SECURITIES AND EXCHANGE COMMISSION


Self-Regulatory Organizations; NASDAQ BX, Inc.; Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Amend Rule 4770

September 12, 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 August 29, 2016, NASDAQ BX, Inc. ("BX" or "Exchange") filed with the Securities and Exchange Commission ("SEC" or "Commission") the proposed rule change as described in Items I and II below, which Items have been prepared by the Exchange. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

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

The Exchange proposes to amend Rule 4770 to modify certain data collection requirements of the Regulation NMS Plan to Implement a Tick Size Pilot Program.

The text of the proposed rule change is available on the Exchange’s Web site at http://nasdaqbx.cchwallstreet.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 aspects of such statements.

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

1. Purpose

On August 25, 2014, BX and several other self-regulatory organizations (the "Participants") filed with the Commission, pursuant to Section 11A of the Act3 and Rule 606 of Regulation NMS thereunder,4 the Plan to Implement a Tick Size Pilot Program (the "Plan").5 The Participants filed the Plan to comply with an order issued by the Commission on June 24, 2014.6 The Plan was published for comment in the Federal Register on November 7, 2014,7 and approved by the Commission, as modified, on May 6, 2015.8

The Plan is designed to allow the Commission, market participants, and the public to study and assess the impact of increment conventions on the liquidity and trading of the common stock of small-capitalization companies. Each Participant is required to comply, and to enforce compliance by its member organizations, as applicable, with the provisions of the Plan.

The Plan provides for the creation of a group of Pilot Securities, which shall be placed in a control group and three separate test groups, with each subject to varying quoting and trading increments. Pilot Securities in the control group will be quoted at the current tick size increment of $0.01 per share and will trade at the currently permitted increments. Pilot Securities in the first test group will be quoted in $0.05 minimum increments but will continue to trade at any price increment that is currently permitted.9 Pilot Securities in the second test group ("Test Group Two") will be quoted in $0.05 minimum increments and will trade at $0.05 minimum increments subject to a midpoint exception, a retail investor order exception, and a negotiated trade exception.10 Pilot Securities in the third test group ("Test Group Three") will be subject to the same quoting and trading increments as Test Group Two, and also will be subject to the "Trade-at" requirement to prevent price matching by a market participant that is not displaying at the price of a Trading Center's "Best Protected Bid" or "Best Protected Offer," unless an enumerated exception applies.11 In addition to the exceptions provided under Test Group Two, an exception for Block Size orders and exceptions that mirror those under Rule 611 of Regulation NMS12 will apply to the Trade-at requirement.

The Plan also requires a Trading Center13 or a Market Maker14 to collect...
and transmit certain data to its designated examining authority ("DEA"), and requires DEAs to transmit this data to the Commission.

Participants that operate a Trading Center also are required under the Plan to collect certain data, which is then transmitted directly to the Commission. With respect to Trading Centers, Appendix B.I to the Plan (Market Quality Statistics) requires a Trading Center to submit to the Participant that is its DEA a variety of market quality statistics. Appendix B.II to the Plan (Market and Marketable Limit Order Data) requires a Trading Center to submit information to its DEA relating to market orders and marketable limit orders, including the time of order receipt, order type, the order size, and the National Best Bid or National Best Offer ("NBBO") quoted price.

With respect to Market Makers, Appendix B.III requires a Participant that is a national securities exchange to collect daily Market Maker Registration statistics. Appendix B.IV requires a Participant to collect data related to Market Maker participation with respect to each Market Maker engaging in trading activity on a Trading Center operated by the Participant. Appendix C.I requires a Participant to collect data related to Market Maker profitability from each Market Maker for which it is the DEA.

Appendix C.II requires the Participant, as DEA, to aggregate the Appendix C.I data, and to transmit this data to the Commission. The Commission approved the Pilot on a two-year basis, with implementation to begin no later than May 6, 2016. On November 6, 2015, the SEC exempted the Participants from implementing the Pilot until October 3, 2016. As set forth in Appendices B and C to the Plan, data that is reported pursuant to the appendices shall be provided for dates starting six months after the end of the Pilot Period through six months after the end of the Pilot Period. Under the revised Pilot implementation date, the Pre-Pilot data collection period commenced on April 4, 2016.

