

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.⁵⁶

Eduardo A. Aleman,

Assistant Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-79821; File No. SR-ICC-2016-014]

Self-Regulatory Organizations; ICE Clear Credit LLC; Notice of Designation of Longer Period for Commission Action on Proposed Rule Change To Provide for the Clearance of Additional Credit Default Swap Contracts

January 18, 2017.

On November 18, 2016, ICE Clear Credit LLC (“ICC”) filed with the Securities and Exchange Commission (“Commission”), pursuant to Section 19(b)(1) of the Securities Exchange Act (“Act”)¹ and Rule 19b-4 thereunder,² a proposed rule change to provide for the clearance of additional credit default swap contracts. (File No. SR-ICC-2016-014). The proposed rule change was published for comment in the **Federal Register** on December 7, 2016.³ To date, the Commission has not received comments on the proposed rule change.

Section 19(b)(2) of the Act⁴ provides that within 45 days of the publication of notice of the filing of a proposed rule change, or within such longer period up to 90 days as the Commission may designate if it finds such longer period to be appropriate and publishes its reasons for so finding or as to which the self-regulatory organization consents, the Commission shall either approve the proposed rule change, disapprove the proposed rule change, or institute proceedings to determine whether the proposed rule change should be disapproved. The 45th day from the publication of notice of filing of this proposed rule change is January 20, 2017.

The Commission is extending the 45-day time period for Commission action on the proposed rule change. ICC’s proposes to revise the ICC Rulebook (the “Rules”) to provide for the clearance of Standard Australian Corporate Single Name CDS contracts (collectively,

“STAC Contracts”) and Standard Australian Financial Corporate Single Name CDS contracts (collectively, “STAFCS Contracts”). The Commission finds it is appropriate to designate a longer period within which to take action on the proposed rule change so that it has sufficient time to consider ICC’s proposed rule change.

Accordingly, the Commission, pursuant to Section 19(b)(2)⁵ of the Act, designates February 24, 2017, as the date by which the Commission should either approve or disapprove, or institute proceedings to determine whether to disapprove, the proposed rule change (File No. SR-ICC-2016-014).

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.⁶

Eduardo A. Aleman,

Assistant Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-79831; File No. SR-BOX-2016-58]

Self-Regulatory Organizations; BOX Options Exchange LLC; Order Granting Approval of Proposed Rule Change To Amend Interpretive Material to Rule 7150 (Price Improvement Period “PIP”) and Interpretive Material to Rule 7245 (Complex Order Price Improvement Period “COPIP”) To Make Permanent the Pilot Programs That Permit the Exchange to Have No Minimum Size Requirement for Orders Entered into the PIP (“PIP Pilot Program”) and COPIP (“COPIP Pilot Program”)

January 18, 2017.

I. Introduction

On December 9, 2016, BOX Options Exchange LLC (the “Exchange”) 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 the eligibility requirements for its Price Improvement Period auction (“PIP” or “Auction”) and make permanent pilot programs for the PIP and Complex Order Price Improvement Period (“COPIP”) programs. The proposed rule change

was published for comment in the **Federal Register** on December 16, 2016.³ The Commission received no comments regarding the proposal. This order approves the proposed rule change.

II. Description of the Proposal

Pursuant to BOX Rule 7150, Options Participants executing agency orders (“Initiating Participants”) may designate Market Orders and marketable limit Customer Orders for price improvement and submission to the PIP (“PIP Orders”) along with a matching contra order equal to the full size of the PIP Order. The PIP was introduced with the launch of the BOX Options Exchange facility (“BOX Facility”) in 2004.⁴ The COPIP mechanism allows complex orders to be submitted to the COPIP in substantially the same manner as orders for single options series instruments currently are submitted to the PIP. The COPIP was established in January 2014.⁵

The PIP Pilot Program and COPIP Pilot Program (“Pilot Programs”) guarantee Participants the right to trade with their customer orders that are less than 50 contracts. The rules permitting an Initiating Participant to enter an agency order into the PIP and COPIP with no minimum size requirement were approved on a pilot basis.⁶ Any order entered into the PIP is guaranteed an execution at the end of the auction at a price at least equal to the National Best Bid and Offer (“NBBO”).⁷ Any order entered into the COPIP is guaranteed an execution at the end of the auction at a price at least equal to or better than the cNBBO,⁸ cBBO⁹ and BBO on the Complex Order Book for the Strategy at the time of commencement.¹⁰ Both Pilot Programs are scheduled to expire on January 18, 2017.¹¹

³ See Securities Exchange Act Release No. 79531 (December 12, 2016), 81 FR 91227 (“Notice”).

