

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

No written comments were solicited or received with respect to the proposed rule change.

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

The Exchange believes that the proposal qualifies for accelerated effectiveness in accordance with section 19(b)(2) of the Act. The Exchange believes that there is good cause for the Commission to accelerate effectiveness because the proposed rule change is consistent with the rules of at least two competing options markets, which have amended their rules to prevent directional complex orders from undermining market maker risk settings and do not allow such orders to leg out.¹⁶ The Exchange would like to similarly enhance the protection it provides to Market Makers. Because of the non-traditional nature of these directional complex orders, the Exchange believes it unlikely that they would execute against complex interest. Accordingly, the Exchange believes rejecting the orders outright (as opposed to simply preventing them from legging out) would have the same practical impact for the order-sending firms and would be the most effective and transparent means of handling these orders. Thus, accelerated approval of this proposal would enable the Exchange to implement the rule change without delay, thereby strengthening market maker risk settings and enhancing the competitiveness of the Exchange.

In addition, the Exchange believes that the proposed rejection of the specified directional complex orders would prevent such orders from executing before triggering (and thus, bypassing) the Market Maker risk settings. The Exchange believes that the potential risk of these types of directional complex orders undermining the effectiveness of Market Maker risk settings outweighs any potential benefit to OTP Holders or OTP Firms submitting such orders. Market participants would continue to be able to enter each leg of such complex orders as separate orders. Thus, the Exchange believes good cause exists to accelerate effectiveness of this proposal because it would help eliminate a degree of unnecessary risk borne by Market Makers when fulfilling their quoting

obligations to the markets, which would in turn benefit all market participants because Market Makers would be encouraged to provide tighter and deeper markets.

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 the 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. Please include File Number SR-NYSEARCA-2016-109 on the subject line.

Paper Comments

- Send paper comments in triplicate to Brent J. Fields, Secretary, Securities and Exchange Commission, 100 F Street NE., Washington, DC 20549-1090. All submissions should refer to File Number SR-NYSEARCA-2016-109. 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 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 Number SR-NYSEARCA-2016-109 and should be submitted on or before September 7, 2016.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.¹⁷

Robert W. Errett,
Deputy Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-78554; File No. SR-CBOE-2016-059]

Self-Regulatory Organizations; Chicago Board Options Exchange, Incorporated; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change Relating to COPS

August 11, 2016.

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 August 11, 2016, Chicago Board Options Exchange, Incorporated (the "Exchange" or "CBOE") filed with the Securities and Exchange Commission (the "Commission") the proposed rule change as described in Items I, II, and III 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 purpose of the proposed rule change is to re-implement the contributor compensation structure of the Exchange's Customized Option Pricing Service ("COPS"),³ specifically,

¹⁷ 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 Nos. 34-67813 (September 10, 2012), 77 FR 56903 (September 14, 2012) (SR-CBOE-2012-083); 34-67928 (September 26, 2012), 77 FR 60161 (October 2, 2012) (SR-CBOE-2012-090); 34-70705 (October 17, 2013), 78 FR 63265 (October 23, 2013) (SR-CBOE-2013-097); 34-70845 (November 12, 2013),

¹⁶ See supra n. 11.

the COPS data revenue-sharing plan. The Exchange is not proposing to change the fees for COPS data.

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 purpose of the proposed rule change is to re-implement the contributor compensation structure of the Exchange's COPS,⁴ specifically, the COPS data revenue-sharing plan. The Exchange is not proposing to change the fees for COPS data.

Background

COPS provides market participants with an "end-of-day"⁵ file and "historical"⁶ files of valuations for Flexible Exchange ("FLEX")⁷ options and certain over-the-counter ("OTC") options (collectively, "COPS Data").

⁷ 78 FR 69168 (November 18, 2013) (SR-CBOE-2013-104); 34-72621 (July 16, 2014), 79 FR 42616 (July 22, 2014) (SR-CBOE-2014-057); 34-74159 (January 28, 2015), 80 FR 5863 (February 23, 2015) (SR-CBOE-2015-007); 34-74937 (May 12, 2015), 80 FR 28319 (May 18, 2015) (SR-CBOE-2015-046); and 34-76888 (January 13, 2016), 81 FR 12 (January 20, 2016) (SR-CBOE-2015-122).

⁴ See Securities Exchange Act Release Nos. 34-67813 (September 10, 2012), 77 FR 56903 (September 14, 2012) (SR-CBOE-2012-083); 34-67928 (September 26, 2012), 77 FR 60161 (October 2, 2012) (SR-CBOE-2012-090); 34-70705 (October 17, 2013), 78 FR 63265 (October 23, 2013) (SR-CBOE-2013-097); 34-70845 (November 12, 2013), 78 FR 69168 (November 18, 2013) (SR-CBOE-2013-104); 34-72621 (July 16, 2014), 79 FR 42616 (July 22, 2014) (SR-CBOE-2014-057); 34-74159 (January 28, 2015), 80 FR 5863 (February 23, 2015) (SR-CBOE-2015-007); 34-74937 (May 12, 2015), 80 FR 28319 (May 18, 2015) (SR-CBOE-2015-046); and 34-76888 (January 13, 2016), 81 FR 12 (January 20, 2016) (SR-CBOE-2015-122).

