in connection with the operation of its Retail Liquidity Program, until June 30, 2017. The limited and temporary exemption extended by this Order is subject to modification or revocation if at any time the Commission determines that such action is necessary or appropriate in furtherance of the purposes of the Securities Exchange Act of 1934.

Responsibility for compliance with any applicable provisions of the Federal securities laws must rest with the persons relying on the exemption that is the subject of this Order. For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.\(^8\)

Robert W. Errett,
Deputy Secretary.

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SECURITIES AND EXCHANGE COMMISSION


Self-Regulatory Organizations; Chicago Board Options Exchange, Incorporated; Notice of Withdrawal of a Proposed Rule Change Related to Rules Regarding the Responsibility for Ensuring Compliance With Priority and Allocation Requirements and Trade-Through Prohibitions in Open Outcry Trading

June 5, 2017.

On December 1, 2016, the Chicago Board Options Exchange, Incorporated (“CBOE” or “Exchange”) filed with the Securities and Exchange Commission (“Commission”), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Exchange Act”)\(^1\) and Rule 19b–4 thereunder,\(^2\) a proposed rule change to amend Exchange rules and allocation requirements and trade-through prohibitions in connection with the operation of its Retail Liquidity Program, until June 30, 2017. On March 17, 2017, the Commission instituted proceedings under Section 19(b)(2)(B) of the Act,\(^3\) to determine whether to approve or disapprove the proposed rule change. The Commission received seven comments on the proposed rule change, including responses by the Exchange.\(^4\)

On June 2, 2017, the Exchange withdrew the proposed rule change (SR–CBOE–2016–082). For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.\(^5\)

Robert W. Errett,
Deputy Secretary.

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\(^1\) See Securities Exchange Act Release No. 79910, 82 FR 9464 (February 6, 2017). The Commission designated March 19, 2017, as the date by which the Commission shall either approve or disapprove, or institute proceedings to determine whether to disapprove, the proposed rule change.


\(^4\) See Letters to Brent J. Fields, Secretary, Commission, from: (1) Joan C. Conley, Senior Vice President and Corporate Secretary, Nasdaq, dated December 22, 2016; (2) Steve Crutchfield, Head of Market Structure, CTC Trading Group, LLC; Kevin Coleman, Chief Compliance Officer, Belvedere Trading LLC; Scott Kloin, Chief Compliance Officer, Citadel Securities LLC; Steven Gaston, Chief Compliance Officer, Consolidated Trading LLC; Rob Armour, Chief Compliance Officer, DRW Securities, LLC; John Kinahan, Chief Executive Officer, Group One Trading L.P.; Daniel Overmyer, Chief Compliance Officer, IMC Financial Markets; Steven Gaston, Chief Compliance Officer, Lambersen Capital LLC; and Patrick Hickey, Head of Market Structure, Optiver US LLC, dated February 16, 2017; (3) Joanna Mallers, Secretary, FIA Principal Traders Group, dated April 13, 2017; (4) Steve Crutchfield, Head of Market Structure, CTC Trading Group, LLC; Kevin Coleman, Chief Compliance Officer, Belvedere Trading LLC; Scott Kloin, Chief Compliance Officer, Citadel Securities LLC; Steven Gaston, Chief Compliance Officer, Consolidated Trading LLC; Rob Armour, Chief Compliance Officer, DRW Securities, LLC; John Kinahan, Chief Executive Officer, Group One Trading L.P.; Daniel Overmyer, Chief Compliance Officer, IMC Financial Markets; Steven Gaston, Chief Compliance Officer, Lambersen Capital LLC; and Patrick Hickey, Head of Market Structure, Optiver US LLC, dated April 13, 2017; and (5) Mark E. Gannon, Chief Compliance Officer, Lakeshore Securities, L.P., dated April 13, 2017. See also Letters to Brent J. Fields, Secretary, Commission, from Kyle Edwards, Counsel, CBOE, dated March 14, 2017 and April 27, 2017. The comment letters and CBOE’s responses are available at https://www.sec.gov/comments/sr-cboe-2016-082/sr-cboe-2016-082.shtml.

price discovery process. The proposed rule changes would eliminate the use of the intermediary in the price submission process and instead require CPs to submit required price information directly to ICC. In order to implement the direct price submission process, ICC proposed to amend its Pricing Policy to (1) require CPs to establish direct connectivity with ICC and use a FIX API to provide ICC with the required price information, (2) add references to FIX API terminology, and (3) make revisions reflecting the replacement of existing trade date files with FIX API firm trade messages. Moreover, ICC proposed amending the Pricing Policy to note that ICC will send FIX API messages directly to CPs, and removed references to the intermediary and its “Valuation Service API” previously used. Although ICC proposed additional minor changes to the timing of various steps in the pricing process, these proposed changes would not affect the actual settlement submission windows.

