

parameters set by ISE.²³ For example, an abnormally low order entry parameter, set over an abnormally long specified time period should be carefully scrutinized, particularly if a member's order flow to ISE Gemini contains agency orders. To the extent that a member chooses sensitive parameters, a member should consider the effect of its chosen settings on its ability to receive a timely execution on marketable agency orders that it sends to ISE Gemini in various market conditions. The Commission cautions brokers considering their best execution obligations to be aware that the agency orders they represent may be rejected as a result of the Market Wide Risk Protection functionality.

As discussed above, ISE Gemini determined not to establish minimum and maximum permissible settings for the order entry and order execution parameters in its rule and indicated its intent to set a minimum and maximum for the time period parameters that provide broad discretion to members (*i.e.*, one second and a full trading day, respectively).²⁴ In light of these broad limits, the Commission expects ISE Gemini to periodically assess whether the Market Wide Risk Protection measures are operating in a manner that is consistent with the promotion of fair and orderly markets, including whether the default values and minimum and maximum permissible parameters for the applicable time period established by ISE Gemini continue to be appropriate and operate in a manner consistent with the Act and the rules thereunder.

Finally, the Commission believes that it is consistent with the Act for ISE Gemini to offer its Market Wide Risk Protection across both ISE Gemini and its affiliate, ISE, as such functionality could assist members in managing and reducing inadvertent exposure to excessive risk across both of these markets if the member desires to avail itself of that feature. Further, the Commission notes that it previously approved ISE Gemini's proposal to offer cross-market risk protections for market maker quotes, and approval of the cross-market application of the Market Wide Risk Protection functionality is consistent with that prior approval.²⁵

²³ See Securities Exchange Act Release No. 37619A (Sept. 6, 1996), 61 FR 48290, at 48323 (Sept. 12, 1996) (Order Execution Obligations adopting release); see also Securities Exchange Act Release No. 51808 (June 9, 2005), 70 FR 37496, 37537–8 (June 29, 2005) (Regulation NMS adopting release).

²⁴ See Notice, *supra* note 3, at 20022 n.9; see also *supra* note 21.

²⁵ See ISE Gemini Rule 804(g); see also Securities Exchange Act Release No. 73148 (Sept. 19, 2014),

IV. Conclusion

It is therefore ordered, pursuant to Section 19(b)(2) of the Act,²⁶ that the proposed rule change (SR–ISEGemini–2016–03) be, and hereby is, approved.

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. 34–77871; File No. SR–BATS–2015–100]

Self-Regulatory Organizations; BATS Exchange, Inc.; Notice of Designation of a Longer Period for Commission Action on Proceedings to Determine Whether To Approve or Disapprove a Proposed Rule Change, as Modified by Amendments Nos. 1, 3, and 4 Thereto, To Amend BATS Rule 14.11(i) To Adopt Generic Listing Standards for Managed Fund Shares

May 20, 2016.

On November 18, 2015, BATS Exchange, Inc. (now known as Bats BZX Exchange, Inc., “Exchange”) ¹ filed with the Securities and Exchange Commission (“Commission”), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”) ² and Rule 19b–4 thereunder, ³ a proposed rule change to amend BATS Rule 14.11(i) by, among other things, adopting generic listing standards for Managed Fund Shares. The proposed rule change was published for comment in the **Federal Register** on November 25, 2015.⁴ On January 4, 2016, the Commission designated a longer period within which to approve the proposed rule change, disapprove the proposed rule change, or institute proceedings to determine whether to disapprove the proposed rule change.⁵ On February 9, 2016, the

79 FR 57626 (Sept. 25, 2014) (SR–ISEGemini–2014–09) (approval order).

²⁶ 15 U.S.C. 78s(b)(2).

²⁷ 17 CFR 200.30–3(a)(12).

¹ In March 2016, BATS changed its name from “BATS Exchange, Inc.” to “Bats BZX Exchange, Inc.” See Securities Act Release No. 77307 (Mar. 7, 2016), 81 FR 12996 (Mar. 11, 2016) (SR–BATS–2016–25) (publishing notice of the name change to Bats BZX Exchange, Inc.).

² 15 U.S.C. 78s(b)(1).

³ 17 CFR 240.19b–4.

