

have to expire no later than the end of the trading day on which it was entered. As such, the proposed rule change would foster cooperation and coordination with persons engaged in facilitating transactions in securities and would remove impediments to and perfect the mechanism of a free and open market and a national market system.

*(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. The Exchange notes that the proposal will promote consistency between the Exchange and its affiliated exchange, EDGX Options, by offering the GTC Time in Force. The proposed change to GTD is a minor update to an existing Time in Force, given the update to the Exchange's technology that will allow orders to persist for more than one trading day. The Exchange does not believe that the proposed changes will have any direct impact on competition. Thus, the Exchange does not believe that the proposal creates any significant impact on competition.

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

The Exchange has not solicited, and does not intend to solicit, comments on this proposed rule change. The Exchange has not received any written comments from members or other interested parties.

**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>10</sup> and subparagraph (f)(6) of Rule 19b-4 thereunder.<sup>11</sup>

<sup>10</sup> 15 U.S.C. 78s(b)(3)(A)(iii).

<sup>11</sup> 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 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 requirement.

A proposed rule change filed under Rule 19b-4(f)(6)<sup>12</sup> normally does not become operative prior to 30 days after the date of the filing. However, Rule 19b-4(f)(6)(iii)<sup>13</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 asked the Commission to waive the 30-day operative delay so that the Exchange may, as soon as possible, implement the proposed rule change. The Exchange notes that the proposal will promote consistency between the Exchange and its affiliated exchange, EDGX Options. The Commission believes that waiver of the 30-day operative delay is consistent with the protection of investors and the public interest. Accordingly, the Commission hereby waives the operative delay and designates the proposed rule change as operative upon filing.<sup>14</sup>

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: (i) Necessary or appropriate in the public interest; (ii) for the protection of investors; or (iii) 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 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-CboeBZX-2018-006 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-CboeBZX-2018-006. This

<sup>12</sup> 17 CFR 240.19b-4(f)(6).

<sup>13</sup> 17 CFR 240.19b-4(f)(6)(iii).

<sup>14</sup> For purposes only of waiving the 30-day operative delay, the Commission has also considered the proposed rule's impact on efficiency, competition, and capital formation. See 15 U.S.C. 78c(f).

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-CboeBZX-2018-006 and should be submitted on or before February 28, 2018.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>15</sup>

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

[FR Doc. 2018-02396 Filed 2-6-18; 8:45 am]

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**SECURITIES AND EXCHANGE COMMISSION**

[Release No. 34-82612; File No. SR-ISE-2017-111]

**Self-Regulatory Organizations; Nasdaq ISE, LLC; Order Approving a Proposed Rule Change To Establish a Nonstandard Expirations Pilot Program**

February 1, 2018.

**I. Introduction**

On December 21, 2017, Nasdaq ISE, LLC ("ISE" or "Exchange") filed with the Securities and Exchange Commission ("Commission" or "SEC"), pursuant to Section 19(b)(1) of the

<sup>15</sup> 17 CFR 200.30-3(a)(12).

Securities Exchange Act of 1934 (“Act”)<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> a proposed rule change to establish a Nonstandard Expirations Pilot Program. The proposed rule change was published for comment in the **Federal Register** on January 12, 2018.<sup>3</sup> The Commission received no comments on the proposed rule change.

This order approves the proposal for a pilot period of twelve months.

## II. Description of the Proposal

The Exchange proposes to permit the listing and trading, on a pilot basis, of p.m.-settled options on broad-based indexes with nonstandard expiration dates for a period of twelve months (the “Nonstandard Expirations Pilot Program” or “Pilot Program”) from the date of approval of this proposed rule change. The Pilot Program would permit both weekly expirations (“Weekly Expirations”) and end of month (“EOM”) expirations similar to those of the a.m.-settled broad-based index options, except that the exercise settlement value will be based on the index value derived from the closing prices of component stocks. The proposal is substantially similar to Chicago Board Options Exchange (“CBOE”) Rule 24.9(e), Nonstandard Expirations Pilot Program<sup>4</sup> as well as the Nonstandard Expirations Pilot Program of the Exchange’s affiliate Nasdaq PHLX LLC (“Phlx”) Rule 1101A.<sup>5</sup>

