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POSTAL SERVICE

Product Change—Priority Mail Express Negotiated Service Agreement

AGENCY: Postal Service™.

ACTION: Notice.

SUMMARY: The Postal Service gives notice of filing a request with the Postal Regulatory Commission to add a domestic shipping services contract to the list of Negotiated Service Agreements in the Mail Classification Schedule’s Competitive Products List.

DATES: Effective date: February 21, 2017.

FOR FURTHER INFORMATION CONTACT: Elizabeth A. Reed, 202–268–3179.


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SECURITIES AND EXCHANGE COMMISSION


Self-Regulatory Organizations; Chicago Board Options Exchange, Incorporated; Order Granting Approval of a Proposed Rule Change, as Modified by Amendment No. 1, Related to the Nullification and Adjustment of Options Transactions

February 14, 2017.

I. Introduction

On December 14, 2016, Chicago Board Options Exchange, Incorporated (the “Exchange” or “CBOE”) filed with the Securities and Exchange Commission (“Commission”), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the “Act”),1 and Rule 19b–4 thereunder,2 a proposed rule change to amend Exchange Rule 6.25, relating to the adjustment and nullification of erroneous complex order and stock-option order transactions. The proposed rule change was published for comment in the Federal Register on January 3, 2017.3 On February 13, 2017, the Exchange submitted Amendment No. 1 to the proposed rule change.4 The Commission received no comments regarding the proposal. 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 6.25, entitled “Nullification and Adjustment of Options Transactions” by adding Interpretation and Policy .07(a)–(c) related to the adjustment and nullification of erroneous complex order and stock-option transactions.

A. Background

The Exchange and other options exchanges previously adopted new, harmonized rules related to the adjustment and nullification of erroneous options transactions.5 The Exchange believes that the changes the options exchanges implemented with the new, harmonized rule have led to increased transparency and finality with respect to the adjustment and nullification of erroneous options transactions. However, as part of the initial initiative, the Exchange and other options exchanges deferred a few specific matters for further discussion, including how erroneous complex orders and stock-option orders should be handled.

Since the adopting of the initial harmonized rule, the exchanges that offer complex orders and/or stock-option orders discussed the adoption of a rule—described below—that they collectively believe will improve the handling of erroneous options transactions that result from the execution of complex orders and stock-option orders.6

B. Proposed Rule

The proposed rule applies much of the initial harmonized rule to complex orders and stock-option orders. The proposed rule, however, deviates from the initial harmonized rule to account for unique qualities of complex orders and stock-option orders. Specifically, the proposed rule reflects the fact that complex orders can execute against other complex orders or can execute against individual simple orders in the leg markets. When a complex order executes against the leg markets, there may be different counterparties on each leg of the complex order, and not every leg will necessarily be executed at an erroneous price. With regards to stock-option orders, the proposed rule reflects the fact that stock-option orders contain a stock component that is executed on a stock trading venue, and the Exchange may not be able to ensure that the stock trading venue will adjust or nullify the stock execution in the event of an obvious or catastrophic error. In order to account for the unique characteristics of complex orders and stock-option orders,


6 See Notice, supra note 3, at 167. An exchange that does not offer complex orders and/or stock-option orders will not adopt these new provisions until such time as the exchange offers complex orders and/or stock-option orders. See id. at 167 n.5.