exempt any person, security, or transaction, or any class or classes of persons, securities, or transactions, from any provision of section 12(d)(1) if the exemption is consistent with the public interest and the protection of investors. Section 17(b) of the Act authorizes the Commission to grant an order permitting a transaction otherwise prohibited by section 17(a) if it finds that (a) the terms of the proposed transaction are fair and reasonable and do not involve overreaching on the part of any person concerned; (b) the proposed transaction is consistent with the policies of each registered investment company involved; and (c) the proposed transaction is consistent with the general purposes of the Act. Section 6(c) of the Act permits the Commission to exempt any persons or transactions from any provision of the Act if such exemption is necessary or appropriate in the public interest and consistent with the protection of investors and the purposes fairly intended by the policy and provisions of the Act.

For the Commission, by the Division of Investment Management, pursuant to delegated authority.

Eduardo A. Aleman,
Assistant Secretary.

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BILLING CODE 8011–01–P

SECURITIES AND EXCHANGE COMMISSION


Self–Regulatory Organizations; NYSE Arca, Inc.; Notice of Designation of a Longer Period for Commission Action on Proceedings To Determine Whether To Approve or Disapprove a Proposed Rule Change Regarding Investments of the REX BKCM ETF

December 6, 2018.

On June 26, 2018, NYSE Arca, Inc. (“NYSE Arca” or “Exchange”) filed with the Securities and Exchange Commission (“Commission”), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”) and Rule 19b–4 thereunder, a proposed rule change to Section 19(b)(2) of the Act, which requires among other things, that the rule change or raise unique or novel regulatory issues, it is not subject to notice and comment. The amendment is available at: https://www.sec.gov/ comments/sr-nysearca-2018-74/sr-nysearca201874.htm.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.10

Eduardo A. Aleman,
Assistant Secretary.

Seventy-Fourth Session, May 10, 2018

SECURITIES AND EXCHANGE COMMISSION


Self-Regulatory Organizations; NYSE Arca, Inc.; Order Approving a Proposed Rule Change, as Modified by Amendment No. 1, To Amend Rules 6.62–O and 6.37A–O To Add New Order Types and Quotation Designations

December 6, 2018.

I. Introduction

On October 5, 2018, 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”)1 and Rule 19b–4 thereunder,2 a proposed rule change to amend NYSE Arca Rules 6.62–O (Certain Types of Orders Defined) and 6.37A–O (Market Maker Quotations) to add new order types and quotation designations. The proposed rule change was published for comment in the Federal Register on October 24, 2018.3 On December 4, 2018, the Exchange filed Amendment No. 1 to the proposed rule change.4 The Commission received no comment letters on the proposed rule change. This order approves the proposed rule change, as modified by Amendment No. 1.

II. Description of the Proposal, as Modified by Amendment No. 1

A. Order Types

Currently, Rule 6.62–O sets forth the order types available on the Exchange, including Liquidity Adding Orders (each an “ALO”) and PNP (Post No Preference) Orders, both of which provide market participants control over how their orders interact with contra-side liquidity. Specifically, an ALO is a

4 In Amendment No. 1, the Exchange made technical corrections to cross references in the proposed rule text. Because Amendment No. 1 does not materially alter the substance of the proposed rule change or raise unique or novel regulatory issues, it is not subject to notice and comment. The amendment is available at: https://www.sec.gov/ comments/sr-nysearca-2018-74/sr-nysearca201874.htm.

3 In Amendment No. 1, the Exchange made technical corrections to cross references in the proposed rule text. Because Amendment No. 1 does not materially alter the substance of the proposed rule change or raise unique or novel regulatory issues, it is not subject to notice and comment. The amendment is available at: https://www.sec.gov/ comments/sr-nysearca-2018-74/sr-nysearca201874.htm.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.10

Eduardo A. Aleman,
Assistant Secretary.

Federal Register on July 3, 2018.3 On August 14, 2018, pursuant to Section 19(b)(2) of the Act,4 the Commission designated a longer period within which to approve the proposed rule change, disapprove the proposed rule change, or institute proceedings to determine whether to disapprove the proposed rule change.5

On September 24, 2018, the Commission instituted proceedings under Section 19(b)(2)(B) of the Act to determine whether to approve or disapprove the proposed rule change.7 The Commission has received no comment letters on the proposed rule change.

Section 19(b)(2) of the Act8 provides that after initiating disapproval proceedings, the Commission shall issue an order approving or disapproving the proposed rule change not later than 180 days after the date of publication of notice of filing of the proposed rule change. The Commission may extend the period for issuing an order approving or disapproving the proposed rule change, however, by not more than 60 days if the Commission determines that a longer period is appropriate and publishes reasons for such determination. The proposed rule change was published for notice and comment in the Federal Register on July 3, 2018. December 30, 2018, is 180 days from that date, and February 28, 2019, is 240 days from that date.

