange's proposal relating to the calculation of the IMP is intended to provide additional detail, clarity, and transparency to the rule.²⁶

The Commission believes that the proposed rules to adopt new order types on NYSE Bonds would provide Users with additional options for trading in fixed income securities on the Exchange. Based on the Exchange's representations, the Commission believes that the proposed rules regarding Good 'Til Date and Timed Orders do not raise any novel regulatory considerations and should provide greater specificity, clarity, and transparency with respect to the functionality available on the Exchange. The Commission similarly believes that the proposal relating to the IMP calculation and the organizational changes to the rule text should provide additional clarity and transparency to the Exchange's rules. For these reasons, the Commission believes that the proposed rule change is consistent with the Act.

IV. Conclusion

It is therefore ordered, pursuant to Section 19(b)(2) of the Act,²⁷ that the

²³ See Notice, *supra* note 4, at 19677.

²⁴ See *id.* at 19672 & n.13, 19677. The Exchange states that, because fixed income securities are not subject to Regulation NMS, it proposes to display the All-or-None and Minimum Quantity and permit executions that bypass an All-or-None order or Minimum Quantity order if the terms of such orders cannot be met, unlike similar All-or-None and Minimum Quantity order types on equity exchanges. See *id.* at 19677.

²⁵ See Notice, *supra* note 4, at 19677.

²⁶ See *id.* at 19672, 77.

²⁷ 15 U.S.C. 78s(b)(2).

proposed rule change (SR–NYSE–2016–17), as modified by Amendment No. 1, be, and hereby is, approved.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.²⁸

Robert W. Errett,
Deputy Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–77881; File No. SR–ISEGemini–2016–03]

Self-Regulatory Organizations; ISE Gemini, LLC; Order Approving Proposed Rule Change Related to Market Wide Risk Protection

May 20, 2016.

I. Introduction

On March 17, 2016, ISE Gemini, LLC (the “Exchange” or “ISE Gemini”) 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 introduce new activity-based risk protection functionality. The proposed rule change was published for comment in the **Federal Register** on April 6, 2016.³ No comment letters were received in response to this proposal. This order approves the proposed rule change.

II. Description of the Proposed Rule Change

The Exchange proposed to introduce two activity-based risk protection measures that will be mandatory for all members: (1) The “Order Entry Rate Protection,” which prevents members from *entering* orders at a rate that exceeds predefined thresholds,⁴ and (2) the “Order Execution Rate Protection,” which prevents members from *executing* orders at a rate that exceeds their predefined risk settings (together, “Market Wide Risk Protection”). The Exchange will announce the implementation date of the proposed

²⁸ 17 CFR 200.30–3(a)(12).

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b–4.

³ See Securities Exchange Act Release No. 77488 (Mar. 31, 2016), 81 FR 20021 (“Notice”).

⁴ The Exchange stated that it will initiate the Order Entry Rate Protection pre-open, but in a manner that allows members time to load their orders without inadvertently triggering the protection. The Exchange further noted that it will establish and communicate the precise initiation time via circular and prior to implementation. See Notice, *supra* note 3, at 20022 n.4.