

regarding programmatic inquiries, and will facilitate the appropriate level of communication and exchange of information between Tribal officials and the NRC staff. The Tribal liaisons will also educate the NRC staff about Tribal issues including cultural sensitivity and the Federal Trust Responsibility. The designated official will have the authority to delegate tasks to the NRC Tribal liaisons as he/she deems fit.

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-79719; File No. SR-NYSEArca-2016-143]

### Self-Regulatory Organizations; NYSE Arca, Inc.; Order Approving Proposed Rule Change, as Modified by Amendment No. 1 Thereto, Introducing NYSE OptX

January 3, 2017.

#### I. Introduction

On November 3, 2016, NYSE Arca, Inc. (the “Exchange”) filed with the Securities and Exchange Commission (“Commission”) pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”) <sup>1</sup> and Rule 19b-4 thereunder, <sup>2</sup> a proposed rule change to introduce NYSE OptX, an order entry platform that will allow for the submission of Qualified Contingent Cross orders (“QCC Orders”) by OTP Holders and OTP Firms. On November 15, 2016, the Exchange filed Amendment No. 1 to the proposal. <sup>3</sup> The proposed rule change, as modified by Amendment No. 1, was published for comment in the **Federal Register** on November 22, 2016. <sup>4</sup> The Commission received no comment letters on the proposed rule change. This order approves the proposed rule change, as modified by Amendment No. 1.

#### II. Description of the Proposed Rule Change

The Exchange proposes to introduce NYSE OptX, an order entry platform that will allow OTP Holders <sup>5</sup> and OTP

Firms <sup>6</sup> (collectively, “OTPs”) to submit QCC Orders to the Exchange. According to the Exchange, OTPs currently send QCC Orders to the Exchange through the use of third-party front end order management systems or by calling Floor Brokers and relaying their orders by telephone. <sup>7</sup>

According to the Exchange, NYSE OptX is an order entry platform that will utilize a combination of Instant Messaging (“IM”) and browser-based technology to allow OTPs to submit QCC Orders for execution on the Exchange’s trading system. <sup>8</sup> To execute a QCC Order through NYSE OptX, an OTP will send the order in plain text to NYSE OptX, <sup>9</sup> which will then translate the message into a pre-populated order ticket with details of the order and return the order ticket to the OTP in a browser-based URL. The OTP will then confirm the order ticket and submit the order to the Exchange for execution, or send the order to a Floor Broker for execution. After an order is executed on the Exchange, NYSE OptX will remit details of the execution back to the OTP.

According to the Exchange, NYSE OptX is designed as an alternative to front end order management systems and the use of telephones for the sending of QCC Orders to the Exchange. <sup>10</sup> The Exchange notes that NYSE OptX will not provide OTPs with the capability to send any other type of orders or the capability to send QCC Orders for execution to other options markets. <sup>11</sup> Further, OTPs will continue

OTP, or has been named as a Nominee. An OTP Holder must be a registered broker or dealer pursuant to Section 15 of the Act, or a nominee or an associated person of a registered broker or dealer that has been approved by the Exchange to conduct business on the Exchange’s Trading Facilities. See Exchange Rule 1.1(q).

<sup>6</sup> The term “OTP Firm” refers to a sole proprietorship, partnership, corporation, limited liability company, or other organization in good standing that holds an OTP or upon which an individual OTP Holder has conferred trading privileges on the Exchange’s Trading Facilities pursuant to and in compliance with Exchange Rules. An OTP Firm must be a registered broker or dealer pursuant to Section 15 of the Act. See Exchange Rule 1.1(r).

<sup>7</sup> See Notice, *supra* note 4, at 83891.

<sup>8</sup> See *id.* The Exchange represents that NYSE OptX will not require any changes to the Exchange’s communication or surveillance rules. *Id.* at 83891, n.9.

<sup>9</sup> The Exchange states that OTPs will be required to provide all the essential information regarding the QCC Order when sending it to NYSE OptX, including the price of the option and the stock, the size and side of the order, and delta. The Exchange further represents that QCC Orders sent to the Exchange for execution will comply with the order format and EOC entry requirements established by the Exchange. See Notice, *supra* note 4, at 83891, n.11. See also Exchange Rule 6.67—Order Format and System Entry Requirements.

<sup>10</sup> See Notice, *supra* note 4, at 83891.