⁴ See Securities Exchange Act Release Nos. 49068 (January 13, 2004), 69 FR 2775 (January 20, 2004) (SR-BSE-2003-04) (“PIP Approval Order”).

⁵ See Securities Exchange Act Release No. 71148 (December 19, 2013) 78 FR 78437 (December 26, 2013) (“COPIP Approval Order”).

⁶ See PIP Approval Order, *supra* note 4, and COPIP Approval Order, *supra* note 5.

⁷ See BOX Rule 7150(f).

⁸ The term “cNBBO” means the best net bid and offer price for a Complex Order Strategy based on the NBBO for the individual options components of such Strategy. See BOX Rule 7240(a)(3).

⁹ The term “cBBO” means the best net bid and offer price for a Complex Order Strategy based on the BBO on the BOX Book for the individual options components of such Strategy. See BOX Rule 7240(a)(1).

¹⁰ See BOX Rule 7245(f).

¹¹ See Securities Exchange Act Release No. 78353 (July 18, 2016), 81 FR 47843 (July 22, 2016) (SR-BOX-2016-32).

⁵⁶ 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. 79439 (Dec. 1, 2016), 81 FR 88291 (Dec. 7, 2016) (SR-ICC-2016-014).

⁴ 15 U.S.C. 78s(b)(2).

⁵ 15 U.S.C. 78s(b)(2).

⁶ 17 CFR 200.30-3(a)(31).

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

BOX proposes to amend the PIP and COPIP to make permanent the Pilot Programs that permit the Exchange to have no minimum size requirement for orders entered into the PIP. In addition, BOX proposes to modify the eligibility requirements for the PIP where the NBBO is only \$0.01 wide.

A. PIP Eligibility Requirements

The Exchange proposes to amend the PIP eligibility requirements. Currently, a PIP Order may be submitted to BOX with a matching contra order that is equal to the full size of the PIP Order and at a price equal to or better than that of the NBBO at the time of the commencement of the PIP, at any NBBO spread. BOX proposes to amend the PIP to reject any Auction where the quoted NBBO spread¹² is less than or equal to \$0.01.¹³ While the Exchange believes that opportunities remain for price improvement where the NBBO spread is less than or equal to \$0.01, the Exchange notes that the data for the current pilot shows small amounts of price improvement in these orders.¹⁴

B. PIP Pilot Program

The Exchange has provided the Commission with a summary report containing Auction data for the period between January through June 2015.¹⁵ BOX believes that the data gathered demonstrates there is an active and liquid market functioning on the Exchange outside of the auction mechanism.¹⁶ In the period between January and June 2015, 30.5 million contracts were executed through the BOX PIP, approximately 64% of BOX total contract volume. While during this period average daily contract volume traded through the PIP fell from 339,088 contracts per day in January 2015 to 255,150 contracts per day in June 2015, overall contract volume outside of the PIP also fell during that period. Additionally, with an average number of 4.0 participants in each auction, the data shows there is meaningful competition in PIP auctions for all size orders.¹⁷

The Exchange believes, based on the data, that there is significant price improvement and significant opportunity for price improvement

when the NBBO spread is greater than \$0.01.¹⁸ During the period between January through June 2015, there was an average price improvement of \$0.05 per contract for contracts executed through the PIP when BOX was at the NBBO, and \$0.01 per contract for contracts executed through the PIP when BOX was not at the NBBO regardless of size.¹⁹

The Exchange has also gathered data on the premature terminations in the PIP. Between January and June 2015, the number of auctions that terminated early was less than 0.05% of all PIP auctions.²⁰

C. COPIP Pilot Program

With respect to the COPIP Pilot Program, the Exchange notes that between January through June 2015, COPIP volume accounted for 41% of all complex order volume on BOX.²¹ The average price improvement amount (when improved) was \$0.11 for this same period. The average number of responders is higher for COPIP Orders of 50 contracts and under (0.23) when compared to COPIP Orders greater than 50 contracts (0.01). While the average numbers of responders in the COPIP is lower than that of the PIP, the Exchange believes that as volume in the COPIP increases, the overall average number of responders will also increase.²²

