

its commitments to provide liquidity.<sup>260</sup> As described above in Section II.D., FICC would require GSD Netting Members to attest that they have accounted for their potential Individual Total Amount, and FICC has had discussions with Netting Members regarding ways Netting Members, regardless of size or access to bank affiliates, can meet this requirement.<sup>261</sup> Moreover, FICC proposes to conduct due diligence on a quarterly basis to assess each Netting Member's ability to meet its Individual Total Amount.<sup>262</sup> According to FICC, this due diligence would include a review of all information that the Netting Member provided FICC in connection with its ongoing reporting requirements, as well as a review of other publicly available information.<sup>263</sup>

Ronin's assertion that certain Netting Members could merely submit an attestation declaring that they "are good for" their CCLF contribution<sup>264</sup> fails to account for the fact that, as described above, FICC would conduct its own due diligence to verify the support for each Netting Member's attestation. Specifically, on a quarterly basis, FICC would review all of the information that Netting Members provide in connection with their ongoing reporting obligations pursuant to the GSD Rules, and it would review other publicly available information.<sup>265</sup> Therefore, the Commission believes that the proposal is consistent with Rule 17Ad-22(e)(7)(iv) under the Exchange Act.

Finally, Rule 17Ad-22(e)(7)(v) under the Exchange Act requires policies and procedures for maintaining and testing with each liquidity provider, to the extent practicable, FICC's procedures and operational capacity for accessing its relevant liquid resources.<sup>266</sup> As described above, under the proposal, FICC would test its operational procedures for invoking a CCLF Event and require Netting Members to participate in such tests.<sup>267</sup> Therefore, the Commission believes that the

<sup>260</sup> 17 CFR 240.17Ad-22(e)(7)(iv). As discussed in the CCA Standards Adopting Release, a key benefit of the due diligence provisions in Rules 17Ad-22(e)(7)(iv) and (v) is an increased level of assurance that liquidity providers would be able to supply liquidity on demand, while their costs include costs associated with new or updated policies and procedures, and with ongoing monitoring, compliance and testing of liquidity resources. CCA Standards Adopting Release, 81 FR at 70873.

<sup>261</sup> See FICC Letter I at 9.

<sup>262</sup> See Notice, 82 FR at 14407-08.

<sup>263</sup> *Id.*

<sup>264</sup> Ronin Letter I at 5.

<sup>265</sup> See Notice, 82 FR at 14407-08.

<sup>266</sup> 17 CFR 240.17Ad-22(e)(7)(v).

<sup>267</sup> Notice, 82 FR at 14407-08.

proposal is consistent with Rule 17Ad-22(e)(7)(v) under the Exchange Act.

#### IV. Conclusion

Based on the foregoing, the Commission finds that the proposal is consistent with the requirements of the Exchange Act and in particular with the requirements of Section 17A of the Exchange Act and the rules and regulations thereunder.

*It is therefore ordered*, pursuant to Section 19(b)(2) of the Exchange Act,<sup>268</sup> that proposed rule change SR-FICC-2017-002 be, and it hereby is, APPROVED as of the date of this order.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>269</sup>

**Eduardo A. Aleman,**

*Assistant Secretary.*

[FR Doc. 2017-25145 Filed 11-20-17; 8:45 am]

**BILLING CODE 8011-01-P**

### SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-82088; File No. SR-CBOE-2017-068]

#### Self-Regulatory Organizations; Cboe Exchange, Inc.; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change To Describe Functionality of and Adopt Fees for a New Front-End Order Entry and Management Platform

November 15, 2017.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the "Act"),<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on November 2, 2017, Cboe Exchange, Inc. (the "Exchange" or "Cboe Options") filed with the Securities and Exchange Commission (the "Commission") the proposed rule change as described in Items I and II below, which Items have been prepared by the Exchange. The Exchange filed the proposal as a "non-controversial" proposed rule change pursuant to Section 19(b)(3)(A)(iii) of the Act<sup>3</sup> and Rule 19b-4(f)(6) thereunder.<sup>4</sup> The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

<sup>268</sup> 15 U.S.C. 78s(b)(2).

<sup>269</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> 15 U.S.C. 78s(b)(3)(A)(iii).

<sup>4</sup> 17 CFR 240.19b-4(f)(6).

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

The Exchange proposes to describe the functionality of and adopt fees for the use of the Silexx trading platform ("Silexx" or the "platform") in connection with the purchase of assets from Silexx Financial Systems, LLC (SFS).

The text of the proposed rule change is also available on the Exchange's Web site (<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 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

The purpose of this filing is to describe the functionality and adopt fees for the use of Silexx, a new front-end order entry and management platform. On the date of this filing, Cboe Silexx, LLC (a wholly owned subsidiary of Cboe Options' parent company, Cboe Global Markets, Inc.) ("Cboe Silexx") entered into a definitive asset purchase agreement with SFS pursuant to which Cboe Silexx agreed to purchase Silexx, a front-end, broker-neutral, multi-asset class order entry and management trading platform.

