

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.¹³

Eduardo A. Aleman,

Assistant Secretary.

[FR Doc. 2017-27994 Filed 12-27-17; 8:45 am]

BILLING CODE 8011-01-P

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-82375; File No. SR-CBOE-2017-078]

Self-Regulatory Organizations; Cboe Exchange, Inc.; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to Rule 6.42, Minimum Increments for Bids and Offers, To Extend the Penny Pilot Program

December 21, 2017.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the “Act”),¹ and Rule 19b-4 thereunder,² notice is hereby given that on December 14, 2017, Cboe Exchange, Inc. (the “Exchange” or “Cboe Options”) filed with the Securities and Exchange Commission (“Commission”) the proposed rule change as described in Items I and II below, which Items have been prepared by the Exchange. The Exchange has designated this proposal as a “non-controversial” proposed rule change pursuant to Section 19(b)(3)(A) of the Act³ and Rule 19b-4(f)(6)(iii) thereunder,⁴ which renders it effective upon filing with the Commission. 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 6.42 by extending the Penny Pilot Program through June 30, 2018.

(additions are *underlined*; deletions are [bracketed])

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Cboe Exchange, Inc.

Rules

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Rule 6.42. Minimum Increments for Bids and Offers

The Board of Directors may establish minimum increments for options traded on the Exchange. When the Board of Directors determines to change the

minimum increments, the Exchange will designate such change as a stated policy, practice, or interpretation with respect to the administration of Rule 6.42 within the meaning of subparagraph (3)(A) of subsection 19(b) of the Exchange Act and will file a rule change for effectiveness upon filing with the Commission. Until such time as the Board of Directors makes a change to the minimum increments, the following minimum increments shall apply to options traded on the Exchange:

(1) No change.

(2) No change.

(3) The decimal increments for bids and offers for all series of the option classes participating in the Penny Pilot Program are: \$0.01 for all option series quoted below \$3 (including LEAPS), and \$0.05 for all option series \$3 and above (including LEAPS). For QQQQs, IWM, and SPY, the minimum increment is \$0.01 for all option series. The Exchange may replace any option class participating in the Penny Pilot Program that has been delisted with the next most actively-traded, multiply-listed option class, based on national average daily volume in the preceding six calendar months, that is not yet included in the Pilot Program. Any replacement class would be added on the second trading day following [July 1, 2017]*January 1, 2018*. The Penny Pilot shall expire on [December 31, 2017]*June 30, 2018*.

(4) No change.

. . . Interpretations and Policies:

.01-.04 No change.

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The text of the proposed rule change is also available on the Exchange’s website (<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 the Statutory Basis for, the Proposed Rule Change

1. Purpose

The Penny Pilot Program (the “Pilot Program”) is scheduled to expire on December 31, 2017. The Exchange proposes to extend the Pilot Program until June 30, 2017. The Exchange believes that extending the Pilot Program will allow for further analysis of the Pilot Program and a determination of how the Pilot Program should be structured in the future.

During this extension of the Pilot Program, the Exchange proposes that it may replace any option class that is currently included in the Pilot Program and that has been delisted with the next most actively traded, multiply listed option class that is not yet participating in the Pilot Program (“replacement class”). Any replacement class would be determined based on national average daily volume in the preceding six months,⁵ and would be added on the second trading day following January 1, 2018. The Exchange will employ the same parameters to prospective replacement classes as approved and applicable in determining the existing classes in the Pilot Program, including excluding high-priced underlying securities.⁶ The Exchange will announce to its Trading Permit Holders by circular any replacement classes in the Pilot Program.

The Exchange is specifically authorized to act jointly with the other options exchanges participating in the Pilot Program in identifying any replacement class.

2. Statutory Basis

The Exchange believes the proposed rule change is consistent with the Securities Exchange Act of 1934 (the “Act”) and the rules and regulations thereunder applicable to the Exchange and, in particular, the requirements of Section 6(b) of the Act.⁷ Specifically, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)⁸ requirements that the rules of

⁵ The month immediately preceding a replacement class’s addition to the Pilot Program (*i.e.*, December) would not be used for purposes of the six-month analysis. Thus, a replacement class to be added on the second trading day following January 1, 2018, would be identified based on The Option Clearing Corporation’s trading volume data from June 1, 2017 through November 30, 2017.

⁶ See Securities Exchange Act Release No. 60864 (October 22, 2009), 74 FR 55876 (October 29, 2009) (SR-CBOE-2009-76).

⁷ 15 U.S.C. 78f(b).

⁸ 15 U.S.C. 78f(b)(5).

¹³ 17 CFR 200.30-3(a)(12).

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ 15 U.S.C. 78s(b)(3)(A).

⁴ 17 CFR 240.19b-4(f)(6)(iii).