<sup>11</sup> See *id.*

to be able to submit QCC Orders through the use of a third-party front end order management system, or by telephone, as they currently do. <sup>12</sup> The Exchange notes that use of OptX to send QCC Orders to the Exchange is optional and voluntary. <sup>13</sup>

The Exchange stated that it will announce the effective date of NYSE OptX in a Trader Update to be published no later than 90 days following approval of this proposal, and that such effective date will be no later than 270 days following publication of the Trader Update. <sup>14</sup>

#### III. Discussion and Commission Findings

After careful review, the Commission finds that the proposed rule change is consistent with the requirements of Section 6 of the Act <sup>15</sup> and the rules and regulations thereunder applicable to a national securities exchange. <sup>16</sup> In particular, the Commission finds that the proposed rule change is consistent with Section 6(b)(5) of the Act, <sup>17</sup> 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 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 open market and a national market system, and, in general, to protect investors and the public interest and that the rules not be designed to permit unfair discrimination between customers, issuers, brokers, or dealers.

In particular, the Commission notes that, according to the Exchange, NYSE OptX will provide OTPs an alternative to third-party front end order management systems and the use of telephones to send QCC Orders to the Exchange. <sup>18</sup> Such an alternative may help protect the interests of investors by

<sup>12</sup> See *id.*

<sup>13</sup> See *id.*

<sup>14</sup> See *id.*

<sup>15</sup> 15 U.S.C. 78f.

<sup>16</sup> 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).

<sup>17</sup> 15 U.S.C. 78f(b)(5).

<sup>18</sup> See Notice, *supra* note 4, at 83891. As stated above, the Exchange represented that OTPs will be required to provide all the essential information regarding the QCC Order when sending the order to NYSE OptX and QCC Orders sent to the Exchange for execution will comply with the order format and EOC entry requirements established by the Exchange. *Id.* at 83891, n.11.

<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 17 CFR 240.19b-4.

<sup>3</sup> In Amendment No. 1, the Exchange clarified that QCC Orders sent through NYSE OptX to the Exchange for execution will comply with the order format and EOC entry requirements established by the Exchange, which are set forth in Exchange Rule 6.67.

<sup>4</sup> See Securities Exchange Act Release No. 79327 (November 16, 2016), 81 FR 83890 (“Notice”).

<sup>5</sup> The term “OTP Holder” refers to a natural person, in good standing, who has been issued an

offering OTPs an additional way to send QCC Orders to the Exchange for execution. The Commission notes that the use of OptX will be entirely voluntary and OTPs will still be able to submit QCC Orders as they do today, either through the use of third-party front end order management systems or by telephone. For these reasons, the Commission finds that the proposed rule change, as modified by Amendment No. 1, is consistent with Section 6(b)(5) of the Act and the rules and regulations thereunder applicable to a national securities exchange.

#### IV. Conclusion

IT IS THEREFORE ORDERED, pursuant to Section 19(b)(2) of the Act,<sup>19</sup> that the proposed rule change (SR-NYSEArca-2016-143), 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.<sup>20</sup>

**Eduardo A. Aleman,**  
Assistant Secretary.

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-79724; File No. SR-Phlx-2016-105]

### Self-Regulatory Organizations; NASDAQ PHLX LLC; Notice of Filing of Proposed Rule Change To Amend Rules 501, 507, 508, 510, and 511

January 3, 2017.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on December 21, 2016, NASDAQ PHLX LLC (“Phlx” or the “Exchange”) filed with the Securities and Exchange Commission (“SEC” or “Commission”) the proposed rule change as described in Items I, II, and III 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 501 (Specialist Appointment), Rule 507 (Application for Approval as an

SQT, RSQT, or RSQTO and Assignment in Options), Rule 508 (Transfer Application), Rule 510 (SQT and RSQT Performance Evaluation), and Rule 511 (Specialist Allocation and Performance Evaluation).<sup>3</sup> The proposed amendments are described further below.

The text of the proposed rule change is available on the Exchange’s Web site at <http://nasdaqphlx.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 the Statutory Basis for, the Proposed Rule Change

###### 1. Purpose

The Exchange proposes to amend: (1) Rule 501 to delete a reference to a back-up specialist; (2) Rule 507 to: Update the reference to “Board” to permit the Board to appoint a panel; update the composition of the review committee; and update the reference to Rule 510; (3) Rule 508 to delete the reference to “lease” and the cross-reference to Rule 511; (4) Rule 510 to re-entitle the rule “Good Standing for Specialist, SQT, and RSQT,”<sup>4</sup> and add relevant good standing language, and appeal rights; and (5) Rule 511 to delete the rule.

