

such that the SDR Relief will expire on the earlier of (1) the date the Commission grants registration to an SDR and (2) June 30, 2016.<sup>2</sup> The Commission granted the exemptions to help facilitate the potential submission of any SDR applications at the time.

Since March 18, 2016, two entities have filed applications to register with the Commission as SDRs.<sup>3</sup> To allow the Commission additional time to review these applications prior to the compliance date for the SDR Rules and the expiration of the SDR Relief, the Commission is extending the exemptions granted in the March 18, 2016 order.

## II. Discussion

The SDR Rules Release<sup>4</sup> states that SDRs were required to be in compliance with the SDR Rules by March 18, 2016. The SDR Rules Release also notes that, absent an exemption, any SDR must be registered with the Commission and in compliance with the federal securities laws and the rules and regulations thereunder (including the applicable Dodd-Frank Act provisions and all of the SDR Rules) by March 18, 2016.<sup>5</sup>

Since March 18, 2016, two entities have filed applications to register with the Commission as SDRs. ICE Trade Vault, LLC (“ICE Trade Vault”) filed with the Commission a Form SDR seeking registration as an SDR on March 29, 2016 and amended that form on April 18, 2016. The Commission’s notice of ICE Trade Vault’s application for registration as an SDR was published in the **Federal Register** on April 28, 2016.<sup>6</sup> DTCC Data Repository (U.S.) LLC (“DDR”) filed with the Commission a Form SDR seeking registration as an SDR on April 6, 2016 and amended that form on April 25, 2016. The Commission’s notice of DDR’s application for registration as an SDR was published in the **Federal Register** on July 7, 2016.<sup>7</sup> Rule 13n–1(c) provides that, within 90 days of the date of the

publication of notice of the filing of an application for registration (or within such longer period as to which the applicant consents), the Commission will either grant the registration by order or institute proceedings to determine whether registration should be granted or denied.

Subject to certain exceptions, section 36 of the Exchange Act<sup>8</sup> authorizes the Commission, by rule, regulation, or order, to exempt, either conditionally or unconditionally, any person, security, or transaction, or any class or classes of persons, securities, or transactions, from any provision or provisions of the Exchange Act or any rule or regulation thereunder, to the extent that such exemption is necessary or appropriate in the public interest, and is consistent with the protection of investors. The Commission finds that it is necessary and appropriate in the public interest, and consistent with the protection of investors, to grant a temporary exemption from compliance with the SDR Rules and an extension of the SDR Relief. The applications filed by ICE Trade Vault and DDR are the first SDR applications submitted to the Commission and therefore present issues of first impression for the Commission’s consideration. Therefore, to allow the Commission additional time prior to the compliance date for the SDR Rules and the expiration of the SDR Relief to review the applications and consider issues related to the first applications for registration of SDRs, the Commission hereby grants, pursuant to Section 36 of the Exchange Act, a temporary exemption from compliance with the SDR Rules and an extension of the SDR Relief until October 5, 2016, which is 90 days from publication of notice of DDR’s application for registration as a SDR.

By the Commission.

**Brent J. Fields,**

*Secretary.*

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–78245; File No. SR–Phlx–2016–58]

### Self-Regulatory Organizations; NASDAQ PHLX LLC; Notice of Filing of Proposed Rule Change To Adopt Limit Order Protection

July 7, 2016.

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> notice is hereby given that on June 24, 2016, NASDAQ PHLX LLC (“Phlx” or “Exchange”) filed with the Securities and Exchange Commission (“SEC” or “Commission”) the proposed rule change as described in Items I and II below, which Items have been prepared by the Exchange. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

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

The Exchange proposes to amend NASDAQ PSX Rule 3307, entitled “Processing of Orders” to adopt a Limit Order Protection or “LOP” for members accessing PSX.