On December 9, 2015, FINRA, on behalf of the Plan Participants, submitted an exemptive request to the Commission, seeking an exemption from certain data collection and reporting requirements set forth in the Plan. On February 17, 2016, the Commission granted Participants exemptive relief from complying with certain data collection and reporting requirements in the Plan. On March 23, 2016, the Exchange filed with the Commission a proposed rule change to adopt Rule 4770 to implement the data collection requirements of the Plan, which was effective on April 4, 2016.

The Exchange now proposes to further amend Rule 4770 to modify additional data collection and reporting requirements. First, Appendix B.I.a(21) through B.I.a(27) currently requires that Trading Centers report the cumulative number of shares of cancelled orders during a specified duration of time after receipt of the order that was cancelled. The Exchange and the other Participants believe that, for purposes of reporting cancelled orders, it is appropriate to categorize unexecuted Immediate or Cancel orders separately as one bucket irrespective of the duration of time after order receipt. i.e., without a time increment, to better differentiate orders cancelled subsequent to entry from those where the customer's intent prior to order entry was to cancel the order if no execution could be immediately obtained. The Exchange, therefore, proposes to modify Commentary .03 to provide that unexecuted Immediate or Cancel orders shall be categorized separately for purposes of Appendix B.I.a(21) through B.I.a(27).

The second change relates to the reporting of daily market quality statistics pursuant to Appendix B.I. Currently, Appendix B.I sets forth categories of orders, including market orders, marketable limit orders, and inside-the-quote resting limit orders, for which daily market quality statistics must be reported. The Exchange and the other Participants have determined that it is appropriate to include an order type for limit orders priced more than $0.10 away from the NBBO for purposes of Appendix B.I reporting. The Exchange therefore proposes to amend Commentary .06 to provide that limit orders priced more than $0.10 away from the NBBO shall be included as an order type for purposes of Appendix B reporting, and shall be assigned the number (22). These orders are not currently required to be reported pursuant to Appendix B, and the Exchange and the other Participants believe that requiring the reporting of such orders will produce a more comprehensive data set.

The third change relates to the reporting of market quality statistics pursuant to Appendix B.III for various order types, including inside-the-quote resting limit orders (12), at-the-quote resting limit orders (13), and near-the-quote resting limit orders (within $0.10 of the NBBO) (14). The Exchange and the other Participants believe that it is appropriate to require Trading Centers to report all orders that fall within these categories, and not just those orders that are "resting." The Exchange, therefore, proposes to amend Commentary .06 to make this change.

In the fourth change, the Exchange proposes to add new Commentary .09 to modify the manner in which market maker participation statistics are calculated. Currently, Appendix B.IV provides that market maker participation statistics shall be calculated based on share participation, trade participation, cross-quote share (trade) participation, inside-the-quote share (trade) participation, and outside-the-quote share (trade) participation. The Exchange and the other Participants have determined that it is appropriate to add the count of the number of Market Makers used in the calculation of share (trade) participation to each category. The Exchange is therefore proposing this change as part of Commentary .09. In addition, Appendix B.IV(b) and (c) currently require that, when aggregating across Market Makers, share participation and trade participation shall be calculated using the share-weighted average and trade-weighted average, respectively. The Exchange and the other Participants believe that it is more appropriate to calculate share and trade participation by providing the total count of shares or trades, as applicable, rather than weighted averages, and the Exchange is therefore proposing this change as part of Commentary .09.

The fifth change relates to the NBBO that a Trading Center is required to use when performing certain quote-related calculations. When calculating cross-quote share (trade) participation pursuant to Appendix B.IV(d) and inside-the-quote share (trade) participation pursuant to Appendix...
Section 6(b)(8) of the Act, which is necessary or appropriate in furtherance of the purposes of the Act. The Exchange believes that the proposed rule change will impose no significant burden on competition.

No written comments were either solicited or received.

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

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A) of the Act 24 and Rule 19b–4(f)(6) 25 thereunder because the proposal does not: (i) Significantly affect the protection of investors or the public interest; (ii) impose any significant burden on competition; and (iii) by its terms, become operative for 30 days from the date on which it was filed, or such shorter time as the Commission may designate if consistent with the protection of investors and the public interest.

