identifying information from submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR–FINRA–2016–039 and should be submitted on or before March 2, 2017.

V. Discussion and Commission Findings

The Commission has carefully considered the Proposal, the comments received, FINRA's response to the comments, and Partial Amendment No. 1. Based on its review of the record, the Commission finds that the Proposal, as modified by Partial Amendment No. 1, is consistent with the requirements of the Exchange Act and the rules and regulations thereunder applicable to a national securities association.[187] In particular, the Commission finds that the Proposal, as modified by Partial Amendment No. 1, is consistent with Section 15A(b)(6) of the Exchange Act,[188] which requires, among other things, that FINRA's rules be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, and, in general, to protect investors and the public interest.

As discussed above, the Proposal, as modified by Partial Amendment No. 1, would: (1) Require members to make reasonable efforts to obtain the name of and contact information for a trusted contact person for a customer's account; and (2) permit members to place temporary holds on disbursements of funds or securities from the accounts of specified customers, where there is a reasonable belief that these customers have been, are being, or will be subject to financial exploitation.

The Commission has considered the twenty-one (21) comment letters received on the Proposal,[189] along with FINRA's Response Letter, and Partial Amendment No. 1.[190] The Commission acknowledges the supportive commenters' positions, such that adoption of the Proposal would better enable FINRA members ''to protect seniors and other vulnerable adults from financial exploitation,'' [191] that the Proposal was ''well-conceived to help member firms protect seniors,'' [192] and that it would provide additional guidance to members, create uniform practices, and make customers more willing to provide trusted contact information.[193]

The Commission also acknowledges commenters' concerns and recommended modifications to the Proposal. However, it also notes that FINRA's response to comments addresses many of these concerns, and offers additional clarifications regarding FINRA's expectations regarding the operation of the Proposal. For example, FINRA clarified that the notification requirement is a post-hold obligation, and that the proposed safe harbor does not apply to a decision not to place a hold. FINRA also addresses a concern of several commenters through its proposed partial amendment, which makes explicit in the rule text that associated persons are covered by the rule's safe harbor, a position FINRA indicated is consistent with its original interpretation of the scope of the safe harbor. Throughout its response to comments, FINRA has emphasized its attempts to balance members' operational practicalities with the serious investor protection concerns raised both by the specter of financial exploitation and the seriousness of placing a temporary hold on a disbursement. Moreover, FINRA has addressed commenters' questions about the intersection of the Proposal with both Section 22(e) of the 1940 Act, and with Regulation S–P, based on its discussions with Commission staff.

Taking into consideration the comments and FINRA's responses, the Commission finds that the Proposal is consistent with the Exchange Act. Specifically, the Commission believes that the Proposal will protect investors and the public interest by, among other things, providing FINRA members with means by which they can respond to situations where there is a reasonable belief of financial exploitation of seniors and other vulnerable adults. The Commission additionally believes that the Proposal will promote investor protection by providing FINRA members with a safe harbor from the purported violation of certain FINRA rules, without which such members might otherwise be discouraged from placing a temporary hold on disbursements of funds or securities where there is a reasonable belief of financial exploitation.

The Commission believes that FINRA's responses, as discussed in more detail above, appropriately addressed commenters' concerns and adequately explained FINRA's reasons for modifying or declining to modify its Proposal. Accordingly, the Commission believes that the approach proposed by FINRA is appropriate and designed to protect investors and the public interest, consistent with Section 15A(b)(6) of the Exchange Act and the rules and regulations thereunder.

VI. Conclusion

It is therefore ordered pursuant to Section 19(b)(2) [194] of the Exchange Act that the proposed rule change (SR–FINRA–2016–039), as modified by Partial Amendment No. 1, be and hereby is approved on an accelerated basis.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.[195]

Eduardo A. Aleman,

Assistant Secretary.

[FR Doc. 2017–02645 Filed 2–8–17; 8:45 am]

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[187] In approving the Proposal, as modified by Partial Amendment No. 1, the Commission has also considered its impact on efficiency, competition, and capital formation. *See* 15 U.S.C. 78c(f).