### A. Weekly Expirations

The Exchange proposes to add new Supplementary Material .07(a), Weekly Expirations, to Rule 2009. Under the proposed new rule the Exchange would be permitted to open for trading Weekly Expirations on any broad-based index eligible for standard options trading to expire on any Monday, Wednesday, or Friday (other than the third Friday-of-the-month or days that coincide with an EOM expiration). Weekly Expirations

would be subject to all provisions of ISE Rule 2009 and would be treated the same as options on the same underlying index that expire on the third Friday of the expiration month. Unlike the standard monthly options, however, Weekly Expirations would be p.m.-settled. New series in Weekly Expirations could be added up to and including on the expiration date for an expiring Weekly Expiration.

The maximum number of expirations that could be listed for each Weekly Expiration (*i.e.*, a Monday expiration, Wednesday expiration, or Friday expiration, as applicable) in a given class would be the same as the maximum number of expirations permitted for standard options on the same broad-based index. Weekly Expirations would not need to be for consecutive Monday, Wednesday, or Friday expirations as applicable. However, the expiration date of a non-consecutive expiration would not be permitted beyond what would be considered the last expiration date if the maximum number of expirations were listed consecutively.

Weekly Expirations that are first listed in a given class could expire up to four weeks from the actual listing date. If the last trading day of a month were a Monday, Wednesday, or Friday and the Exchange were to list EOMs and Weekly Expirations as applicable in a given class, the Exchange would list an EOM instead of a Weekly Expiration in the given class. Other expirations in the same class would not be counted as part of the maximum number of Weekly Expirations for a broad-based index class. If the Exchange were not open for business on a respective Monday, the normally Monday expiring Weekly Expirations would expire on the following business day. If the Exchange were not open for business on a respective Wednesday or Friday, the normally Wednesday or Friday expiring Weekly Expirations would expire on the previous business day.

### B. EOM Expirations

Under the proposal, the Exchange could open for trading EOMs on any broad-based index eligible for standard options trading to expire on the last trading day of the month. EOMs would be subject to all provisions of Rule 2009 and treated the same as options on the same underlying index that expire on the third Friday of the expiration month. However, the EOMs would be p.m.-settled and new series in EOMs could be added up to and including on the expiration date for an expiring EOM.

The maximum number of expirations that could be listed for EOMs in a given

class would be the same as the maximum number of expirations permitted for standard options on the same broad-based index. EOM expirations would not need to be for consecutive end of month expirations. However, the expiration date of a non-consecutive expiration may not be beyond what would be considered the last expiration date if the maximum number of expirations were listed consecutively. EOMs that are first listed in a given class could expire up to four weeks from the actual listing date. Other expirations would not be counted as part of the maximum numbers of EOM expirations for a broad-based index class.

### C. Contract Terms and Trading Rules

The Exchange proposes that Weekly Expirations and EOMs would be subject to the same rules that currently govern the trading of standard monthly broad-based index options, including sales practice rules, margin requirements, and floor trading procedures. Contract terms for Weekly Expirations and EOMs would be the same as those for standard monthly broad-based index options, except that the exercise settlement value will be based on the index value derived from the closing prices of component stocks. Since Weekly Expirations and EOMs will be a new type of series, and not a new class, the Exchange proposes that Weekly Expirations and EOMs shall be aggregated for any applicable reporting and other requirements.<sup>6</sup> Pursuant to proposed Supplementary Material .07(d) of Rule 2009, transactions in Weekly Expirations and EOMs could be effected on the Exchange between the hours of 9:30 a.m. (Eastern Time) and 4:15 p.m. (Eastern Time).

The Exchange represents that it has analyzed its capacity and believes that it and the Options Price Reporting Authority have the necessary systems capacity to handle any additional traffic associated with the listing of the maximum number nonstandard expirations permitted under the Pilot Program.

### D. Pilot Program Annual Report

As part of the Pilot Program, the Exchange proposes to submit a Pilot Program report to the Commission at

<sup>6</sup> See Rule 2006(a)(13) which sets forth the reporting requirements for certain market indexes that do not have position limits, including NDX. The Exchange is adding Nonstandard Expirations to Rule 2004(d) to reflect the aggregation requirement. The Exchange notes that the proposed aggregation is consistent with the aggregation requirements for other types of option series (*e.g.* quarterly expiring options) that are listed on the Exchange and which do not expire on the customary “third Friday”.