In addition to the changes described above, ICC also proposed changes with respect to the format of information required to be submitted by CPs for the iTraxx Australia and iTraxx Asia Ex-Japan Indices, as well as the CDX.NA.HY and CDX.EM indices. ICC also proposed modifications to the process for distributing end-of-day prices, which will result in ICC publishing to CPs separate messages setting forth end-of-day price information for single name and index CDS.

III. Discussion and Commission Findings

Section 19(b)(2)(C) of the Act directs the Commission to approve a proposed rule change of a self-regulatory organization if it finds that such proposed rule change is consistent with the requirements of the Act and the rules and regulations thereunder applicable to such organization. Section 17A(b)(3)(F) of the Act requires, among other things, that the rules of a registered clearing agency be designed to promote the prompt and accurate clearance and settlement of securities transactions and, to the extent applicable, derivative agreements, contracts, and transactions. Rule 17Ad–22(d)(4) requires, in relevant part, that a registered clearing agency shall establish, implement, maintain, and enforce written policies and procedures reasonably designed to identify sources of operational risk and minimize them through the development of appropriate systems, controls, and procedures; implement systems that are reliable, resilient and secure, and have adequate, scalable capacity.

The Commission finds that the proposed rule change, which modifies ICC’s Pricing Policy to implement a direct price submission process for CPs, is consistent with Section 17A of the Act and Rule 17Ad–22 thereunder. The proposed rule change is consistent with the requirements of Section 17A(b)(3)(F) that the rules of a registered clearing agency be designed to promote the prompt and accurate clearance and settlement of securities transactions and, to the extent applicable, derivative agreements, contracts, and transactions. By reducing operational risk the proposed rule changes reduce the likelihood that ICC will be unable to complete its end-of-day price discovery process. Completion of the end-of-day price discovery process is a necessary and essential element in ICC’s clearance and settlement processes. The Commission believes that the proposed changes should enhance ICC’s ability to complete the necessary pricing process effectively and thereby promote the prompt and accurate clearance and settlement of derivative agreements, contracts and transactions consistent with Section 17A(b)(3)(F).

For similar reasons, the proposed rule changes are also consistent with Rule 17Ad–22(d)(4) in that they are designed to reduce operational risk outside of ICC’s control. The proposed rule changes are intended to reduce ICC’s external operational risk by allowing ICC to control the price submission process through the implementation of systems designed to provide for direct connection and communication with CPs instead of relying on an intermediary to collect price information needed for ICC’s price discovery process. As a result, because ICC will be able to reduce its reliance on intermediaries and thereby reduce operational risk that is outside of its control, the proposed rule changes are consistent with the requirements of Rule 17Ad–22(d)(4).

IV. Conclusion

It is therefore ordered, pursuant to Section 19(b)(2) of the Act that the proposed rule change (SR–ICC–2017–003), as amended by Amendment No. 1, be, and hereby is, approved.

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

Robert W. Errett,
Deputy Secretary.

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SECURITIES AND EXCHANGE COMMISSION


Self-Regulatory Organizations;
Chicago Board Options Exchange, Incorporated; Notice of Filing of a Proposed Rule Change Relating to Disaster Recovery

June 5, 2017.

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 24, 2017, Chicago Board Options Exchange, Incorporated (“CBOE” or the “Exchange”) 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 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 6.18 relating to disaster recovery. The text of the proposed rule change is available on the Exchange’s Web site ([http://www.cboe.com/AboutCBOE/CBOELegalRegulatoryHome.aspx](http://www.cboe.com/AboutCBOE/CBOELegalRegulatoryHome.aspx)), at the Exchange’s Office of the Secretary, 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 is available at the Exchange’s Web site ([http://www.cboe.com/AboutCBOE/CBOELegalRegulatoryHome.aspx](http://www.cboe.com/AboutCBOE/CBOELegalRegulatoryHome.aspx)), at the Exchange’s Office of the Secretary, and at the Commission’s Public Reference Room.

14 In approving the proposed rule change, the Commission considered the proposal’s impact on efficiency, competition, and capital formation. 15 U.S.C. 78s(f).
13 Id.
9 Notice, 82 FR at 13174.
7 Notice, 82 FR at 13173.
6 Notice, 82 FR at 13173–74.
8 Notice, 82 FR at 13173.
9 Notice, 82 FR at 13174.
10 Id.