The text of the proposed rule change is available on the Exchange’s Web site at <http://nasdaqomxphlx.cchwallstreet.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 aspects 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 adopt a new mechanism to protect against

<sup>2</sup> See Exchange Act Release No. 77400 (Mar. 18, 2016), 81 FR 15599 (Mar. 23, 2016) (“SDR Section 36 Order”).

<sup>3</sup> See Exchange Act Release No. 77699 (Apr. 22, 2016), 81 FR 25475 (Apr. 28, 2016) (“ICE Trade Vault Notice”) and Exchange Act Release No. 34–78216 (June 30, 2016), 81 FR 44379 (July 7, 2016) (“DDR Notice”).

<sup>4</sup> See Exchange Act Release No. 74246 (Feb. 11, 2015), 80 FR 14438 (Mar. 19, 2015) (“SDR Rules Release”).

<sup>5</sup> See *id.*, 80 FR at 14456. The SDR Rules Release also notes that all exemptions that the Commission provided in a previous release, including the exemption to provisions in Exchange Act Section 13(n), will expire on the March 18, 2016 compliance date. See *id.* (discussing the DFA Effective Date Order).

<sup>6</sup> See ICE Trade Vault Notice.

<sup>7</sup> See DDR Notice.

<sup>8</sup> 15 U.S.C. 78mm.

<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 17 CFR 240.19b–4.

erroneous Limit Orders which are entered into PSX. Specifically, this new feature addresses risks to market participants of human error in entering Limit Orders at unintended prices. LOP would prevent certain Limit Orders from executing or being placed on the Order Book at prices outside pre-set standard limits. The System would reject those Limit Orders, rather than executing them automatically.

The Exchange proposes to adopt a new feature, LOP for Limit Orders, which would reject Limit Orders back to the member when the order exceeds certain defined logic. The Exchange intends to apply LOP system wide. The Exchange reserves the ability to temporarily disable LOP for certain securities in the event of extraordinary market conditions in a certain symbol.<sup>3</sup> Specifically, the LOP feature would prevent certain Limit Orders at prices outside of pre-set standard limits (“LOP Limit”) from being accepted by the System. LOP shall apply to all Quotes and Orders, including any modified Orders.<sup>4</sup> LOP would not apply to Market Orders, Market Maker Peg Orders<sup>5</sup> or Intermarket Sweep Orders (ISO).<sup>6</sup> A Market Maker Peg Order is a passive order type which will not otherwise remove liquidity from the Order Book. This order type was designed to assist Market Makers with meeting their quoting obligations. Market Makers have a diverse business model as compared

<sup>3</sup> For example, LOP may cause a greater number of orders to be rejected in a very volatile market. In the event that the Exchange were to disable LOP in a particular symbol temporarily, the Exchange would immediately notify market participants by sending an alert via an Equities Trader Alert. The Exchange would enable LOP in that symbol as soon as is reasonably practicable and send an updated alert notifying participants that LOP was enabled.

<sup>4</sup> If an Order is modified, LOP will review the order anew and, if LOP is triggered, such modification will not take effect and the original order will be rejected [sic]

<sup>5</sup> A “Market Maker Peg Order” is an Order Type designed to allow a Market Maker to maintain a continuous two-sided quotation at a displayed price that is compliant with the quotation requirements for Market Makers set forth in Rule 3213 (a)(2). The displayed price of the Market Maker Peg Order is set with reference to a “Reference Price” in order to keep the displayed price of the Market Maker Peg Order within a bounded price range. A Market Maker Peg Order may be entered through RASH or FIX. A Market Maker Peg Order must be entered with a limit price beyond which the Order may not be priced. The Reference Price for a Market Maker Peg Order to buy (sell) is the then-current National Best Bid (National Best Offer) or if no such National Best Bid or National Best Offer, the most recent reported last-sale eligible trade from the responsible single plan processor for that day, or if none, the previous closing price of the security as adjusted to reflect any corporate actions (e.g., dividends or stock splits) in the security. See PSX Rule 3301A.