<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. 82458 (Jan. 8, 2018), 83 FR 1636.

<sup>4</sup> See Securities Exchange Act Release Nos. 78531 (August 10, 2016), 81 FR 54643 (August 16, 2016) (SR-CBOE-2016-046) (Order approving expansion of CBOE’s Nonstandard Expirations Pilot Program to include Monday Expirations); 76909 (January 14, 2016), 81 FR 3512 (January 21, 2016) (SR-CBOE-2015-106) (Order approving expansion of CBOE’s Nonstandard Expirations Pilot Program to include Wednesday Expirations); 62911 (September 14, 2010), 75 FR 57539 (September 21, 2010) (SR-CBOE-2009-075) (Order approving CBOE’s Nonstandard Expirations Pilot Program).

<sup>5</sup> See Securities Exchange Act Release No. 82341 (December 15, 2017), 82 FR 60651 (December 21, 2017) (Order approving Phlx’s Nonstandard Expirations Pilot Program).

least two months prior to the expiration date of the Pilot Program (the “annual report”). The annual report will contain an analysis of volume, open interest and trading patterns. In addition, for series that exceed certain minimum open interest parameters, the annual report will provide analysis of index price volatility and, if needed, share trading activity. The annual report will be provided to the Commission on a confidential basis.

#### Analysis of Volume and Open Interest

For all Weekly Expirations and EOM series, the annual report will contain the following volume and open interest data for each broad-based index overlying Weekly Expiration and EOM options:

(1) Monthly volume aggregated for all Weekly Expiration and EOM series,

(2) Volume in Weekly Expiration and EOM series aggregated by expiration date,

(3) Month-end open interest aggregated for all Weekly Expiration and EOM series,

(4) Month-end open interest for EOM series aggregated by expiration date and open interest for Weekly Expiration series aggregated by expiration date,

(5) Ratio of monthly aggregate volume in Weekly Expiration and EOM series to total monthly class volume, and

(6) Ratio of month-end open interest in EOM series to total month-end class open interest and ratio of open interest in each Weekly Expiration series to total class open interest.

In addition, the annual report will contain the information noted above for standard Expiration Friday, a.m.-settled series, if applicable, for the period covered in the annual report as well as for the six-month period prior to the initiation of the Pilot Program.

Upon request by the SEC, the Exchange will provide a data file containing: (1) Weekly Expiration and EOM option volume data aggregated by series, and (2) Weekly Expiration open interest for each expiring series and EOM month-end open interest for expiring series.

#### Monthly Analysis of Weekly Expiration and EOM Trading Patterns

In the annual report, the Exchange also proposes to identify Weekly Expiration and EOM trading patterns by undertaking a time series analysis of open interest in Weekly Expiration and EOM series aggregated by expiration date compared to open interest in near-term standard Expiration Friday a.m.-settled series in order to determine whether users are shifting positions from standard series to Weekly Expiration and EOM series. In addition,

to the extent that data on other weekly or monthly p.m. settled products from other exchanges is publicly available, the annual report will also compare open interest with these options in order to determine whether users are shifting positions from other weekly or monthly p.m.-settled products to the Weekly Expiration and EOM series. Declining open interest in standard series or the weekly or monthly p.m.-settled products of other exchanges accompanied by rising open interest in Weekly Expiration and EOM series would suggest that users are shifting positions.

#### Provisional Analysis of Index Price Volatility and Share Trading Activity

For each Weekly Expiration and EOM expiration that has open interest that exceeds certain minimum thresholds, the annual report will contain the following analysis related to index price changes and, if needed, underlying share trading volume at the close on expiration dates:

(1) A comparison of index price changes at the close of trading on a given expiration date with comparable price changes from a control sample. The data will include a calculation of percentage price changes for various time intervals and compare that information to the respective control sample. Raw percentage price change data as well as percentage price change data normalized for prevailing market volatility, as measured by an appropriate index agreed by the Commission and the Exchange, will be provided; and

(2) if needed, a calculation of share volume for a sample set of the component securities representing an upper limit on share trading that could be attributable to expiring in-the-money Weekly Expiration and EOM expirations. The data, if needed, will include a comparison of the calculated share volume for securities in the sample set to the average daily trading volumes of those securities over a sample period.