[188] 15 U.S.C. 78o–3(b)(6).

[189] *See supra* note 5.

[190] *See supra* note 7.

[191] *See* ICI.

[192] *See* Janney.

[193] *See* FSI.

[194] *Id.*

[195] 17 CFR 200.30–3(a)(12).

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–79957; File No. SR–BatsEDGX–2017–07]

Self-Regulatory Organizations; Bats EDGX Exchange, Inc.; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change To Adopt a New Type of Logical Port Known as a Purge Port

February 3, 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 January 23, 2017, Bats EDGX Exchange, Inc. (the ''Exchange'' or ''EDGX'') 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 Act [3] 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.

[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).

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

The Exchange filed a proposal to amend Rule to modify its fee schedule applicable to the Exchange's options platform (''EDGX Options'') to identify and to set fees for Purge Ports. The Exchange also proposes to amend Exchange Rule 22.11, Mass Cancellation of Trading Interest, to reflect the proposed Purge Port functionality.

The text of the proposed changes to Exchange Rule 22.11 is attached as Exhibit 5A. The proposed changes to the fee schedule are attached as Exhibit 5B. The text of the proposed rule change is available at the Exchange's Web site at *www.bats.com,* at the principal office of the Exchange, 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 parts of such statements.

(A) Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

1. Purpose

The Exchange proposes to modify the Options Logical Port Fee section of the EDGX Options fee schedule to identify and adopt fees for Purge Ports. The Exchange also proposes to amend Exchange Rule 22.11, Mass Cancellation of Trading Interest, to reflect the proposed Purge Port functionality. The purpose of the proposed rule change is to offer Members,[5] including Market Makers,[6] with an additional tool to manage risk and exercise additional control over their quotations.

Background

A logical port represents a port established by the Exchange within the Exchange's system for trading and billing purposes. Each logical port established is specific to a Member or non-Member and grants that Member or non-Member the ability to accomplish a specific Member function, such as order entry, order cancellation, or data receipt. In addition, logical ports enable Users,[7] including Market Makers, to access information such as execution reports, execution report messages, auction notifications, and administrative data through a single feed. The Exchange also offers a bulk-quoting interface which allows Users of EDGX Options to submit and update multiple bids and offers in one message through logical ports enabled for bulk-quoting.

Purge Ports

The Exchange now proposes to modify the EDGX Options fee schedule to identify fees for Purge Ports, a new type of logical port which would enable Options Members[8] to cancel/purge all open orders, or a subset thereof, across multiple logical ports through a single cancel/purge message. The Exchange also proposes to amend Exchange Rule 22.11, Mass Cancellation of Trading Interest, to reflect the proposed Purge Port functionality. The proposed ports are designed to assist Options Members, including Market Makers, in the management of, and risk control over, their quotes, particularly if the Options Member is dealing with a large number of options. For example, if an Options Member detects market indications that may influence the direction or bias of his or her quotes the Options Member may use the proposed Purge Port(s) to reduce uncertainty and to manage risk by purging all quotes in a number of options seamlessly to avoid unintended executions, while continuing to evaluate the direction of the market. While Purge Ports will be available to all Options Members, the Exchange anticipates they will be used primarily by Market Makers.

Options Members may currently cancel orders through their existing logical ports and may send a mass cancel message pertaining to multiple contracts cancelling all orders sent though a particular logical port. The Exchange now proposes to expand the ability of Options Members to cancel orders through the proposed Purge Ports, which would enable them to cancel/purge all open orders, or a subset thereof, across multiple logical ports through a single cancel/purge message. The mass cancel request may be limited to a subset of orders by identifying the range of orders to be purged.[9] An Options Member may also request via a Purge Port that the Exchange block all or a subset of its new inbound bids, offers, and orders in all series of options or in all options for a specified underlying security. The block will remain in effect until the Options Member requests the Exchange remove the block.