Silexx is an order entry and management trading platform for listed stocks and options that support both simple and complex orders.<sup>5</sup> The platform is a software application that is installed locally on a user's desktop. The platform provides users with the capability to send option orders to U.S.

<sup>5</sup> The platform also permits users to submit orders for commodity futures, commodity options and other non-security products to be sent to designated contract markets, futures commission merchants, introducing brokers or other applicable destinations of the users' choice.

options exchanges and stock orders to U.S. stock exchanges (and other trading centers<sup>6</sup>), and allows users to input parameters to control the size, timing and other variables of their trades.<sup>7</sup> Silexx includes access to real-time options and stock market data, as well as access to certain historical data. The platform provides users with the ability to maintain an electronic audit trail and provide detailed trade reporting.<sup>8</sup> Use of Silexx is completely optional.

Silexx is designed so that a user may enter orders into the platform to send to the executing broker (including Trading Permit Holders) of its choice with connectivity to the platform, which broker can then send orders to Cboe Options (if the broker-dealer is a Trading Permit Holder) or other U.S. exchanges (and trading centers) in accordance with the users' instructions.<sup>9</sup> If a user sends an order

<sup>6</sup> A "trading center," as provided under Rule 600(b)(78) of Regulation NMS, 17 CFR 242.600(b)(78), means a national securities exchange or national securities association that operates a self-regulatory organization trading facility, an alternative trading system, an exchange market-maker, an over-the-counter market-maker, or any other broker or dealer that executes orders internally by trading as principal or crossing orders as agent.

<sup>7</sup> The platform also provides position and risk management capabilities. The risk management functionality allows users to, among other things, set pre-trade customizable risk controls. Users of these risk controls set the parameters for the controls (to the extent an executing broker sublicenses the platform to its customers (see below), the executing broker may set risk controls on behalf of its customers). Users have the option to instead use other third-party risk control software or technology. The Exchange notes that executing broker-dealers (including Trading Permit Holders) must ensure that any orders that come from the platform to their systems will be subject to all applicable pre-trade risk control requirements in accordance with Rule 15c3-5 of the Securities Exchange Act of 1934 (the "Act"). See 17 CFR 240.15c3-5. Please note that, in the adopting release for Rule 15c3-5 under the Act, the Securities and Exchange Commission (the "Commission") indicated that a broker-dealer relying on risk management technology developed by third parties should perform appropriate due diligence to help assure the controls are reasonably designed, effective, and otherwise consistent with Rule 15c3-5. Mere reliance on representations of the third-party technology developer, even if an exchange or other regulated entity, is insufficient to meet this due diligence standard.

<sup>8</sup> The functionality of the platform that formats users' stock and option orders entered into it for users, which then submit those orders to broker-dealers or to exchanges (if the user is a broker-dealer) for execution, is the basis for this rule filing. Certain versions of the platform (as further described below) include other functionality, including additional risk controls and certain data analysis tools for real-time and historical data, including market scanners, watchlists and alerts and other advanced analytical tools, including time and sales analytics, charting capabilities, alerts, position analytics, and "Greeks" calculations. These data analysis tools are not subject to this rule filing.

<sup>9</sup> Currently, Silexx is not connected directly to Cboe Options, and thus orders may not be sent

through the platform to an executing broker, the broker will route that order to a market for execution on behalf of the entering user.<sup>10</sup> The executing broker to which a user chooses to route an order is entirely within a user's discretion.<sup>11</sup> Users cannot directly route orders through the platform to an exchange or trading center. For users' convenience, Cboe Silexx will make available on Cboe Options' Web site the list of executing brokers that provide connectivity to the platform. The Exchange notes that executing broker's decision to connect to Silexx is within that firm's sole discretion.<sup>12</sup>

Certain executing brokers may permit Silexx users to designate a market to which the broker is to route an order received from the platform. Other executing brokers may employ "smart router" functionality, which generally determines where to route an order based on the brokers' pre-set algorithmic logic. Executing brokers may also provide users with the ability to either designate a destination market (an order-by-order basis or by default) or use the smart router functionality. Which executing broker a user chooses to use (and thus which type of routing permissions are available to a user) is entirely within a user's discretion (as discussed below, addition of such features to the platform are subject to a fee).

The Exchange represents Silexx is merely a new front-end order entry and management system that interfaces to the systems of various broker-dealers that elect to connect to the platform. The platform is not integrated into and currently has no connectivity to Cboe Options' trading system (or the trading systems of any other U.S. exchange or trading center). Cboe Options currently offers a similar front-end order entry system, the PULSe workstation, which permits users to enter orders for submission to Cboe Options and other markets. Thus, orders submitted

directly from the platform to Cboe Options. The Exchange may determine going forward to develop such a direct connection, which would only be available to platform users that are Trading Permit Holders, and would submit any necessary rule changes related to such platform changes.