⁵ "End of day" refers to data that is distributed prior to the opening of the next trading day.

⁶ "Historical" COPS data consists of COPS data that is over one month old (*i.e.*, copies of the "end-of-day" COPS file that are over one month old).

⁷ FLEX options are exchange traded options that provide investors with the ability to customize basic option features including size, expiration date, exercise style, and certain exercise prices.

Market Data Express, LLC ("MDX"), an affiliate of CBOE, offers COPS Data for sale to all market participants. COPS Data is available to "Subscribers" for internal use and internal distribution only, and to "Customers" who, pursuant to a written vendor agreement between MDX and a Customer, may distribute the COPS Data externally (*i.e.*, act as a vendor) and/or use and distribute the COPS Data internally.

COPS Data consists of indicative⁸ values for four categories of "customized" options. The first category of options is all open series of FLEX options listed on any exchange that offers FLEX options for trading.⁹ The second category is OTC options that have the same degree of customization as FLEX options. The third category includes options with strike prices expressed in percentage terms. Values for such options are expressed in percentage terms and are theoretical values.¹⁰ The fourth category includes "exotic" options.¹¹

The Exchange uses values produced by CBOE Trading Permit Holders ("TPHs") to produce COPS Data. Participating CBOE TPHs submit values to MDX on options series specified by MDX on a daily basis. These values are generated by the TPHs' internal pricing models. The valuations that MDX ultimately publishes are an average of multiple contributions of values from participating CBOE TPHs. For each value provided by MDX through COPS, MDX includes a corresponding indication of the number of TPH contributors that factored into that value.

CBOE TPHs that meet the following objective qualification criteria are allowed to contribute values to MDX for purposes of producing COPS Data. Interested CBOE TPHs must be approved by the Exchange, have the ability to provide valuations to MDX in a timely manner each day after the close

⁸ "Indicative" values are indications of potential market prices only and as such are neither firm nor the basis for a transaction.

⁹ Current FLEX options open interest spans over 2,000 series on over 300 different underlying securities.

¹⁰ These values are theoretical in that they are indications of potential market prices for options that have not traded (*i.e.*, do not yet exist). Market participants sometimes express option values in percentage terms rather than in dollar terms because they find it is easier to assess the change, or lack of change, in the marketplace from one day to the next when values are expressed in percentage terms.

¹¹ Exotic options are options which are generally traded OTC and are more complex than standard options, usually relating to determination of payoff. An exotic option may also include a non-standard underlying instrument, developed for a particular client or for a particular market.

of trading, and sign a services agreement with CBOE. Interested CBOE TPHs must also have the ability to provide both indicative and implied volatility valuations on several different types of options, including (i) options on all open FLEX series traded on any exchange that offers FLEX options for trading, (ii) options on any potential new FLEX options series, (iii) OTC options that have the same degree of customization as FLEX options, (iv) customized options where the strike price is expressed in percentage terms (the valuations provided to MDX must also be expressed in percentage terms), and (v) exotic options. In addition, interested CBOE TPHs must participate in a testing phase with MDX. The values submitted by a TPH during the testing phase and in live production must meet MDX's quality control standards designed to ensure the integrity and accuracy of COPS Data. MDX has implemented procedures including monthly performance reviews to help ensure the integrity and accuracy of COPS Data.

To help ensure that MDX receives numerous values from multiple TPHs on a consistent basis, MDX shares revenue from the sale of COPS Data with participating CBOE TPHs.¹² The amount of revenue that MDX shares with participating TPHs is a percentage of the total revenue received by MDX from the sale of COPS Data. The revenue sharing is based on the following table:

Number of participating TPHs	Total revenue share (per cent)	Revenue share per TPH
3	21	7%.
4	24	6%.
5 or more	30	30% divided by the number of participating TPHs.

If only three TPHs participate, MDX shares 21% of total revenue with each TPH receiving a 7% share. If four TPHs participate, MDX shares 24% of total revenue with each TPH receiving a 6% share. If five or more TPHs participate, MDX shares 30% of total revenue divided equally among the TPHs.