The Commission finds it appropriate to designate a longer period within which to issue an order approving or disapproving the proposed rule change so that it has sufficient time to consider this proposed rule change. Accordingly, the Commission, pursuant to Section 19(b)(2) of the Act, designates February 28, 2019, as the date by which the Commission shall either approve or disapprove the proposed rule change (File No.SR–NYSEArca–2018–40).

9 Id.
Limit Order that is rejected if it is not marketable against the NBBO on arrival. A PNPN Order is a Limit Order that is eligible to interact solely with interest on the Exchange, will not route, and will cancel if it locks or crosses the NBBO. The Exchange proposes to amend Rule 6.62-O to add two order types that build on the existing ALO and PNPN Order functionality to allow for repricing (rather than cancellation or rejection of orders) under certain circumstances.

1. Repricing ALO (“RALO”)

The Exchange proposes to provide market participants the ability to send in ALOs designated as RALO. As proposed, a RALO will be repriced (rather than be rejected) if it would either trade as the liquidity taker or display at a price that locks or crosses any interest on the Exchange or the NBBO. Specifically, an incoming RALO to buy (sell) that would trade with any displayed or undisplayed sell (buy) interest in the Consolidated Book will be displayed at a price one minimum price variation (MPV)” below (above) such sell (buy) interest.

An incoming RALO to buy (sell) that is not marketable against interest in the Consolidated Book but that would lock or cross the NBBO (NBB) will be displayed at a price that is one MPV below (above) the NBO (NBB). If the sell (buy) interest in the Consolidated Book or NBO (NBB) moves up (down), the display price of the RALO to buy (sell) and the undisplayed price at which it is eligible to trade will be continuously adjusted, up (down) to the RALO’s limit price.

A resting RALO to buy (sell) that is displayed one MPV below (above) interest on the Consolidated Book would be eligible to trade at its display price. A resting RALO to buy (sell) that is displayed at a price one MPV above (below) will be eligible to trade at the NBO (NBB): provided, however, that if the NBO (NBB) updates to lock or cross the RALO’s display price, such RALO will trade at its display price in time priority behind other eligible interest already displayed at that price. Each time there is an update to the price of the RALO, the Exchange will rank the RALO by time priority behind other eligible interest already at that price. If multiple RALOs simultaneously reprice to the same price at which they are eligible to trade, the RALOs will be prioritized based on the time of original order entry. An incoming RALO will be cancelled if its limit price to buy (sell) is more than a configurable number of MPVs above (below) the initial display price (on arrival), after first trading with eligible interest, if any. The Exchange will determine the configurable number of MPVs, which will be announced by Trader Update.

2. Repricing PNPN Order (“RPNP”)

The Exchange proposes to provide market participants the ability to send in PNPN Orders designated as RPNP. As proposed, a RPNP is a PNPN Order that will be repriced instead of cancelled after trading with interest in the Consolidated Book, if it would lock or cross the NBBO. Specifically, a RPNP to buy (sell) that would lock or cross the NBBO (NBB) will be displayed at a price one MPV below (above) the NBO (NBB). If the NBO (NBB) moves up (down), the display price of the RPNP to buy (sell) and the undisplayed price at which it is eligible to trade will be continuously adjusted, up (down) to the limit price of the RPNP.

A RPNP to buy (sell) that is displayed one MPV below (above) interest on the Consolidated Book would be eligible to trade at its display price. A RPNP to buy (sell) that is displayed at a price one MPV below (above) the NBO (NBB) would be eligible to trade at the RPNP’s display price. Each time there is an update to the price of the RPNP, the Exchange will rank the RPNP by time priority behind other eligible interest already displayed at that price. Each time there is an update to the price of the RPNP, the Exchange will rank the RPNP by time priority behind other eligible interest already at that price. If multiple RPNPs simultaneously reprice to the same price at which they are eligible to trade, the RPNPs will be prioritized based on the time of original order entry. Similar to the proposed RALO, an incoming RPNP will be cancelled if its limit price to buy (sell) is more than a configurable number of MPVs above (below) the initial display price (on arrival), after first trading with eligible interest, if any. The Exchange will determine the configurable number of MPVs, which will be announced by Trader Update.

B. Quotation Designations

Currently, Rule 6.37A-O(a) defines Market Maker quotes, including quotations designated as Market Maker—Light Only (“MMLO”), and specifies how such quotes are processed when a series is open for trading. The Exchange proposes to amend Rule 6.37A-O(a) to add two new quote designations to provide Market Makers with the same functionality for their quotations as are proposed for orders designated as RALO and RPNP entered on the Exchange.