<sup>10</sup> A user may also be an executing broker if the user has connectivity to, and is a member of, Cboe Options or other options and/or stock exchanges (or trading centers).

<sup>11</sup> Currently, there are over 20 executing brokers with connections to Silexx to which users may route orders.

<sup>12</sup> To the extent a firm sublicenses Silexx to its customers (see below), the firm will determine which executing broker to use for platforms used by the firm and its customers (if the firm is not itself an executing broker). Users enter into separate agreements with execution brokers (to which Cboe Options or Cboe Silexx would not be a party).

through the platform will ultimately come to Cboe Options or other exchanges for execution through third-party routing technology. There will be no change to, or impact on, the Exchange's market structure as a result of offering the platform. As a result, the Exchange represents the platform does not require any changes to the Exchange's surveillance or communications rules.

Use of Silexx is completely voluntary. Cboe Silexx will make the platform available to users (and in certain cases, their customers, as further described below) as a convenience for entering and managing orders, but the platform is not an exclusive means for any user to send orders to Cboe Options or intermarket. Orders entered into the platform that are ultimately routed to Cboe Options for execution will receive no preferential treatment as compared to orders electronically sent to Cboe Options in any other manner. Orders entered into the platform that get routed to Cboe Options will be subject to current trading rules in the same manner as all other orders sent to the Exchange, which is the same as orders that are sent through the system to the Exchange today. The Cboe Options trade engine does not distinguish between orders sent from Silexx and orders sent in any other manner.

Cboe Silexx will begin making the system available to users upon the closing of the acquisition of Silexx.<sup>13</sup> Cboe Silexx will grant users licenses to use Silexx. The Exchange notes that a firm or individual does not need to be a Trading Permit Holder to license the platform, because, as discussed above, a non-Trading Permit Holder may route an order through the platform to an executing broker that is a Trading Permit Holder, which broker can then route the order to Cboe Options (or any other U.S. exchange of which it is a member). Additionally, the platform is not currently directly connected to Cboe Options (or any other U.S. exchange), and orders submitted into the platform for execution must be routed through the connectivity of an executing broker.<sup>14</sup> Cboe Silexx will also provide technical support, maintenance and user training for the platform upon the same terms and conditions for all users.

<sup>13</sup> Cboe Silexx intends to close the acquisition on the signing date (and date of this rule filing). The proposed rule change will be operative on the closing date (subject to Commission approval of the requested operative delay waiver).

<sup>14</sup> Rule 6.23A provides that only Trading Permit Holders and associated persons with authorized access may directly enter orders into Cboe Options' trading system.

The following table sets for the pricing for the various versions of the Silexx platform:

Platform version	Platform description	Fee per month per login ID
Silexx Basic .....	Order-entry and management system that provides basic functionality including real-time data, alerts, trade reports, views of exchange books, management of the customer's orders and positions, simple and complex order tickets, and basic risk features.	\$200.
Silexx Pro .....	Same functionality as basic platform plus additional features including an algorithmic order ticket, position analysis, charting, earnings and dividend information, delta hedging tools, volatility skews, and additional risk features.	400.
Silexx Sell-Side .....	Same functionality as Pro platform plus availability of clearing fields in order tickets.	475.
Silexx Pro Plus Risk .....	Same functionality as Pro platform plus access to unlimited customer accounts and customizable risk views.	600.
Silexx Buy-Side Plus Risk .....	Same functionality as Pro platform plus functionality package generally used by buy-side investors and customizable risk views.	300. <sup>15</sup>
Additional functionality for platforms	Functionality description	Fee
API .....	Integrates the platform into users' other applications through the Silexx application programming interface ("API").	\$200/month/ login ID.
Crossing .....	Availability of crossing order ticket .....	300/month/login ID.
Port .....	Provides access to an executing broker with connectivity to the Silexx platform for routing.	100/month/login ID.
Staged Orders, Drop Copies, and Order Routing Functionality for FIX Connections (sessions).	Ability to receive staged orders, receive "drop copies" of order fill messages, and route orders to executing brokers.	250/month/FIX Connection.
Staged Orders, Drop Copies, and Order Routing Functionality for FIX Connections (sessions) Using Third-Party FIX Router.	Ability to receive staged orders, receive "drop copies" of order fill messages, and route orders to executing brokers through a third-party FIX router.	500/month/FIX Connection.
Equity Order Reports (paid by the trading firm).	Daily transmission of equity order reports .....	250/month/trading firm.
Domestic Index Data Package .....	Connection to certain domestic index market data feeds ....	25/user/month.
Market Data Feeds (excluding feeds included in Domestic Index Data Package).	Connections to other market data feeds .....	Actual costs (determined on a time (per hour) and materials basis) passed through to user. <sup>16</sup>