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 facilitation 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)⁹ requirement that the rules of an exchange not be designed to permit unfair discrimination between customers, issuers, brokers, or dealers. In particular, the proposed rule change allows for an extension of the Pilot Program for the benefit of market participants.

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

The Exchange 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.

Specifically, the Exchange believes that, by extending the expiration of the Pilot Program, the proposed rule change will allow for further analysis of the Pilot Program and a determination of how the Program should be structured in the future. In doing so, the proposed rule change will also serve to promote regulatory clarity and consistency, thereby reducing burdens on the marketplace and facilitating investor protection. In addition, the Exchange has been authorized to act jointly in extending the Pilot Program and believes the other exchanges will be filing similar extensions.

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

The Exchange has filed the proposed rule change pursuant to Section 19(b)(3)(A)(iii) of the Act¹⁰ and Rule 19b-4(f)(6) thereunder.¹¹ Because the 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 prior to 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, the proposed rule change has become effective pursuant to Section 19(b)(3)(A) of the Act¹² and Rule 19b-4(f)(6)(iii) thereunder.

A proposed rule change filed under Rule 19b-4(f)(6) normally does not become operative prior to 30 days after the date of the filing.¹³ However, pursuant to Rule 19b-4(f)(6)(iii),¹⁴ 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 proposal may become operative immediately upon filing. The Commission believes that waiving the 30-day operative delay is consistent with the protection of investors and the public interest because doing so will allow the Pilot Program to continue without interruption in a manner that is consistent with the Commission's prior approval of the extension and expansion of the Pilot Program and will allow the Exchange and the Commission additional time to analyze the impact of the Pilot Program.¹⁵ Accordingly, the Commission designates the proposed rule change as operative upon filing with the Commission.¹⁶

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. If the Commission takes such action, the Commission shall institute proceedings

¹² 15 U.S.C. 78s(b)(3)(A).

¹³ 17 CFR 240.19b-4(f)(6). In addition, Rule 19b-4(f)(6)(iii) requires the Exchange to give the Commission written notice of the Exchange's 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 of filing of the proposed rule change, or such shorter time as designated by the Commission. The Exchange has satisfied this pre-filing requirement.

¹⁴ 17 CFR 240.19b-4(f)(6)(iii).

¹⁵ See Securities Exchange Act Release No. 61061 (November 24, 2009), 74 FR 62857 (December 1, 2009) (SR-NYSEArca-2009-44). See also *supra* note 5.

¹⁶ 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. 78c(f).

under Section 19(b)(2)(B)¹⁷ of the Act 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. Please include File Number SR-CBOE-2017-078 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-CBOE-2017-078. 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 website (<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 website 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-2017-078 and

¹⁷ 15 U.S.C. 78s(b)(2)(B).

⁹ *Id.*

¹⁰ 15 U.S.C. 78s(b)(3)(A)(iii).

¹¹ 17 CFR 240.19b-4(f)(6).

should be submitted on or before January 18, 2018.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.¹⁸

Eduardo A. Aleman,

Assistant Secretary.

[FR Doc. 2017-27995 Filed 12-27-17; 8:45 am]

BILLING CODE 8011-01-P

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-82377; File Nos. SR-DTC-2017-004; SR-NSCC-2017-005; SR-FICC-2017-008]

Self-Regulatory Organizations; The Depository Trust Company; National Securities Clearing Corporation; Fixed Income Clearing Corporation; Notice of Filing of Amendment No. 4, Notice of Filing Amendment No. 5, Notice of Filing Amendment No. 6, and Order Granting Accelerated Approval of Proposed Rule Changes, as Modified by Amendment Nos. 1, 3 and 6, To Adopt the Clearing Agency Liquidity Risk Management Framework

December 21, 2017.

I. Introduction

On April 6, 2017, The Depository Trust Company (“DTC”), National Securities Clearing Corporation (“NSCC”), and Fixed Income Clearing Corporation (“FICC,” each a “Clearing Agency,” and collectively, the “Clearing Agencies”), filed with the Securities and Exchange Commission (“Commission”) proposed rule changes SR-DTC-2017-004, SR-NSCC-2017-005, and SR-FICC-2017-008, respectively, pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”) ¹ and Rule 19b-4 thereunder.²