The minimum open interest parameters, control sample, time intervals, method for selecting the component securities, and sample periods will be determined by the Exchange and the Commission.

### III. Discussion and Commission's Findings

After careful review of the proposed rule change, the Commission finds that the proposal is consistent with the requirements of the Act and the rules and regulations thereunder that are applicable to a national securities

exchange.<sup>7</sup> Specifically, the Commission finds that the proposed rule change is consistent with Section 6(b)(5) of the Act,<sup>8</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 to protect investors and the public interest.

While the Commission has had concerns about the adverse effects and impact of p.m.-settlement upon market volatility and the operation of fair and orderly markets on the underlying cash market at or near the close of trading, it has approved on a limited basis p.m.-settlement for cash-settled options.<sup>9</sup> More specifically, the Commission approved on a pilot basis CBOE's nearly identical and Phlx's identical Nonstandard Expirations Pilot Programs.<sup>10</sup>

Like Phlx, the Exchange patterns its proposal after CBOE's and includes the same additional data element that Phlx includes in the annual report: An analysis of publicly available data concerning trading patterns with respect to other p.m.-settled products from other exchanges. In all other aspects, the Exchange's proposed and Phlx's and CBOE's existing Nonstandard Expirations Pilot Programs are identical.

The Commission believes that the Exchange's proposal strikes a reasonable balance between the Exchange's desire to offer a wider array of investment opportunities and the need to avoid unnecessary proliferation of options series that may burden certain liquidity providers and further stress options

<sup>7</sup> In approving this rule change, the Commission has considered the rule's impact on efficiency, competition, and capital formation. See 15 U.S.C. 78c(f).

<sup>8</sup> 15 U.S.C. 78f(b)(5).

<sup>9</sup> See, e.g., Securities Exchange Act Release Nos. 31800 (February 1, 1993), 58 FR 7274 (February 5, 1993) (SR-CBOE-92-13) (Order approving CBOE's listing of p.m.-settled, cash-settled options on certain broad-based indexes); 61439 (January 28, 2010), 75 FR 5831 (February 4, 2010) (SR-CBOE-2009-087) (Order approving CBOE's listing of p.m.-settled FLEX options on a pilot basis); 70087 (July 31, 2013), 78 FR 47809 (August 6, 2013) (SR-CBOE-2013-055) (Order approving the addition of p.m.-settled mini-SPX index options to the SPXPM Pilot for p.m.-settled SPX index options); 81293 (August 2, 2017), 82 FR 37138 (August 8, 2017) (SR-Phlx-2017-04) (Order approving Phlx to list and trade of p.m.-settled NASDAQ-100 Index(R) Options on a Pilot Basis).

<sup>10</sup> See *supra* notes 4-5.

quotation and transaction infrastructure. The Exchange's proposed twelve-month Pilot Program will allow for both the Exchange and the Commission to continue monitoring the potential for adverse market effects of p.m.-settlement on the market, including the underlying cash equities markets, at the expiration of these options.

The Commission notes that the Exchange will provide the Commission with the annual report analyzing volume and open interest of EOMs and Weekly Expirations that will also contain information and analysis of EOMs and Weekly Expirations trading patterns and index price volatility and share trading activity for series that exceed minimum parameters. This information should be useful to the Commission as it evaluates whether allowing p.m.-settlement for EOMs and Weekly Expirations has resulted in increased market and price volatility in the underlying component stocks, particularly at expiration. The Pilot Program information should help the Commission and the Exchange assess the impact on the markets and determine whether changes to these programs are necessary or appropriate. Furthermore, the Exchange's ongoing analysis of the Pilot Program should help it monitor any potential risks from large p.m.-settled positions and take appropriate action, if warranted.

#### IV. Conclusion

*It is therefore ordered*, pursuant to Section 19(b)(2) of the Act,<sup>11</sup> that the proposed rule change (SR-ISE-2017-111) be approved for a pilot period of twelve months.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>12</sup>

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

[FR Doc. 2018-02394 Filed 2-6-18; 8:45 am]

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-82611; File No. SR-Phlx-2017-103]

### Self-Regulatory Organizations; Nasdaq PHLX LLC; Order Approving a Proposed Rule Change To Expand the Short Term Option Series Program To Allow Monday Expirations for SPY Options

February 1, 2018.