A proposed rule change filed under Rule 19b–4(f)(6) 26 normally does not become operative prior to 30 days after the date of the filing. However, pursuant to Rule 19b–4(f)(6)(iii), the Commission may designate a shorter time if such action is consistent with the protection of investors and the public interest. The Exchange has asked the Commission to waive the 30-day operative delay so that the proposed rule change can become operative on August 30, 2016. The Commission believes that waiving the 30-day operative delay is consistent with the protection of investors and the public interest.

because it will allow the Exchange to implement the proposed rules immediately thereby preventing delays in the implementation of the Plan. The Commission notes that the Plan is scheduled to start on October 3, 2016. Therefore, the Commission hereby waives the 30-day operative delay and designates the proposed rule change to be operative upon filing with the Commission.28

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.29

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. Please include File Number SR–BX–2016–048 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–BX–2016–048. 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 a.m. and 3 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–BX–2016–048 and should be submitted on or before October 7, 2016.

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


Self-Regulatory Organizations; ICE Clear Credit LLC; Notice of Filing of Proposed Rule Change To Provide for the Clearance of Additional Credit Default Swap Contracts

September 12, 2016. Pursuant to section 19(b)(1) of the Securities Exchange Act of 1934 (‘‘Act’’) and Rule 19b–4 thereunder 2 notice is hereby given that on August 29, 2016, ICE Clear Credit LLC (‘‘ICC’’) filed with the Securities and Exchange Commission (‘‘Commission’’) the proposed rule change as described in Items I, II, and III below, which Items have been prepared primarily by ICC. 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 principal purpose of the proposed rule change is to adopt rules that will provide the basis for ICC to clear additional credit default swap contracts. ICC believes the addition of these contracts will benefit the market for credit default swaps by providing market participants the benefits of clearing, including reduction in counterparty risk and safeguarding of margin assets pursuant to clearing house rules. ICC proposes amending subchapter 26D of its Rules to provide for the clearance of additional EM Contracts, specifically the Republic of Panama, Abu Dhabi, Dubai, the State of Israel and the State of Qatar. ICC plans to offer these additional EM Contracts on the 2003 and 2014 ISDA Credit Derivatives Definitions.

These additional EM Contracts have terms consistent with the other EM Contracts approved for clearing at ICC and governed by subchapter 26D of the Rules. Minor revisions to Subchapter 26D (Standard Emerging Market Sovereign (‘‘SES’’) Single Name) are made to provide for clearing the additional EM Contracts. Specifically, in Rule 26D–102 (Definitions), ‘‘Eligible SES Reference Entities’’ is modified to include the Republic of Panama, Abu Dhabi, Dubai, the State of Israel and the State of Qatar in the list of specific Eligible SES Reference Entities to be cleared by ICC.

Additionally, ICC proposes amending subchapter 26F of its Rules to provide for the clearance of 2003 ISDA Definitions of SWES Contracts, ICC currently clears the 2014 ISDADefinitions of ten SWES Contracts.

28 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. 78q(c).

Western European Sovereign CDS contracts (collectively, ‘‘SWES Contracts’’), and an additional Asia/Pacific Sovereign CDS contract (the ‘‘Asia/Pacific Contract’’).

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

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

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

The purpose of the proposed rule change is to adopt rules that will provide the basis for ICC to clear additional credit default swap contracts. ICC believes the addition of these contracts will benefit the market for credit default swaps by providing market participants the benefits of clearing, including reduction in counterparty risk and safeguarding of margin assets pursuant to clearing house rules. ICC proposes amending subchapter 26D of its Rules to provide for the clearance of additional EM Contracts, specifically the Republic of Panama, Abu Dhabi, Dubai, the State of Israel and the State of Qatar. ICC plans to offer these additional EM Contracts on the 2003 and 2014 ISDA Credit Derivatives Definitions.

These additional EM Contracts have terms consistent with the other EM Contracts approved for clearing at ICC and governed by subchapter 26D of the Rules. Minor revisions to Subchapter 26D (Standard Emerging Market Sovereign (‘‘SES’’) Single Name) are made to provide for clearing the additional EM Contracts. Specifically, in Rule 26D–102 (Definitions), ‘‘Eligible SES Reference Entities’’ is modified to include the Republic of Panama, Abu Dhabi, Dubai, the State of Israel and the State of Qatar in the list of specific Eligible SES Reference Entities to be cleared by ICC.

Additionally, ICC proposes amending subchapter 26F of its Rules to provide for the clearance of 2003 ISDA Definitions of SWES Contracts, ICC currently clears the 2014 ISDA Definitions of ten SWES Contracts,