⁴ See Securities Exchange Act Release No. 76478 (Nov. 19, 2015), 80 FR 73841 (“Notice”).

⁵ See Securities Exchange Act Release No. 76820, 81 FR 989 (Jan. 8, 2016). The Commission designated February 23, 2016 as the date by which the Commission shall either approve or disapprove,

Exchange filed Amendment No. 1 to the proposed rule change,⁶ which replaced the originally filed proposed rule change in its entirety.⁷ On February 11, 2016, the Exchange both filed and withdrew Amendment No. 2 to the proposed rule change. On February 11, 2016, the Exchange filed Amendment No. 3 to the proposed rule change.⁸ On February 17, 2016, the Exchange filed Amendment No. 4 to the proposed rule change.⁹ On February 22, 2016, the Commission issued notice of filing of Amendment Nos. 1, 3, and 4 to the proposed rule change and instituted proceedings under Section 19(b)(2)(B) of

or institute proceedings to determine whether to disapprove, the proposed rule change. See *id.*

⁶ Amendment No. 1: (1) Clarifies the proposed treatment of convertible securities under the proposed generic listing criteria; (2) modifies the proposed criterion regarding American Depository Receipts (“ADRs”) to provide that no more than 10% of the equity weight of the portfolio shall consist of non-exchange traded (rather than unsponsored) ADRs; (3) modifies the proposed portfolio limit on listed derivatives to require that at least 90% of the weight of such holdings invested in futures, exchange-traded options, and listed swaps shall, on both an initial and continuing basis, consist of futures, options, and swaps for which the Exchange may obtain information via the Intermarket Surveillance Group (“ISG”) from other members or affiliates of the ISG or for which the principal market is a market with which the Exchange has a comprehensive surveillance sharing agreement (“CSSA”); (4) provides that a portfolio's investments in listed and over-the-counter derivatives will be calculated for purposes the proposed limits on such holdings as the total absolute notional value of the derivatives; (5) makes certain other conforming and clarifying changes. The amendments to the proposed rule change are available at: <http://www.sec.gov/comments/sr-bats-2015-100/bats2015100.shtml>.

⁷ See Amendment No. 1, *supra* note 6, at 4.

⁸ Amendment No. 3 deletes from the proposal the following two sentences: (1) “Such limitation will not apply to listed swaps because swaps are listed on swap execution facilities (“SEFs”), the majority of which are not members of ISG.” and (2) “Such limitation would not apply to listed swaps because swaps are listed on SEFs, the majority of which are not members of ISG.” Amendment No. 3 also corrects an erroneous statement in Item 11 to indicate that an Exhibit 4 was included in Amendment No. 1.

⁹ Amendment No. 4 deletes from the proposal the following sentence: “Thus, if the limitation applied to swaps, there would effectively be a cap of 10% of the portfolio invested in listed swaps.” Amendment No. 4 also amends two representations as follows (*added* language in brackets): The Exchange or FINRA, on behalf of the Exchange, will communicate as needed regarding trading in Managed Fund Shares [and their underlying components] with other markets that are members of the ISG, including all U.S. securities exchanges and futures exchanges on which the components are traded[, or with which the Exchange has in place a CSSA.] In addition, the Exchange or FINRA[, on behalf of the Exchange[, may obtain information regarding trading in Managed Fund Shares [and their underlying components] from other markets that are members of the ISG, including all U.S. securities exchanges and futures exchanges on which the components are traded, or with which the Exchange has in place a CSSA.”

the Act¹⁰ to determine whether to approve or disapprove the proposed rule change, as modified by Amendment Nos. 1, 3, and 4 thereto.¹¹ In the Order Instituting Proceedings, the Commission solicited comments to specified matters related to the proposal.¹² The Commission has not received any comments on the proposed rule change.

Section 19(b)(2) of the Act¹³ provides that, after initiating disapproval proceedings, the Commission shall issue an order approving or disapproving the proposed rule change not later than 180 days after the date of publication of notice of the filing of the proposed rule change. The Commission may, however, extend the period for issuing an order approving or disapproving the proposed rule change by not more than 60 days if the Commission determines that a longer period is appropriate and publishes the reasons for such determination. The proposed rule change was published for notice and comment in the **Federal Register** on November 25, 2015.¹⁴ The 180th day after publication of the notice of the filing of the proposed rule change in the **Federal Register** is May 23, 2016.