<sup>6</sup> An Intermarket Sweep or ISO Order, which is an Order that is immediately executable within PSX against Orders against which they are marketable, is not subject to LOP. See PSX Rule 3401(g).

with other market participants. Excluding the Market Maker Peg Order from the LOP will assist Market Makers in meeting their quoting obligations. The Exchange believes that because Market Makers have other risk protections in place to prevent them from quoting outside of their financial means, the risk level for erroneous trades is not the same as with other market participants. Market Makers have more sophisticated infrastructures than other market participants and are able to manage their risk, particularly with quoting, utilizing other tools which may not be available to other market participants. An ISO is immediately executable within PSX against orders against which they are marketable. The ISO designation on an order presumes that the market participant has satisfied their obligation to all protected quotes up to the limit of the ISO.

LOP would be operational each trading day. LOP would not be operational during trading halts and pauses. Also, LOP would not apply in the event that there is no established LOP Reference Price.<sup>7</sup> The LOP Reference Price shall be the current National Best Bid or Best Offer (NBBO), the bid for sell orders and the offer for buy orders.

The Exchange proposes to not accept incoming Limit Orders that exceed the LOP Reference Threshold. Limit Orders will not be accepted if the price of the Limit Order is greater than the LOP Reference Threshold for a buy Limit Order. Limit Orders will not be accepted if the price of the Limit Order is less than the LOP Reference Threshold for a sell Limit Order. The LOP Reference Threshold for buy orders will be the LOP Reference Price (offer) plus the applicable percentage specified [sic] in the LOP Limit. The LOP Reference Threshold for sell orders will be the LOP Reference Price (bid) minus the applicable percentage specified [sic] in the LOP Limit. The LOP Limit shall be the greater of 10% of the LOP Reference Price or \$0.50 for all securities across all trading sessions. The LOP Reference Price shall be the current National Best Bid or Best Offer (NBBO), the bid for sell orders and the offer for buy orders.

The Exchange also notes that LOP will be applicable on all protocols.<sup>8</sup> The LOP feature will be mandatory for all PSX members. The Exchange proposes to implement this rule within ninety

<sup>7</sup> For example, if there is a one-sided quote or if the LOP Reference Price is less than the greater of 10% or \$0.50.

<sup>8</sup> PSX maintains several communications protocols for members to use in entering Orders and sending other messages to PSX, such as: OUCH, RASH, FLITE and FIX.

(90) days of the approval of this proposed rule change. The Exchange will issue an Equities Trader Alert in advance to inform market participants of such implementation date.

## 2. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act<sup>9</sup> in general, and furthers the objectives of Section 6(b)(5) of the Act<sup>10</sup> in particular, in that it is designed to promote just and equitable principles of trade, 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, by mitigating risks to market participants of human error in entering Limit Orders at clearly unintended prices. The proposals are appropriate and reasonable, because they offer protections for Limit Orders which should encourage price continuity and, in turn, protect investors and the public interest by reducing executions occurring at dislocated prices.

The proposed LOP feature would assist with the maintenance of fair and orderly markets by mitigating the risks associated with errors resulting in executions at prices that are away from the Best Bid or Offer and potentially erroneous. Further the proposal protects investors from potentially receiving executions away from the prevailing prices at any given time. The Exchange proposes LOP to avoid a series of improperly priced aggressive orders transacting in the Order Book. The LOP Limit is appropriate because it seeks to capture improperly priced Limit Orders and reject them to reduce the risk of, and to potentially prevent, the automatic execution of Orders at prices that may be considered clearly erroneous. The System will only execute Limit Orders priced within the LOP Limit. The proposed limit of greater than 10% or \$0.50 is a reasonable measure to ensure prices remain within the reasonable limits. This protection will bolster the normal resilience and market behavior that persistently produces robust reference prices. This feature should create a level of protection that prevents the Limit Orders from entering the Order Book outside of an acceptable range for the Limit Order to execute.