1. Market Maker—Add Liquidity Only Quotation (“MMALO”)

The Exchange proposes to provide Market Makers the ability to designate quotations as MMALO. An incoming or resting MMALO will never trade as the liquidity taker or display at a price that locks or crosses any interest on the Exchange or the NBBO.
trading, an MMALO will be re-priced based on contra-side interest pursuant to proposed Rule 6.37A–O(a)(4)(A). Specifically, an incoming MMALO to buy (sell) that would trade with any sell (buy) interest on the Consolidated Book will be displayed at a price one MPV below (above) such sell (buy) interest. An incoming MMALO to buy (sell) that is not marketable against interest in the Consolidated Book but that would lock or cross the NBO (NBB) will be displayed at a price that is one MPV below (above) the NBO (NBB). The NBO (NBB) will trade at the NBO (NBB); provided, however, that if the NBO (NBB) updates to lock or cross the MMALO’s display price, such MMALO will trade at its display price in time priority behind other eligible interest already displayed at that price. Each priority behind other eligible interest will trade at its display price in time priority behind other eligible interest already displayed at that price. The incoming quotation will be rejected, and the Exchange will cancel the Market Maker’s current quotation on the Consolidated Book, except in the circumstances specified below, which result in the remaining balance being cancelled. Including when the incoming quotation “is not designated as MMALO or MMRP” and locks or crosses the NBBO and when it is designated as MMLO or MMRP and cannot trade with interest in the Consolidated Book at prices that do not trade through the NBO. An incoming quotation will be rejected, and the Exchange will cancel the Market Maker’s current quotation on the Consolidated Book, except in the circumstances specified below, which result in the remaining balance being cancelled. Each time there is an update to the price of the MMRP, the Exchange will cancel the MMRP by time priority behind other eligible interest already at that price. If multiple MMRPs simultaneously reprice to the same price at which they are eligible to trade, the MMRPs will be prioritized based on the time of original order entry.

To incorporate MMALO (and MMRP discussed below) into existing rule text, the Exchange proposes to amend Rule 6.37A–O by re-organizing and re-numbering related rule text regarding the treatment of untraded incoming quotations. Specifically, the Exchange proposes to provide that “[a]ny untraded quantity of an incoming quotation will be added to the Consolidated Book, except in the circumstances specified below, which result in the remaining balance being cancelled.” Including when the incoming quotation “is not designated as MMALO or MMRP” and locks or crosses the NBBO and when it is designated as MMLO or MMRP and cannot trade with interest in the Consolidated Book at prices that do not trade through the NBO. An incoming quotation will be rejected, and the Exchange will cancel the Market Maker’s current quotation on the Consolidated Book, except in the circumstances specified below, which result in the remaining balance being cancelled.” Including when the incoming quotation “is not designated as MMALO or MMRP” and locks or crosses the NBBO and when it is designated as MMLO or MMRP and cannot trade with interest in the Consolidated Book at prices that do not trade through the NBO. An incoming quotation will be rejected, and the Exchange will cancel the Market Maker’s current quotation on the Consolidated Book, except in the circumstances specified below, which result in the remaining balance being cancelled.” Including when the incoming quotation “is not designated as MMALO or MMRP” and locks or crosses the NBBO and when it is designated as MMLO or MMRP and cannot trade with interest in the Consolidated Book at prices that do not trade through the NBO. An incoming quotation will be rejected, and the Exchange will cancel the Market Maker’s current quotation on the Consolidated Book, except in the circumstances specified below, which result in the remaining balance being cancelled.” Including when the incoming quotation “is not designated as MMALO or MMRP” and locks or crosses the NBBO and when it is designated as MMLO or MMRP and cannot trade with interest in the Consolidated Book at prices that do not trade through the NBO.
not route” from existing paragraph (a)(3)(D) to paragraph (a)(2); adding new paragraph (a)(3) to provide that “[a] Market Maker may designate a quote as follows”; and re-numbering the remainder of the paragraph to account for such changes.52 In addition, the Exchange proposes to renumber the description of an MMLO as paragraph (a)(3)(A), and amend the rule text to provide that on arrival, a quotation designated MMLO will trade with displayed interest in the Consolidated Book only.53 Once resting, the MMLO designation no longer applies and such quotation is eligible to trade with displayed and undisplayed interest.54

Implementation

The Exchange states that it will announce by Trader Update the implementation date of the proposed rule change within 90 days of the effective date of this proposed rule change.55

III. Discussion and Commission’s Findings

After careful review, the Commission finds that the proposed rule change, as modified by Amendment No. 1, is consistent with the requirements of the Act,56 and the rules and regulations thereunder applicable to a national securities exchange.57 In particular, the Commission finds that the proposed rule change is consistent with Section 6(b)(5) of the Act,58 which requires, among other things, that the rules of a national securities exchange be designed to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in regulating transactions in securities, to remove impediments to and perfect the mechanism of a free and open market and a national market system and, in general, to protect investors and the public interest, and not be designed to permit unfair discrimination between customers, issuers, brokers, or dealers.