The Exchange proposes to modify the Options Logical Port Fee section of the EDGX Options fee schedule to adopt a fee for Purge Ports of $750 per port/per month. The Exchange also proposed to add language to its fee schedule making clear that logical port fees, including Purge Ports, are limited to logical ports within the primary data center.[10] No logical port fees, including for Purge Ports, will be assessed for redundant secondary data center ports. New requests will be prorated for the first month of service. Cancellation requests are billed in full month increments as firms are required to pay for the service for the remainder of the month, unless the session is terminated within the first month of service.

The Exchange also proposes to amend Exchange Rule 22.11, Mass Cancellation of Trading Interest, to reflect the proposed Purge Port functionality. Exchange Rule 22.11 currently states that an Options Member may simultaneously cancel all its bids, offers, and orders in all series of options or in all options for a specified underlying security by requesting the Exchange staff to effect such cancellation. First, the Exchange proposes to amend Rule 22.11 to state that an Options Member may also cancel all or a subset of its bids, offers, and orders in all series of options or in all options for a specified underlying security by requesting the Exchange to effect such cancellation.[11] The

[5] A Member is defined as ''any registered broker or dealer that has been admitted to membership in the Exchange.'' *See* Exchange Rule 1.5(n).

[6] Market Maker is defined as ''an Options Member registered with the Exchange for the purpose of making markets in options contracts traded on the Exchange and that is vested with the rights and responsibilities specified in Chapter XXII of these Rules.'' *See* Exchange Rule 16.1(a)(37).

[7] A User on EDGX Options is either a member of EDGX Options or a sponsored participant who is authorized to obtain access to the Exchange's system pursuant to EDGX Rule 11.3. *See* Exchange Rule 16.1(a)(63).

[8] ''Options Member'' is defined as ''a firm, or organization that is registered with the Exchange pursuant to Chapter XVII of these Rules for purposes of participating in options trading on EDGX Options as an 'Options Order Entry Firm' or 'Options Market Maker.'" *See* Exchange Rule 16.1(a)(38).

[9] The Options Member may identify a subset of orders based on their own risk profile by selecting orders across series, strike price, and/or expiration date.

[10] The Exchange does not currently charge fees for other forms of logical port connectivity.

[11] The Exchange also proposes to the remove reference to the Exchange ''staff'' as such

Continued

Exchange further proposes to amend Rule 22.11 to state that an Options Member may also request that the Exchange block all or a subset of its new inbound bids, offers, and orders in all series of options or in all options for a specified underlying security. Rule 22.11 will further state that the block will remain in effect until the Options Member requests the Exchange remove the block.

2. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act [12] in general, and furthers the objectives of Section 6(b)(5) of the Act [13] in particular, in that it is designed to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in facilitating transactions in securities, to remove impediments to and perfect the mechanism of a free and open market and a national market system and, in general, to protect investors and the public interest. The Exchange believes that the proposed rule change is consistent with Section 6(b)(4) of the Act,[14] in that it provides for the equitable allocation of reasonable dues, fees and other charges among Members and other persons using any facility or system which the Exchange operates or controls. The Exchange believes that the proposed rule change would promote just and equitable principles of trade and remove impediments to and perfect the mechanism of a free and open market because offering Options Members, including Market Makers, designated Purge Ports would enhance their ability to manage quotes, quote traffic, and their quoting obligations,[15] which would, in turn, improve their risk controls to the benefit of all market participants. The Exchange believes that the Purge Ports would foster cooperation and coordination with persons engaged in facilitating transactions in securities because designating Purge Ports for purges only may encourage better use of such dedicated ports. This may, concurrent with the logical ports that carry quote and other information necessary for market making activities, enable more efficient, as well as fair and reasonable, use of Market Makers' resources. Because Purge Ports, as the name suggests, are only available for purging and not for activities such as order or quote entry, the Purge Ports are not designed to permit unfair discrimination but rather are designed to enable Market Makers to manage their quoting risk and meet their heightened quoting obligations that other market participants are not subject to, which, in turn, benefits all market participants. The Exchange also notes that similar connectivity and functionality is offered by other exchanges.[16]

The Exchange notes that the proposed rule change will not relieve Market Makers of their continuous quoting obligations under Exchange Rule 22.6 and under Regulation NMS Rule 602.[17] Specifically, any interest that is executable against an Options Member's or Market Maker's quotes and orders that is received by the Exchange prior to the time the removal of quotes request will automatically execute at that price, up to the quote's size. Market Makers that purge their quotes will not be relieved of the obligation to provide continuous two-sided quotes on a daily basis, nor will it prohibit the Exchange from taking disciplinary action against a Market Maker for failing to meet their continuous quoting obligation each trading day.