#### I. Introduction

On December 6, 2017, the Nasdaq PHLX LLC ("Phlx" or "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 amend Rule 1000 and Commentary .11 to Rule 1012 to expand the Short Term Option Series Program to permit listing and trading of options on the SPDR S&P 500 ETF Trust ("SPY") with Monday expirations. The proposed rule change was published for comment in the **Federal Register** on December 26, 2017.<sup>3</sup> The Commission received no comments on the proposal. This order approves the proposed rule change.

#### II. Description of the Proposal

Under the terms of the current Short Term Option Series Program, after an option class has been approved for listing and trading on the Exchange, the Exchange may open for trading on any Thursday or Friday that is a business day series of options on that class that expire on each of the next five Fridays, provided that such Friday is not a Friday in which monthly options series or Quarterly Options Series expire.<sup>4</sup> In addition, the Exchange may open for trading on any Tuesday or Wednesday that is a business day series of options on SPY to expire on up to five consecutive Wednesdays, provided that each such Wednesday is a business day and is not a Wednesday in which Quarterly Options Series expire.<sup>5</sup>

The Exchange proposes to expand the Short Term Option Series to permit Phlx to open for trading, on any Monday or Friday that is a business day, series of options on SPY that expire on any Monday of the month that is a business day and is not a Monday in which

Quarterly Options Series expires ("Monday SPY Expirations").<sup>6</sup> In the case of a series that is listed on a Friday and expires on a Monday, it must be listed one business week and one business day prior to that Monday expiration.<sup>7</sup> If the Monday SPY Expirations falls on a Monday that is not a business day, the series shall expire on the first business day immediately following that Monday.<sup>8</sup> The Exchange also proposes to amend Commentary .11 to Phlx Rule 1012 state that it may list up to five consecutive Monday SPY Expirations at one time, and may have no more than a total of five Monday SPY Expirations (in addition to a maximum of five Short Term Option Series for SPY expiring on Friday and five Wednesday SPY Expirations). In addition, like Wednesday SPY Expirations and unlike other option series in the Short Term Option Series program, Monday SPY Expirations could expire in the same week in which monthly option series in the same class expire.<sup>9</sup> Otherwise, Monday SPY Expirations are subject to the same rules as standard Short Term Option Series.<sup>10</sup>

#### III. Discussion and Commission's Findings

The Commission has carefully reviewed the proposed rule change and finds that it is consistent with the requirements of the Act and the rules and regulations thereunder applicable to a national securities exchange and, in particular, the requirements of Section 6(b) of the Act.<sup>11</sup> Specifically, the Commission finds that the proposal is consistent with the requirements of Sections 6(b)(5) of the Act,<sup>12</sup> which requires, among other things, that a national securities exchange have rules 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

<sup>6</sup> Under the proposal, the Exchange would expand the definition of "Short Term Option Series" in Phlx Rule 1044(b)(44) and add a description of Monday SPY Expirations to Commentary .11 to Phlx Rule 1012. See Notice, *supra* note 3, at 61048.

<sup>7</sup> See proposed Commentary .11 to Phlx Rule 1012.

<sup>8</sup> See proposed Phlx Rule 1000(b)(44).

<sup>9</sup> See proposed Commentary .11 to Phlx Rule 1012.

<sup>10</sup> For example, Monday SPY Expirations would be subject to the same series limitations and strike interval rules as standard Short Term Option Series. See Notice, *supra* note 3, at 61048.

<sup>11</sup> 15 U.S.C. 78f. In approving this proposed rule change, the Commission has considered the proposed rule change's impact on efficiency, competition, and capital formation. See 15 U.S.C. 78c(f).

<sup>12</sup> 15 U.S.C. 78f(b)(5).

<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. 82363 (December 19, 2017), 82 FR 61047 (December 26, 2017) ("Notice").

<sup>4</sup> See Commentary .11 to Phlx Rule 1012.

<sup>5</sup> See *id.*

<sup>11</sup> 15 U.S.C. 78s(b)(2).

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