The Commission believes that by providing market participants with two new order types that build on the existing ALO and PNP Order functionality to allow for repricing instead of cancellation or rejection of orders under certain circumstances, the proposed rule change could give market participants greater flexibility and control over the circumstances under which their orders interact with contra-side-interest on the Exchange. By increasing the opportunities for execution at multiple price points and encouraging the provision of greater displayed liquidity to the market, the proposal is reasonably designed to facilitate the mechanism of price discovery. The Commission also believes that ranking a repriced RALO or repriced RPNP behind other interest already eligible to trade at a price, as well as ranking such orders that simultaneously reprice to the same price by time of original order entry, is reasonably designed to preserve the principles of priority and therefore promote just and equitable principles of trade. Finally, the Commission notes other options exchanges offer similar order types as proposed by the Exchange.59

The Commission notes that the proposal to add the two new quotation designations is designed to provide Market Makers with the same functionality for their quotations as are proposed for orders entered on the Exchange. The proposed quotation designations are similar to how the proposed RALO and RPNNP will function and may enable Market Makers to exert greater control over how their quotes would interact with contra-side liquidity, while affording additional opportunities to provide liquidity to the market. The Commission notes that, absent the proposed repricing functionality associated with the MMALO and MMRP, a Market Maker quote that locks or crosses interest on the Exchange or an away market will reject or cancel. In the case of MMALOs, the proposal is reasonably designed to promote the display of liquidity because such quotations would be displayed at the next-best aggressive price instead of being cancelled. The Commission believes that the proposal will also ensure that an MMALO will always add liquidity as maker, rather than remove liquidity as taker, while ensuring that MMALOs priced too far through the contra-side interest on the Exchange or the NBBO will be rejected. As such, the proposed MMALO could assist Market Makers in maintaining a fair and orderly market and encourage Market Makers to provide displayed liquidity to the market, thus contributing to price discovery. In the case of MMRPs, the proposal may afford Market Makers more certainty when providing liquidity, while ensuring that MMRPs priced too far through the contra-side NBBO will cancel or reject after trading with any eligible interest on the Exchange. The Commission believes that ranking the repriced MMALO or repriced MMRP by time priority behind other interest already available to trade at a price preserves principles of priority and therefore would promote just and equitable principles of trade.

Further, the Commission believes that the proposed quotation designations are reasonably designed to provide Market Makers with a greater level of determinism, in terms of managing their exposure, and thus could encourage more aggressive liquidity provision, resulting in more trading opportunities and tighter spreads. This may help improve the mechanism of price discovery. Moreover, the Commission notes that other options exchanges have adopted quote types designed to strengthen market making.60

For the reasons discussed above, the Commission believes that the proposed rule change, as modified by Amendment No. 1, is consistent with the Act.

IV. Conclusion

It is therefore ordered, pursuant to Section 19(b)(2) of the Act,61 that the proposed rule change (SR–NYSEArca–2018–74), as modified by Amendment No. 1, be, and it hereby is, approved.

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

Eduardo A. Aleman,
Assistant Secretary.

60 See Notice, supra note 3, at 53698, n.45 (citing

Self-Regulatory Organizations; Nasdaq
ISE, LLC; Notice of Filing and
Immediate Effectiveness of Proposed
Rule Change To Amend
Supplementary Material .02 to Rule 715
Regarding Cancel and Replace Orders

December 6, 2018.

Pursuant to Section 19(b)(1) of the
Securities Exchange Act of 1934

61 See Notice, supra note 3, at 53698, n.45 (citing Miami International Securities Exchange, LLC Rule 515(d) and BOX Options Exchange LLC IM–8056–3).


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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–84741; File No. SR–ISE–
2018–97]

Self-Regulatory Organizations; Nasdaq
ISE, LLC; Notice of Filing and
Immediate Effectiveness of Proposed
Rule Change To Amend
Supplementary Material .02 to Rule 715
Regarding Cancel and Replace Orders

December 6, 2018.

Pursuant to Section 19(b)(1) of the
Securities Exchange Act of 1934