The monthly platform fees for the Silexx platform will allow for Cboe Silexx's recoupment of the costs of maintaining, supporting and enhancing the platform, as well as for income from the value-added services being provided through use of the various versions of the platform. The Exchange believes the fee structure represents an equitable allocation of reasonable fees because the same monthly log-in ID fees apply to all users of each version of the Silexx platform. The Exchange believes these fees are reasonable and appropriate as they are competitive with similar products available throughout the

market and are based on Silexx's costs and fee structure currently in place for the platform. Users can choose to route orders, including to Cboe Options, without the use of the platform. Use of the platform is discretionary and not compulsory.

The additional functionality will permit users to add features in accordance with their use of the Silexx platform. The API functionality integrates the platform into users' other applications through the Silexx API. The crossing functionality provides users who choose to regularly cross orders with access to a crossing order ticket. The port fee applies to connections from users to executing brokers, which provides users with access to an executing broker with connectivity to the Silexx platform for routing. Financial Information eXchange ("FIX") is an industry-standard, non-proprietary API that permits market participants to connect to exchanges.

FIX connectivity provides users with the ability to receive "drop copy" order fill messages from their executing brokers. These fill messages allows customers to update positions, risk calculations, and streamline back-office functions. Additionally, FIX connections can be updated to permit the platform to receive orders sent from another system and then route these orders through the platform for execution (staged orders) as well as provide users with the ability to route orders in various ways to executing brokers (such as designation of a market to which the broker is to route an order received from the platform and use of a broker's "smart router" functionality). Some users have connections to third-party FIX routers, who currently normalize the format of messages of their client. To the extent a FIX router has a connection to the Silexx platform, users that also have connections to these routers may elect to receive staged

<sup>15</sup> Proprietary buy-side firms with 25 or more login IDs receive a 15% discount on platform-related fees, excluding firms with dedicated instances of the platform, which discount incentives more buy-side investors to use Silexx.

<sup>16</sup> The same reasonable hourly and materials rates will apply to all users based on then-current rates in line with industry standards, which costs (and any reasonable, standard mark-up) will be passed through to users.

orders, drop copies, and order routing functionality through a fix router. Connectivity of Silexx into the technology of third-party FIX routers causes the monthly fee for this functionality to be higher than the fee for users who receive this feature directly. Additionally, the Silexx platform permits users to elect to receive daily transmission of equity order reports related to order users submit through the platform. The proposed monthly fee will allow for the recoupment of costs of developing, maintaining, and supporting this reporting functionality.

The Exchange is offering each type of additional functionality as a convenience. The fees for this additional functionality allow for Cboe Silexx's recoupment of the costs of maintaining, supporting and enhancing the functionality, as well as for income from the value-added services being provided through use of the functionality in connection with the platform. The Exchange believes the fee structure represents an equitable allocation of reasonable fees because the same fees apply to all users of each type of additional functionality. The Exchange believes these fees are reasonable and appropriate as they are

competitive with similar products available throughout the market and are based on Silexx's costs and fee structure currently in place for these features. Use of each additional functionality is discretionary and not compulsory. Except as otherwise set forth above, fees related to the Silexx platform will be paid by the user that licenses the platform directly from Cboe Silexx. The proposed fees would become effective on the closing date of the acquisition.<sup>17</sup>

The Exchange proposes the following additional fees related to dedicated instances of the Silexx platform. These fees are all paid by the client firm with the dedicated instance.

Dedicated instance functionality	Functionality description	Fee
Dedicated Instance .....	Deployment of Silexx infrastructure components at a client hosted site.	\$20,000/month.
Market Center Support .....	Access to and support for domestic and international market centers and asset classes.	1,000/market center/month.
Dedicated Feed Handler .....	Market data feed handler for third-party market data vendors .....	2,000/handler/month.
Bloomberg Backoffice Integration .....	Integrates Bloomberg backoffice files into master security database within Silexx.	1,000/month.
Pro Plus API .....	Dedicated instances of API functionality .....	250/user/month.
CME STP .....	Connection to CME's straight through processing facility .....	1,500/month.
FIX International Connection (Session) .....	FIX connection for multiple asset classes and multiple market centers	1,500/month.
Additional Site .....	Deployment of dedicated instance at a secondary site .....	6,500/month.