The Exchange believes that its proposed fees should facilitate the ability of the Exchange to recoup some costs associated with Purge Ports as well as provide, maintain, and improve Purge Ports.[18] The Exchange operates in a highly competitive market in which exchanges offer connectivity services as a means to facilitate the trading activities of Members and other participants. Accordingly, fees charged for connectivity are constrained by the active competition for the order flow of such participants as well as demand for market data from the Exchange. If a particular exchange charges excessive fees for connectivity, affected Members will opt to terminate their connectivity arrangements with that exchange, and adopt a possible range of alternative strategies, including routing to the applicable exchange through another participant or market center or taking that exchange's data indirectly. Accordingly, the exchange charging excessive fees would stand to lose not only connectivity revenues but also revenues associated with the execution of orders routed to it by affected Members, and, to the extent applicable, market data revenues. The Exchange believes that this competitive dynamic imposes powerful restraints on the ability of any exchange to charge unreasonable fees for connectivity.

While the Exchange does not currently charge fees for existing logical ports connections, it believes the proposed fee for Purge Ports is equitable and reasonable because the proposed Purge Ports would offer unique functionality by allowing for the sending of a single message to impact multiple orders. Additionally, Purge Port requests may cancel orders submitted over numerous ports and contain added functionality to purge only a subset of these orders. The Exchange also believes the proposed fee for the Purge Ports is equitable and reasonable as compared to the rates proposed by other exchanges for the same functionality.[19] In addition, the proposed rate is competitive with that charged by competitor exchanges for similar functionality. For example, Phlx charges a rate of $500 per month for the first five SQF Purge Ports, which only allow for the mass purging of quotations and not the purging of a subset of orders and the blocking of new orders as proposed herein.[20] The Exchange also believes clarifying within its fee schedule how Purge Port charges are applied to the primary data center only and pro-rated when subscribed to or terminated mid-month is equitable and reasonable because it adds clarity to the Exchange's fee schedule regarding how the proposed fee would be applied.

The Exchange also believes that the proposed amendments to its fee schedule are non-discriminatory because they will apply uniformly to all Members. The proposed Purge Ports are completely voluntary and no Member is required or under any regulatory obligation to utilize them. All Members that voluntarily select this service options will be charged the same amount for the same services. All

cancellation request may also be through the logical ports or the proposed Purge Ports.

[12] 15 U.S.C. 78f(b).

[13] 15 U.S.C. 78f(b)(5).

[14] 15 U.S.C. 78f(b)(4).

[15] *See* Exchange Rules 22.5 and 22.6.

[16] *See* Chapter VII of the NASDAQ PHLX LLC (''Phlx'') pricing schedule (setting forth fees for SQF Purge Ports, which only allow for the mass purging of quotations). *See also* Securities Exchange Act Release No. 77613 (April 13, 2016), 81 FR 23023 (April 19, 2016) (SR–Phlx–2016–45). *See* Miami International Securities Exchange LLC (''MIAX'') Rule 519C, Mass Cancellation of Trading Interest (allowing members to remove all or a subset of its quotations in and to block new inbound quotations). *See also* Securities Exchange Act Release No. 78974 (September 29, 2016), 81 FR 69090 (October 5, 2016) (SR–MIAX–2016–34).

[17] 17 CFR 242.602.

[18] Purge Ports will be fee liable on a monthly basis (and not only when such ports are active), which will help the Exchange to recoup the cost of these ports.

[19] The Exchange notes that Bats BZX Exchange, Inc. has also proposed to provide similar purge port functionality for a fee of $750 per month/per port on its equity options platform. *See* SR–BatsBZX–2017–05 (filed January 20, 2017).