The Commission finds that it is appropriate to designate a longer period within which to issue an order approving or disapproving the proposed rule change so that it has sufficient time to consider the proposed rule change, as modified by Amendment Nos. 1, 3, and 4 thereto.

Accordingly, the Commission, pursuant to Section 19(b)(2) of the Act,¹⁵ designates July 22, 2016, as the date by which the Commission shall either approve or disapprove the proposed rule change, as modified by Amendment Nos. 1, 3, and 4 thereto (File No. SR-BATS-2015-100).

¹⁰ 15 U.S.C. 78s(b)(2)(B).

¹¹ See Securities Exchange Act Release No. 77202, 81 FR 9889 (Feb. 26, 2016) (“Order Instituting Proceedings”). Specifically, the Commission instituted proceedings to allow for additional analysis of the proposed rule change’s consistency with Section 6(b)(5) of the Act, 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,” and “to protect investors and the public interest.” See *id.*, 81 FR at 9897.

¹² See *id.*

¹³ 15 U.S.C. 78s(b)(2).

¹⁴ See *supra* note 4 and accompanying text.

¹⁵ 15 U.S.C. 78s(b)(2).

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.¹⁶

Robert W. Errett,
Deputy Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-77877; File No. SR-BOX-2016-22]

Self-Regulatory Organizations; BOX Options Exchange LLC; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change To Amend BOX Rule 12140 (Imposition of Fines for Minor Rule Violations) To Amend the Sanctions for Quotation Parameters and Permit the Aggregation of Violations for the Purpose of Determining What Is an Occurrence

May 20, 2016.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”),¹ and Rule 19b-4 thereunder,² notice is hereby given that on May 11, 2016, BOX Options Exchange LLC (the “Exchange”) 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 self-regulatory organization. The Commission is publishing this notice to solicit comments on the proposed rule from interested persons.

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

The Exchange proposes to amend BOX Rule 12140 (Imposition of Fines for Minor Rule Violations) to amend the sanctions for Quotation Parameters and permit the aggregation of violations for the purpose of determining what is an occurrence. The text of the proposed rule change is available from the principal office of the Exchange, at the Commission’s Public Reference Room and also on the Exchange’s Internet Web site at <http://boxexchange.com>.

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

In its filing with the Commission, the self-regulatory organization included statements concerning the purpose of,

and basis for, the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. The self-regulatory organization 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 BOX Rule 12140 (Imposition of Fines for Minor Rule Violations) to amend the sanctions for Quotation Parameters (Rule 12140(d)(5)) and permit the aggregation of violations for the purpose of determining what is an occurrence.

The purpose of the proposed rule change is to amend the sanctions that relate to Rule 8040(a)(7) regarding spread parameters for Market Maker quotations under the Exchange’s Minor Rule Violation Plan or (“MRVP”). BOX Rule 8040(a)(7)³ governs quotation parameters which establish the maximum permissible width between the bid and offer in a particular series.⁴ The Exchange believes the proposed rule changes [sic] will add clarity as to what is considered a violation with respect to these quotation parameters under the MRVP.

First, the Exchange proposes to amend the sanctions applicable to violations of Rule 8040(a)(7) pursuant to the Exchange’s MRVP which are laid out in BOX Rule 12140(d)(5). The sanctions would now consist of Letters of Caution respecting the first three occurrences and three fines thereafter (\$250, \$500 and \$1,000), before the seventh occurrence would result in referral to the Hearing Committee for disciplinary action. In addition, the fine schedule would be administered on a one year running calendar basis, such that violations within one year of the last occurrence would count as the next “occurrence”. The Exchange then proposes to add language that will allow BOX to aggregate individual quotation violations and treat such violations as a single offense.

The Exchange believes that these changes are appropriate because quoting on the Exchange is entirely electronic. Specifically, firms rely on their quote

³ The Exchange’s MRVP consists of preset fines, pursuant to Rule 19d-1(c) under the Act 17 CFR 240.19d-1(c).

⁴ See Rule 8040(a)(7). The Exchange sets the maximum width at no more than \$5 between the bid and offer.

¹⁶ 17 CFR 200.30-3(a)(57).

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.