A dedicated instance is local installation of the Silexx platform within a client's system and hosted infrastructure, essentially permitting a more customized experience for firms and their customers. A dedicated instance permits the firm to determine which market centers it wants its instance to access (and receive support for that access), handle data from widely used third-party market-data vendors (e.g. Bloomberg), integrate commonly used Bloomberg back office files into a master security database, provide API functionality for users, connect to the Chicago Mercantile Exchange's straight-through processing facility, provide FIX connectivity for multiple asset classes and multiple market centers around the world, and add the platform functionality to a second hosted site. Additionally, the dedicated instance permits firms to elect to receive various

market data feeds from throughout the industry. The dedicated instance fees for the Silexx platform will allow for Cboe Silexx's recoupment of the costs of installing, maintaining, supporting and enhancing dedicated instances of the platform, as well as for income from the value-added services being provided through use of a dedicated instance and each type of added functionality. The Exchange believes the fee structure represents an equitable allocation of reasonable fees because the same fees apply to all client firms with dedicated instances. The Exchange believes these fees are reasonable and appropriate as they are competitive with similar products available throughout the market and are based on Silexx's costs and fee structure currently in place for the platform. Use of a dedicated instance is discretionary and not compulsory.

The Exchange notes that Cboe Silexx may provide additional technology products and services and may in the future engage in other business activities, which may include the provision of other technology products and services to broker-dealers and non-broker-dealers in addition to the Silexx platform.<sup>18</sup> In this regard:

- There will be procedures and internal controls in place that are reasonably designed so that Cboe Silexx will not unfairly take advantage of confidential information it receives as a result of its relationship with Cboe Options in connection with the platform or any other business activities.

The books, records, premises, officers, directors, agents and employees of Cboe Silexx, with respect to the products that may be deemed facilities of Cboe Options, will be deemed to be those of

<sup>17</sup> The Exchange generally invoices firms for fees in arrears on a monthly basis and intends to do so following the closing of the acquisition with respect to all fees related to the Silexx platform, as proposed in this filing. The Exchange understands certain Silexx customers pay fees upfront at the beginning of the month. Therefore, to avoid any double-charging of customers, Cboe Silexx will not invoice any user for the proposed fees for the month in which the closing date falls to the extent the user paid fees for such month to Silexx at the beginning of such calendar month.

<sup>18</sup> Cboe Silexx is not and, at least initially, will not be registered as a broker-dealer under Section 15(a) of the Act. In this regard, the Exchange notes

the following: (a) Cboe Options and Cboe Silexx will be responsible for the marketing of the platform. Cboe Silexx will be the party to any agreements with customers for the platform. (b) Cboe Options and Cboe Silexx will be responsible for providing, supporting and maintaining the technology for the platform. Cboe Options will be responsible for ensuring that Cboe Silexx's provision of the platform, to the extent it is deemed a facility of Cboe Options, meets Cboe Options' self-regulatory organization obligations. (c) Unless it registers as a broker-dealer under Section 15(a) of the Act, Cboe Silexx will not hold itself out as a broker-dealer, provide advice related to securities transactions, match orders, make decisions about

routing orders, facilitate the clearance and settlement of executed trades, prepare or send transaction confirmations, screen counterparties for creditworthiness, hold funds or securities, open, maintain, administer or close brokerage accounts, or provide assistance in resolving problems, discrepancies or disputes related to brokerage accounts. Should Cboe Silexx seek to register as a broker-dealer in the future, the Exchange represents that the broker-dealer would not perform any operations without first discussing with the Commission staff whether any of the broker-dealer's operations should be subject to an Exchange rule filing required under the Act.

Cboe Options for purposes of and subject to oversight pursuant to the Act.

## 2. Statutory Basis

The Exchange believes the proposed rule change is consistent with the Act and the rules and regulations thereunder applicable to the Exchange and, in particular, the requirements of Section 6(b) of the Act.<sup>19</sup> Specifically, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)<sup>20</sup> requirements that the rules of an 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. Additionally, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)<sup>21</sup> requirement that the rules of an exchange not be designed to permit unfair discrimination between customers, issuers, brokers, or dealers. Additionally, the Exchange also believes the proposed rule change is consistent with Section 6(b)(4) of the Act,<sup>22</sup> which requires that Exchange rules provide for the equitable allocation of reasonable dues, fees, and other charges among its Trading Permit Holders and other persons using its facilities.

In particular, the Exchange believes that offering the platform and all other functionality to market participants protects investors and is in the public interest, because it will allow the Exchange to directly offer users an order entry and management system in addition to the technology products it currently offers (such as the PULSe workstation). The Silexx platform is currently offered and used in the marketplace and competes with similar products offered by other technology providers as well as other exchanges.<sup>23</sup> Additionally, firms can create their own proprietary front-end order entry software and routing technology.