On April 13, 2017, the Clearing Agencies each filed Amendment No. 1 to their respective proposed rule changes. Amendment No. 1 made technical corrections to each Exhibit 5 of the proposed rule change filings. The proposed rule changes, as modified in each instance by Amendment No. 1, were published for comment in the **Federal Register** on April 25, 2017.³ On June 7, 2017, the Commission designated a longer period for Commission Action on the proposed

rule changes, as amended in each instance by Amendment No. 1.⁴

On July 20, 2017, the Clearing Agencies each filed Amendment No. 2 to their respective proposed rule changes, as previously modified by Amendment No. 1. On July 21, 2017, the Clearing Agencies each filed Amendment No. 3 to their respective proposed rule changes to supersede and replace Amendment No. 2 in its entirety, due to a technical defect of Amendment No. 2. The proposed rule changes, as modified in each instance by Amendment No. 3, were published for comment in the **Federal Register** on July 28, 2017, and the Commission instituted proceedings under Section 19(b)(2)(B) of the Act ⁵ to determine whether to approve or disapprove the proposed rule changes.⁶ On October 16, 2017, the Commission designated a longer period on the proceedings to determine whether to approve or disapprove the proposed rule changes, as modified by Amendment Nos. 1 and 3.⁷ The Commission did not receive any comment letters on the proposed rule changes, as modified by Amendment Nos. 1 and 3.

On December 15, 2017, the Clearing Agencies each filed Amendment No. 4 to their respective proposed rule changes, as discussed below. On the same day, the Clearing Agencies each filed Amendment No. 5 to their respective proposed rule changes to supersede and replace Amendment No. 4 in its entirety, due to technical errors of Amendment No. 4. On December 18, 2017, Clearing Agencies each filed Amendment No. 6 to their respective proposed rule changes to supersede and replace Amendment No. 5 in its entirety. The Commission is publishing this notice to solicit comments on Amendment No. 6 from interested persons and is approving on an accelerated basis the proposed rule changes, as modified by Amendment Nos. 1, 3, and 6 (hereinafter, “Amended Proposed Rule Changes”).

⁴ Securities Exchange Act Release No. 80877 (June 7, 2017), 82 FR 27094 (June 13, 2017) (SR-DTC-2017-004, SR-NSCC-2017-005, SR-FICC-2017-008).

⁵ 15 U.S.C. 78s(b)(2)(B).

⁶ Securities Exchange Act Release No. 81194 (July 24, 2017), 82 FR 35241 (July 28, 2017) (SR-DTC-2017-004, SR-NSCC-2017-005, SR-FICC-2017-008) (“Order Instituting Proceedings”).

⁷ Securities Exchange Act Release No. 81885 (October 20, 2017), 82 FR 48857 (October 20, 2017) (SR-DTC-2017-004, SR-NSCC-2017-005, SR-FICC-2017-008).

II. Description of the Proposed Rule Changes as Previously Modified by Amendment Nos. 1 and 3, and Notice of Filing Amendment No. 6

A. Proposed Rule Changes as Previously Modified by Amendment Nos. 1 and 3

The Clearing Agencies propose to adopt the Clearing Agency Liquidity Risk Management Framework (“Framework”) of the Clearing Agencies. The Framework would outline the regulatory requirements that would be applicable to each Clearing Agency with respect to liquidity risk management, and would be owned and managed by the Liquidity Product Risk Unit (“LPRU”) of DTCC.⁸

The Framework would, generally, set forth the Clearing Agencies’ liquidity resources and liquidity risk management practices, to include measurement and monitoring of their respective liquidity risks.⁹ More specifically, the Framework would describe FICC and NSCC’s liquidity risk management strategy and objectives, which are to maintain sufficient liquid resources to meet the potential amount of funding required to settle outstanding transactions of a defaulting Member, or affiliated family (“Affiliated Family”) of Members, in a timely manner.¹⁰ For DTC, the Framework would describe how DTC’s liquidity management strategy and controls are designed to maintain sufficient available liquid resources to complete system-wide settlement on each business day with a high degree of confidence, notwithstanding the failure to settle of a Participant or Affiliated Family of Participants.¹¹ The Framework would also state that DTC operates on a fully collateralized basis.¹²

Although the Clearing Agencies would consider the Framework to be a rule of each Clearing Agency, the proposed changes do not require any changes to the Rules, By-laws and Organization Certificate of DTC (“DTC Rules”), the FICC Government Securities Division (“GSD”) Rulebook (“GSD Rules”), the FICC Mortgage-

⁸ The parent company of the Clearing Agencies is The Depository Trust & Clearing Corporation (“DTCC”). DTCC operates on a shared services model with respect to the Clearing Agencies. Most corporate functions are established and managed on an enterprise-wide basis pursuant to intercompany agreements under which it is generally DTCC that provides a relevant service to a Clearing Agency. Notice, 82 FR at 19121.

⁹ *Id.*

¹⁰ FICC and NSCC refer to their participants as “Members,” while DTC refers to its participants as “Participants.” These terms are defined in the respective rules of each of the Clearing Agencies. Notice, 82 FR at 19121.

¹¹ *Id.*

¹² *Id.*

¹⁸ 17 CFR 200.30-3(a)(12).

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ Securities Exchange Act Release No. 80489 (April 19, 2017), 82 FR 19120 (April 25, 2017) (SR-DTC-2017-004, SR-NSCC-2017-005, SR-FICC-2017-008) (“Notice”).