The Exchange has also gathered data on the premature terminations in the COPIP to determine if these could result in a COPIP Order being disadvantaged by the early conclusion of or COPIP. Between January and June 2015, the number of auctions that terminated early was less than 0.09% of all COPIP auctions.²³

III. Discussion and Commission Findings

After careful review, the Commission finds that the proposed rule change is consistent with the requirements of the Act and the rules and regulations thereunder applicable to a national securities exchange and, in particular, with Section 6(b) of the Act.²⁴ In particular, the Commission finds that the proposed rule change is consistent with Section 6(b)(5) of the Act,²⁵ 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, in general, to protect customers, issuers, brokers and dealers.

As part of its proposal, the Exchange provided summary data on Exhibit 3 of its filing for the period January through June 2015, which the Exchange and Commission both publicly posted on their respective Web sites. Among other things, this data is useful in assessing the level of price improvement in the auction, in particular for orders for fewer than 50 contracts; the degree of competition for order flow in such auctions; and a comparison of liquidity in the auctions with liquidity on the Exchange generally.²⁶ Based on the data provided by the Exchange, the Commission believes that the Exchange's price improvement auction generally delivers a meaningful opportunity for price improvement to orders, including orders for fewer than 50 contracts, when the spread in the option is \$0.02 or more. At the same time, as the Exchange has recognized, the data do not demonstrate that such orders have realized significant price improvement when the NBBO has a bid/ask differential of \$0.01.²⁷ Recognizing this, the Exchange has proposed to amend the auction eligibility requirements to reject any Auction where the quoted NBBO spread is less than or equal to \$0.01. The Exchange's proposal to modify the auction eligibility requirements and seek permanent approval of the Pilot Programs, as amended with the new provision, will, in the Commission's view, promote opportunities for price improvement.

The Commission believes that, particularly for auctions for fewer than 50 contracts when the bid/ask differential is wider than \$0.01, the data provided by the Exchange support its proposal to make the Pilot Programs permanent. The data demonstrate that the auction generally provides price improvement opportunities to simple and complex orders, including orders of retail customers and particularly when the bid/ask differential is wider than \$0.01, that there is meaningful

¹² The NBBO spread is the difference between the NBBO Bid and the NBBO Ask.

¹³ All PIP Auctions where the NBBO spread is more than \$0.01 will continue to be allowed.

¹⁴ See Notice, *supra* note 3, at 91229. During the six month time period, .05% of auctions where the NBBO spread was less than or equal to \$0.01 received price improvement. See *id.*

¹⁵ See Notice, *supra* note 3, at 91228. See Exhibit 3 to SR-BOX-2016-58.

¹⁶ See Notice, *supra* note 3, at 91229.

¹⁷ See *id.*

¹⁸ See *id.*

¹⁹ See *id.*

²⁰ See *id.*

²¹ See *id.*

²² See *id.*

²³ See *id.*

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

²⁵ 15 U.S.C. 78f(b)(5).

²⁶ See Exhibit 3 to SR-BOX-2016-58.

²⁷ See Notice, *supra* note 3, at 91229.

competition for orders on the Exchange; and that there exists an active and liquid market functioning on the Exchange outside of the auction.²⁸ The Commission further believes that the proposed revisions to the eligibility requirements for simple PIP Orders with respect to circumstances when the NBBO is \$0.01 wide should help to enhance the operation of the auction by limiting its use to circumstances when there are more meaningful opportunities for price improvement, and should benefit investors and others in a manner that is consistent with the Act. Thus, the Commission has determined to approve the Exchange's proposed revisions to Rule 7150 and to approve the Pilot Programs, as proposed to be modified, on a permanent basis.

IV. Conclusion

It is therefore ordered, pursuant to Section 19(b)(2) of the Act,²⁹ that the proposed rule change (SR-BOX-2016-58), be and hereby is approved.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.³⁰

Eduardo A. Aleman,
Assistant Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-79839; File No. SR-BatsBZX-2016-80]

Self-Regulatory Organizations; Bats BZX Exchange, Inc.; Notice of Designation of a Longer Period for Commission Action on Proposed Rule Changes to BZX Rule 14.11, Other Securities, and BZX Rule 14.12, Failure To Meet Listing Standards

January 18, 2017.