The Exchange believes the proposed rule change does not discriminate among market participants because use

of the platform and all other functionality is completely voluntary. Users can choose to route orders, including to Cboe Options, without the use of the platform. The Exchange is making the platform and all other functionality available as a convenience to market participants, who will continue to have the option to use any order entry and management system available in the marketplace to send orders to the Exchange and other exchanges; the platform is merely an alternative that will be offered by the Exchange rather than its current owner. The Silexx platform is not an exclusive means available to market participants to send orders to Cboe Options or other markets. Any orders sent through the platform to Cboe Options for execution will receive no preferential treatment. Additionally, the platform will be available to all market participants, and the Exchange will license the platform to market participants pursuant to the same terms and conditions.

The Exchange believes the platform and additional functionality removes impediments to and perfects the mechanism of a free and open market and a national market system because users have discretion to determine to which broker-dealer they will route orders from the platform, and, for certain versions of the platform, what type of routing parameters will be available to them (whether it is the ability to designate a destination market or use smart router functionality). Non-broker-dealer users may separately enter into an agreement with a broker-dealer (the Exchange will have no involvement with the entry into such agreements), which can provide for routing to U.S. options and stock exchanges (and trading centers). Only Trading Permit Holders will continue to be permitted to directly route orders received from the platform to Cboe Options, and only members of other U.S. exchanges will be able to enter orders for execution at those exchanges that they receive from the platform. The Exchange also notes that broker-dealers must continue to ensure that orders they receive from the platform will be subject to applicable pre-trade risk control requirements of the broker-dealer that directly submits the orders to an exchange in accordance with Rule 15c3-5 under the Act.<sup>24</sup>

The monthly log-in ID fees, API fee, crossing fee, and port fee for the Silexx platform will allow for Cboe Silexx's recoupment of the costs of developing, maintaining, supporting and enhancing the platform, the API and crossing functionality, and connections from

users to executing brokers, as well as for income from the value-added services being provided through use of the various versions of the platform and these additional services. The Exchange believes the fee structure represents an equitable allocation of reasonable fees because the same monthly log-in ID fees apply to all users of each version of the Silexx platform, and because varying fees for different versions of the platform reflect the additional functionality available in the versions. The Exchange believes these fees are reasonable and appropriate as they are competitive with similar products available throughout the market and are substantially similar to Silexx's costs and fee structure currently in place for the platform. Use of the platform, and other functionality, is discretionary and not compulsory.

The monthly fees related to FIX connectivity services will allow for the recoupment of costs of maintaining and supporting this functionality as well as for income from the value-added services being provided from use of this functionality. The Exchange believes the fee is reasonable because the Exchange incurs costs to monitor, develop, and implement upgrades, maintain, and customize the platform to ensure availability of this functionality to customers. The Exchange believes the fee is equitable and non-discriminatory because the monthly fee is assessed to any user electing to use this functionality. Connectivity of Silexx into the technology of third-party FIX routers causes the monthly fee for this functionality to be higher than the fee for users who receive this feature directly. Use of the FIX connectivity services by a user is voluntary.

The proposed monthly fee related to equity order reports will allow for the recoupment of costs of developing, maintaining, and supporting this reporting functionality. The Exchange believes the monthly fee for transmission of equity order reports is reasonable because the Exchange incurs costs to monitor, develop, and implement upgrades, maintain, and customize the platform to allow sending and receiving of equity order reports. The Exchange believes the fee is equitable and not unfairly discriminatory as it is assessed to all executing brokers electing to receive equity order reports. Receipt of the reports is completely voluntary.

A dedicated instance is local installation of the Silexx pro platform within a client's system and hosted Web site benefits investors, as it permits a more customized experience for firms and their customers. The Exchange

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

<sup>20</sup> 15 U.S.C. 78f(b)(5).

<sup>21</sup> *Id.*

<sup>22</sup> 15 U.S.C. 78f(b)(4).

<sup>23</sup> For example, International Securities Exchange, LLC ("ISE") offers a front-end order entry workstation called PrecISE to its customers, which the Exchange believes has similar functionality as the system.

<sup>24</sup> See 17 CFR 240.15c3-5.

believes the fees are reasonable because the Exchange incurs costs to customize dedicated instances of the platform. The dedicated instance fees for the Silexx platform will allow for Cboe Silexx's recoupment of the costs of installing, maintaining, supporting and enhancing dedicated instances of the platform, as well as for income from the value-added services being provided through use of a dedicated instance and each type of added functionality. The Exchange believes the fee structure represents an equitable allocation of reasonable fees because the same fees apply to all client firms with dedicated instances. The Exchange believes these fees are reasonable and appropriate as they are competitive with similar products available throughout the market and are based on Silexx's costs and fee structure currently in place for the platform. Use of a dedicated instance is discretionary and not compulsory.