Rules 501, 507, 508, 510, and 511 are part of the 500 series of rules in the Rules of the Exchange (the “Series 500 Rules”), which are entitled “Allocation, SQT, RSQT, and Evaluation Rules (Rule 500-599).”<sup>5</sup> Many Series 500 Rules

were established more than three decades ago with the advent of options trading on the Exchange,<sup>6</sup> at which time Exchange options trading was strictly on-floor open outcry through specialists. Exchange options trading has, since that time, developed into a robust hybrid system that is currently largely electronic and off-floor<sup>7</sup> but continues to have an on-floor specialist<sup>8</sup> and an open outcry trading floor. The Exchange is now updating and modernizing the Series 500 Rules as discussed below.<sup>9</sup>

#### Updating Rule 501

The Exchange proposes in Rule 501 to delete the reference to a back-up specialist.

Currently, Rule 501 states that initial application(s) to become a specialist unit shall include information regarding the specialist, back-up specialist unit and a substitute specialist unit. With the development of liquidity-enhancing electronic market makers on the Exchange such as RSQTs, which make markets in the same options issues as specialists, and the diminution of the

continues to have a hybrid options floor, but no longer has an equities floor or a commodities floor.

<sup>6</sup> For example, Rules 501, 505, and 506, were adopted on a pilot basis in 1982. See Securities Exchange Act Release No. 18975 (August 17, 1982), 47 FR 37019 (August 24, 1982) (approval order regarding pilot in respect of Rules 501-506 and authorizing the Phlx Allocation, Evaluation and Securities Committee, which no longer exists). See also Securities Exchange Act Release No. 18975 (August 17, 1982), 47 FR 37019 (August 24, 1982) (SR-Phlx-81-1) (approval order regarding Rules 100, 201, 203 and 214 in combination with Rules 500 through 505). Rules 500, 501, 505, 506, 508, 511, 515, 520, 522, 523, 525, and 526 (of which Rules 500, 515, 516, 520, 522, 523, 525, and 526 no longer exist) were permanently approved in 1991. See Securities Exchange Act Release No. 29369 (June 26, 1991), 56 FR 30604 (July 3, 1991) (SR-Phlx-87-42) (order granting permanent approval). Rule 507 was adopted in 2004. See Securities Exchange Act Release No. 50100 (July 27, 2004), 69 FR 46612 (August 3, 2004) (SR-Phlx-2003-59) (order granting approval). Rule 510 was adopted in 2007. See Securities Exchange Act Release No. 55080 (January 10, 2007), 72 FR 2324 (January 18, 2007) (SR-Phlx-2006-51) (order granting approval). The Exchange has filed a separate proposal regarding two of the rules in the Series 500 Rules, namely Rules 505 and 506. See Securities Exchange Act Release No. 77121 (February 11, 2016), 81 FR 8308 (February 18, 2016) (SR-Phlx-2016-22) (notice of filing and immediate effectiveness to delete Rule 505 and update Rule 506).

<sup>7</sup> Electronic traders include Registered Options Traders or “ROTs,” that are Streaming Quote Traders or “SQTs,” Remote Streaming Quote Traders or “RSQTs,” as well as off-floor specialists (Remote Specialists) (collectively “market makers”). See Rules 1014(b)(ii)(A), 1014(b)(ii)(B), and 1020.

<sup>8</sup> Unlike specialists, Remote Specialists do not have a physical presence on the floor of the Exchange. Rule 1020.

<sup>9</sup> While the vast majority of options-related rules are found in Rule 1000 and higher (with option index rules found in Rule 1000A and higher), some of the older options-related rules are, as discussed, in the Series 500 Rules.

<sup>19</sup> 15 U.S.C. 78s(b)(2).

<sup>20</sup> 17 CFR 200.30-3(a)(12).

<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 17 CFR 240.19b-4.

<sup>3</sup> References to rules are to Phlx rules unless otherwise noted. The terms SQT, RSQT, RSQTO, and Specialist are discussed below.

<sup>4</sup> “Specialist” is an Exchange member who is registered as an options specialist pursuant to Rule 1020(a). “Remote Specialist” is a specialist that does not have a physical presence on the floor of the Exchange. Streaming quote trader (“SQT”) and remote streaming quote trader (“RSQT”) are electronic traders on the Exchange pursuant to Rule 1014(b)(ii)(A) and Rule 1014(b)(ii)(B), respectively.

<sup>5</sup> These Series 500 Rules apply to Exchange members that trade options. The Exchange