On November 18, 2016, Bats BZX Exchange, Inc. ("BZX") 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, among other things: (1) Amend the listing rules relating to exchange-traded products in BZX Rule 14.11 to add additional continued listing standards; and (2) incorporate certain changes to BZX Rule 14.12 (Failure to Meet Listing Standards). The proposed rule change

was published for comment in the **Federal Register** on December 7, 2016.³ The Commission has received one comment letter on the proposed rule change.⁴

Section 19(b)(2) of the Act⁵ provides that, within 45 days of the publication of notice of the filing of a proposed rule change, or within such longer period up to 90 days as the Commission may designate if it finds such longer period to be appropriate and publishes its reasons for so finding or as to which the self-regulatory organization consents, the Commission shall either approve the proposed rule change, disapprove the proposed rule change, or institute proceedings to determine whether the proposed rule change should be disapproved. The 45th day after publication of the notice for this proposed rule change is January 21, 2017. The Commission is extending this 45-day time period.

The Commission finds that it is appropriate to designate a longer period within which to take action on the proposed rule change so that it has sufficient time to consider the proposed rule change. Accordingly, the Commission, pursuant to Section 19(b)(2) of the Act,⁶ designates March 7, 2017, as the date by which the Commission shall either approve or disapprove or institute proceedings to determine whether to disapprove the proposed rule change (File Number SR-BatsBZX-2016-80).

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.⁷

Eduardo A. Aleman,
Assistant Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-79841; File No. SR-ISEMercury-2016-25]

Self-Regulatory Organizations; ISE Mercury LLC; Order Granting Approval of Proposed Rule Change To Amend ISE Mercury Rule 723 and To Make Pilot Program Permanent

January 18, 2017.

I. Introduction

On December 12, 2016, ISE Mercury, LLC (the "Exchange" or "ISE Mercury") 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 the eligibility requirements for its Price Improvement Mechanism ("PIM" or "Auction") and make permanent those aspects of the PIM that are currently operating on a pilot basis. The proposed rule change was published for comment in the **Federal Register** on December 19, 2016.³ The Commission received no comments regarding the proposal. This order approves the proposed rule change.

II. Description of the Proposal

The Exchange adopted PIM as part of its application to be registered as a national securities exchange.⁴ Pursuant to ISE Mercury Rule 723, an Electronic Access Member ("EAM") may electronically submit for execution an order it represents as agent ("Agency Order") against principal interest or against a solicited order for the full size of the Agency Order, provided it submits the Agency Order for electronic execution into the PIM (a "Crossing Transaction"). Parts of the PIM are currently operating on a pilot basis ("Pilot"),⁵ which is set to expire on January 18, 2017.⁶ The Exchange proposes to make the Pilot permanent, and also proposes to amend the Auction eligibility requirements for certain

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ See Securities Exchange Act Release No. 79539 (December 13, 2016), 81 FR 91982 ("Notice").

⁴ See Securities Exchange Act Release No. 76998 (January 29, 2016), 81 FR 6066 (February 4, 2016) (File No. 10-221) ("Exchange Approval Order").

⁵ Two components of PIM were approved by the Commission on a pilot basis: (1) The early conclusion of the PIM; and (2) no minimum size requirement of orders.

⁶ See Securities Exchange Act Release No. 78342 (July 15, 2016), 81 FR 47481 (July 21, 2016) (SR-ISEMercury-2016-13) ("PIM July 2016 Extension").

²⁸ See Exhibit 3 to SR-BOX-2016-58.

²⁹ 15 U.S.C. 78s(b)(2).

³⁰ 17 CFR 200.30-3(a)(12).

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ See Securities Exchange Act Release No. 79450 (December 1, 2016), 81 FR 88284.

⁴ See letter from David W. Blass, General Counsel, Investment Company Institute, to Brent J. Fields, Secretary, Commission, dated January 12, 2017.

⁵ 15 U.S.C. 78s(b)(2).

⁶ *Id.*

⁷ 17 CFR 200.30-3(a)(31).