#### *B. Self-Regulatory Organization's Statement on Burden on Competition*

Cboe Options does not believe that the proposed rule change will impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. The Exchange will make each version of the platform and additional functionality available to market participants on the same terms and conditions, and use of the platform will be completely voluntary. Users have discretion to determine which version of the platform to use, if any, and to which executing broker-dealer to route orders through the platform. Market participants will continue to have the flexibility to use any order entry and management technology they choose. The Exchange will merely be directly offering the platform as an alternative to a product that the Exchange currently makes available in the market (PULSe). If market participants believe that other products available in the marketplace are more beneficial than the Silexx platform, they will simply use those products instead. Orders sent to the Exchange through the platform for execution will receive no preferential treatment. The Cboe Options trade engine does not distinguish between orders sent from Silexx and orders sent in any other manner. Use of the platform provides users with no additional access to the Exchange than is available through the use of any other front-end order entry system. The Exchange notes that the platform and additional functionality are already available and used in the marketplace today. This acquisition merely changes

the party that will own and license them to users going forward.

The proposed fees related to additional functionality will not impose any burden on competition, because the fees relate to optional functionality and are assessed equally on users or firms electing to use the functionality. Use of such functionality is completely voluntary. Access to Silexx functionality, and the proposed Silexx fees, are unrelated to trading activity on the Exchange.

The proposed fees related to dedicated instances of the platform will not impose any burden on competition, because the fees relate to optional functionality and are assessed equally on firms electing to obtain a dedicated instance. Use of a dedicated instance is completely voluntary.

Cboe Options believes that the proposed rule change will relieve any burden on, or otherwise promote, competition. Cboe Options will be offering a type of product that is widely available throughout the industry, including from some exchanges. Market participants can also develop their own proprietary products with the same functionality. ISE currently offers a similar front-end order entry application. Cboe Options believes that the platform will be an addition to its current suite of technology products it offers to market participants to enter and manage orders for routing to U.S. exchanges. Any market participant will be able to use the platform. Cboe Silexx's ownership of Silexx will not provide a competitive advantage over competing products as a result of its affiliation with Cboe.

The Exchange notes that when Congress charged the Commission with supervising the development of a "national market system" for securities, a premise of its action was that prices, products and services ordinarily would be determined by market forces.<sup>25</sup> Consistent with this purpose, Congress and the Commission have repeatedly stated their preference for competition, rather than regulatory intervention, to determine prices, products and services in the securities markets.<sup>26</sup> Many

<sup>25</sup> See, e.g., H.R. Rep. No. 94-229, at 92 (1975) (Conf. Rep.) (stating Congress's intent that the "national market system evolve through the interplay of competitive forces as unnecessary regulatory restrictions are removed").

<sup>26</sup> See S. Rep. No. 94-75, 94th Cong., 1st Sess. 8 (1975) ("The objective [in enacting the 1975 amendments to the Exchange Act] would be to enhance competition and to allow economic forces, interacting within a fair regulatory field, to arrive at appropriate variations in practices and services."); Order Approving Proposed Rule Change Relating to NYSE Arca Data, Securities Exchange Act Release No. 59039 (December 2, 2008), 73 FR

exchanges and other market participants make technology products, including products similar to the Silexx platform, available to the industry. Other market participants that offer these products can adjust pricing or add functionality to attract users to their products to compete with the Exchange-offered products based on all competitive forces in the marketplace, as the Exchange expects these other market participants currently do. The Exchange believes that other market participants that offer these products will continue to remain competitive in the market for order-entry, management and routing products, as they currently are in this market in which at least two exchanges (including Cboe Options) offer similar technology products. For example, Cboe Options currently offers PULSe, and ISE currently offers PrecISE. The Exchange believes that many investors will continue to elect to use competing products available from non-exchange technology providers.

#### *C. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received From Members, Participants, or Others*

The Exchange neither solicited nor received comments on the proposed rule change.

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

Because the foregoing proposed rule change does not (i) significantly affect the protection of investors or the public interest; (ii) impose any significant burden on competition; and (iii) become operative for 30 days from the date on which it was filed, or such shorter time as the Commission may designate, it has become effective pursuant to Section 19(b)(3)(A)(iii) of the Act<sup>27</sup> and subparagraph (f)(6) of Rule 19b-4 thereunder.<sup>28</sup>

74770 (Dec. 9, 2008) at 74781 ("The Exchange Act and its legislative history strongly support the Commission's reliance on competition, whenever possible, in meeting its regulatory responsibilities for overseeing the SROs and the national market system. Indeed, competition among multiple markets and market participants trading the same products is the hallmark of the national market system.") (SR-NYSEArca-2006-21); Regulation NMS, 70 FR at 37499 (observing that NMS regulation "has been remarkably successful in promoting market competition in [the] forms that are most important to investors and listed companies").

<sup>27</sup> 15 U.S.C. 78s(b)(3)(A)(iii).