The LOP will reduce the negative impacts of sudden, unanticipated volatility, and serve to preserve an orderly market in a transparent and uniform manner, increase overall

<sup>9</sup> 15 U.S.C. 78f(b).

<sup>10</sup> 15 U.S.C. 78f(b)(5).

market confidence, and promote fair and orderly markets and the protection of investors. This feature is not optional and is applicable to all members submitting Limit Orders.

#### *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 not necessary or appropriate in furtherance of the purposes of the Act. The LOP feature will provide market participants with additional price protection from anomalous executions. This feature is not optional and is applicable to all members submitting Limit Orders. Thus, the Exchange does not believe the proposal creates any significant impact on competition. Offering this protection to the PSX will not impose any undue burden on intra-market competition, rather, it would permit equities and options members to be protected in a similar manner from erroneous executions.

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

No written comments were either solicited or received.

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

Within 45 days of the date of publication of this notice in the **Federal Register** or within such longer period up to 90 days (i) as the Commission may designate if it finds such longer period to be appropriate and publishes its reasons for so finding or (ii) as to which the self-regulatory organization consents, the Commission will:

- (A) By order approve or disapprove such proposed rule change, or
- (B) institute proceedings to determine whether the proposed rule change should be 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-Phlx-2016-58 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-Phlx-2016-58. 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 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; 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 Number SR-Phlx-2016-58 and should be submitted on or before August 3, 2016.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>11</sup>

**Brent J. Fields,**  
*Secretary.*

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### **SECURITIES AND EXCHANGE COMMISSION**

#### **Proposed Collection; Comment Request**

*Upon Written Request, Copies Available From:* Securities and Exchange Commission, Office of FOIA Services, 100 F Street NE., Washington, DC 20549-2736.

#### *Extension:*

<sup>11</sup> 17 CFR 200.30-3(a)(12).

Rule 15Ba2-1 and Form MSD; SEC File No. 270-0088, OMB Control No. 3235-0083.

Notice is hereby given that pursuant to the Paperwork Reduction Act of 1995 ("PRA") (44 U.S.C. 3501 *et seq.*), the Securities and Exchange Commission ("Commission") is soliciting comments on the existing collection of information provided for in Rule 15Ba2-1 (17 CFR 240.15Ba2-1) and Form MSD (17 CFR 249.1100), under the Securities and Exchange Act of 1934 (15 U.S.C. 78a *et seq.*) ("Exchange Act"). The Commission plans to submit this existing collection of information to the Office of Management and Budget ("OMB") for extension and approval.

Rule 15Ba2-1 provides that an application for registration with the Commission by a bank municipal securities dealer must be filed on Form MSD. The Commission uses the information obtained from Form MSD filings to determine whether bank municipal securities dealers meet the standards for registration set forth in the Act, to maintain a central registry where members of the public may obtain information about particular bank municipal securities dealers, and to develop risk assessment information about bank municipal securities dealers.

Based upon past submissions, the staff estimates that approximately 21 respondents will utilize this application procedure annually. The staff estimates that the average number of hours necessary to comply with the requirements of Rule 15Ba2-1 and Form MSD is 1.5 hours per respondent, for a total burden of approximately 31.5 hours per year. The staff estimates that the average internal compliance cost per hour is approximately \$343. Therefore, the estimated total annual cost of compliance for the respondents is approximately \$10,805.

Written comments are invited on: (a) Whether the proposed collection of information is necessary for the proper performance of the functions of the Commission, including whether the information shall have practical utility; (b) the accuracy of the Commission's estimate of the burden of the collection of information; (c) ways to enhance the quality, utility, and clarity of the information to be collected; and (d) ways to minimize the burden of the collection of information on respondents, including through the use of automated collection techniques or other forms of information technology. Consideration will be given to comments and suggestions submitted in writing within 60 days of this publication.

An agency may not conduct or sponsor, and a person is not required to