[20] *See* Chapter VII of the Phlx pricing schedule (setting forth fees for SQF Purge Ports). *See also* Securities Exchange Act Release No. 77613 (April 13, 2016), 81 FR 23023 (April 19, 2016) (SR–Phlx–2016–45).

Members have the option to select any connectivity option, and there is no differentiation among Members with regard to the fees charged for the services offered by the Exchange.

(B) Self-Regulatory Organization's Statement on Burden on Competition

The Exchange believes its proposed amendments to its fee schedule would not impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. On the contrary, the Exchange believes the proposed rule change will enhance competition because it will enable it to offer similar connectivity and functionality as its competitor exchanges.[21] In addition, the proposed Purge Ports are completely voluntary and no Member is required or under any regulatory obligation to utilize them. The Exchange does not believe that the proposed change represents a significant departure from previous pricing offered by the Exchange or pricing offered by the Exchange's competitors. Additionally, Members may opt to disfavor the Exchange's pricing if they believe that alternatives offer them better value. Accordingly, the Exchange does not believe that the proposed change will impair the ability of Members or competing venues to maintain their competitive standing in the financial markets.

The Exchange believes that fees for the proposed Purge Ports and connectivity, in general, are constrained by the robust competition for order flow among exchanges and non-exchange markets. Further, excessive fees for connectivity, including Purge Port fees, would serve to impair an exchange's ability to compete for order flow rather than burdening competition. The Exchange also does not believe the proposed rule change would impact intramarket competition as it would apply to all Members and non-Members equally.

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

No comments were solicited or received on the proposed rule change.

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

Because the foregoing proposed rule change does not: (A) Significantly affect the protection of investors or the public interest; (B) impose any significant burden on competition; and (C) by its terms, 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) of the Act[22] and paragraph (f)(6) of Rule 19b–4 thereunder,[23] the Exchange has designated this rule filing as non-controversial. The Exchange has given the Commission written notice of its 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.

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: (1) Necessary or appropriate in the public interest; (2) for the protection of investors; or (3) 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 proposal 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 No. SR–BatsEDGX–2017–07 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 No. SR–BatsEDGX–2017–07. This file number should be included on the subject line if email is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet Web site (*http://www.sec.gov/rules/sro.shtml*). Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for Web site viewing and printing in the Commission's Public Reference Room, 100 F Street NE., Washington, DC 20549, on official business days between the hours of 10:00 a.m. and 3:00 p.m. Copies of such filing will also be available for inspection and copying at the principal office of the Exchange. All comments received will be posted without change; the Commission does not edit personal identifying information from submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File No. SR–BatsEDGX–2017–07 and should be submitted on or before March 2, 2017.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.[24]

Eduardo A. Aleman,

Assistant Secretary.

[FR Doc. 2017–02639 Filed 2–8–17; 8:45 am]

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[21] *See supra* note 16.

[22] 15 U.S.C. 78s(b)(3)(A).

[23] 17 CFR 240.19b–4.

[24] 17 CFR 200.30–3(a)(12).

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–79961; File No. SR–FINRA–2017–003]

Self-Regulatory Organizations; Financial Industry Regulatory Authority, Inc.; Notice of Filing of a Proposed Rule Change To Adopt the FINRA Rule 6800 Series (Consolidated Audit Trail Compliance Rule)

February 3, 2017.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (''Act'')[1] and Rule 19b–4 thereunder,[2] notice is hereby given that on January 31, 2017, Financial Industry Regulatory Authority, Inc. (''FINRA'') filed with the Securities and Exchange Commission (''SEC'' or ''Commission'') the proposed rule change as described in Items I, II, and III below, which Items have been prepared by FINRA.[3] The Commission

[1] 15 U.S.C. 78s(b)(1).

[2] 17 CFR 240.19b–4.

[3] FINRA originally filed this proposed rule change on January 17, 2017 under File No. SR–FINRA–2017–02, and FINRA subsequently withdrew that filing on January 30, 2017 and filed this proposed rule change.