<sup>28</sup> 17 CFR 240.19b-4(f)(6). As required under Rule 19b-4(f)(6)(iii), the Exchange provided the Commission with written notice of its intent to file the proposed rule change, along with a brief description and the text of the proposed rule change, at least five business days prior to the date

A proposed rule change filed under Rule 19b-4(f)(6) normally does not become operative for 30 days after the date of its filing. However, Rule 19b-4(f)(6)(iii)<sup>29</sup> permits the Commission to designate a shorter time if such action is consistent with the protection of investors and the public interest. The Exchange has requested that the Commission waive the 30-day operative delay so that the proposed rule change will become operative upon filing. The Exchange states that such waiver will enable continuous access to the platform by users and a seamless transition of ownership of Silexx. The Commission believes that waiver of the 30-day operative delay is consistent with the protection of investors and the public interest because the proposal does not raise any novel issues and waiver will allow current users of Silexx to continue to use the platform without interruption. Therefore, the Commission hereby waives the operative delay and designates the proposed rule change operative upon filing.<sup>30</sup>

At any time within 60 days of the filing of such 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. If the Commission takes such action, the Commission shall institute proceedings to determine whether the proposed rule change should be approved or disapproved.

#### 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](mailto:rule-comments@sec.gov). Please include File Number SR-CBOE-2017-068 on the subject line.

of filing of the proposed rule change, or such shorter time as designated by the Commission.

<sup>29</sup> 17 CFR 240.19b-4(f)(6)(iii).

<sup>30</sup> For purposes only of waiving the 30-day operative delay, the Commission also has considered the proposed rule's impact on efficiency, competition, and capital formation. See 15 U.S.C. 78c(f).

##### *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-CBOE-2017-068. 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 10:00 a.m. and 3:00 p.m. Copies of the filing also will be available for inspection and copying at the principal office of the Exchange. All comments received will be posted without change. Persons submitting comments are cautioned that we do not redact or edit personal identifying information from comment submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR-CBOE-2017-068, and should be submitted on or before December 12, 2017.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>31</sup>

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

[FR Doc. 2017-25144 Filed 11-20-17; 8:45 am]

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-82080; File No. SR-NYSEArca-2017-86]

### Self-Regulatory Organizations; NYSE Arca, Inc.; Order Granting Approval of a Proposed Rule Change, as Modified by Amendment Nos. 1 and 2, To List and Trade Shares of the JPMorgan Managed Futures ETF Under NYSE Arca Rule 8.600-E

November 15, 2017.

#### I. Introduction

On September 14, 2017, NYSE Arca, Inc. ("Exchange" or "NYSE Arca") 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 list and trade shares ("Shares") of the JPMorgan Managed Futures ETF ("Fund") under NYSE Arca Rule 8.600-E. The proposed rule change was published for comment in the **Federal Register** on October 5, 2017.<sup>3</sup> On October 25, 2017, the Exchange filed Amendment No. 1 to the proposed rule change.<sup>4</sup> On November 9, 2017, the Exchange filed Amendment No. 2 to the proposed rule change.<sup>5</sup> The Commission

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

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

<sup>3</sup> See Securities Exchange Act Release No. 81766 (September 29, 2017), 82 FR 46566 ("Notice").

<sup>4</sup> Amendment No. 1 to the proposed rule change replaced and superseded the original filing in its entirety. In Amendment No. 1, the Exchange clarified (i) the circumstances under which the Fund reserves the right to honor a redemption request by delivering a basket of securities or cash that differs from the Redemption Instruments (as defined in the Notice); and (ii) that quotation and last sale information for the Shares and for portfolio holdings of the Fund that are U.S. exchange-listed, including preferred stocks and REITs, will be available via the Consolidated Tape Association ("CTA") high speed line. Amendment No. 1 is available at: <https://www.sec.gov/comments/sr-nysearca-2017-86/nysearca201786-2655573-161380.pdf>. Amendment No. 1 is not subject to notice and comment because it is a technical amendment that does not materially alter the substance of the proposed rule change or raise any novel regulatory issues.

<sup>5</sup> Amendment No. 2 to the proposed rule change replaces and supersedes the original filing, as modified by Amendment No. 1, in its entirety. In Amendment No. 2, the Exchange represented that: (i) information regarding market price and trading volume for the Shares will be continually available on a real-time basis throughout the day on brokers' computer screens and other electronic services, and (ii) information regarding the previous day's closing price and trading volume information for the Shares will be published daily in the financial section of newspapers. Amendment No. 2 is available at: <https://www.sec.gov/comments/sr-nysearca-2017-86/nysearca201786-2678501-161480.pdf>.

Amendment No. 2 is not subject to notice and comment because it is a technical amendment that

Continued

<sup>31</sup> 17 CFR 200.30-3(a)(12).