In July 2014, the Exchange submitted a proposed rule change to, among other things, temporarily change the COPS contributor compensation structure

¹² The fees that MDX charges for COPS Data are set forth on the Price List on the MDX Web site (www.marketdataexpress.com). MDX currently charges a fee per option per day for "end-of-day" COPS data. The amount of the fee is reduced based on the number of options valuations purchased.

from a revenue sharing plan to a fixed payment structure for a six-month period ("Fixed Payment Period").¹³ In May 2015, the Exchange submitted a proposed rule change to change the COPS contributor compensation structure for the remainder of 2015.¹⁴ Pursuant to that proposed rule change, as of May 1, 2015, all revenue from the sale of COPS Data was paid to COPS contributors, with revenue divided equally among COPS contributors. In December 2015, (sic) As described in that proposed rule change, MDX would transition back to the revenue share plan described above on January 1, 2016. In December 2015, the Exchange submitted a proposed rule change to extend the temporary suspension through June 30, 2016.¹⁵

Proposal

The Exchange proposes to re-implement the temporary suspension described above through the end of the year. As such, all revenue from the sale of COPS Data would be paid to COPS contributors through December 31, 2016. As before, the revenue would continue to be divided equally among COPS contributors. The Exchange had hoped that at the end June 2016, COPS revenue would be at a level such that the COPS contributors would receive a revenue share roughly in line with the fixed payments they received during the Fixed Payment Period. This has not yet occurred. The payments to COPS contributors are intended to, at a minimum, help COPS contributors cover their costs of producing valuations for COPS while the Exchange continues to grow the COPS business.

2. Statutory Basis

The Exchange believes the proposed rule change is consistent with the Securities Exchange Act of 1934 (the "Act") and the rules and regulations thereunder applicable to the Exchange and, in particular, the requirements of Section 6(b) of the Act.¹⁶ Specifically, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)¹⁷ requirements that the rules of an 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 investors and the public interest. Additionally, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)¹⁸ requirement that the rules of an exchange not be designed to permit unfair discrimination between customers, issuers, brokers, or dealers.

The Exchange believes the proposed rule change is not designed to permit unfair discrimination between CBOE TPHs because all COPS data revenue would be divided equally among TPH contributors through December 31, 2016. The Exchange believes the proposed rule change is consistent with the protection of investors and the public interest in that it would provide incentive for all of the COPS contributors to participate in COPS while the Exchange continues to grow the COPS business, thereby helping to maintain the quality of COPS Data.

B. Self-Regulatory Organization's Statement on Burden on Competition

CBOE does not believe that the proposed rule change will impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. To the contrary, the Exchange believes the proposal is procompetitive in that it will incentivize COPS contributors to continue producing quality valuations to help keep COPS competitive with other similar market data products.¹⁹

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

The Exchange neither solicited nor received comments on the proposed rule change.

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

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A)

¹⁸ *Id.*

¹⁹ Market data vendors including SuperDerivatives, Markit, Prism, and Bloomberg's BVAL service produce option value data that is similar to COPS Data. The Options Clearing Corporation ("OCC") also produces FLEX option value data that is similar to the FLEX option value data that is included in COPS.

of the Act²⁰ and paragraph (f)(2) of Rule 19b-4²¹ thereunder. 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 necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act. If the Commission takes such action, the Commission will institute proceedings to determine whether the proposed rule change should be approved or disapproved.

IV. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act. Comments may be submitted by any of the following methods:

Electronic Comments

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>); or
- Send an email to rule-comments@sec.gov. Please include File Number SR-CBOE-2016-059 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-CBOE-2016-059. 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

²⁰ 15 U.S.C. 78s(b)(3)(A).

²¹ 17 CFR 240.19b-4(f)(2).

¹³ See Securities Exchange Act Release No. 34-72621 (July 16, 2014), 79 FR 42616 (July 22, 2014) (SR-CBOE-2014-057).

¹⁴ Securities Exchange Act Release No. 34-74937 (May 12, 2015), 80 FR 28319 (May 18, 2015) (SR-CBOE-2015-046).

¹⁵ Securities Exchange Act Release No. 34-76888 (January 13, 2016), 81 FR 12 (January 20, 2016) (SR-CBOE-2015-122). The Exchange is not proposing to eliminate the revenue share plan, but rather re-implement the temporary suspension as described in this rule filing.

¹⁶ 15 U.S.C. 78f(b).

¹⁷ 15 U.S.C. 78f(b)(5).

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-CBOE-2016-059 and should be submitted on or before September 7, 2016.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.²²

Robert W. Errett,
Deputy Secretary.

[FR Doc. 2016-19584 Filed 8-16-16; 8:45 am]

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-78550; File No. SR-IEX-2016-09]

Self-Regulatory Organizations; Investors Exchange LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change Related to Transaction and Regulatory Fees

August 11, 2016.

Pursuant to Section 19(b)(1)¹ of the Securities Exchange Act of 1934 (“Act”),² and Rule 19b-4 thereunder,³ notice is hereby given that, on August 5, 2016, the Investors Exchange LLC (“IEX” or the “Exchange”) filed with the Securities and Exchange Commission (“Commission”) the proposed rule change as described in Items I, II and III below, which Items have been prepared by the self-regulatory organization. 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

Pursuant to the provisions of Section 19(b)(1) under the Securities Exchange Act of 1934 (“Act”),⁴ and Rule 19b-4 thereunder,⁵ Investors Exchange LLC (“IEX” or “Exchange”) is filing with the Securities and Exchange Commission (“Commission”) a proposed rule change to (i) adopt transaction fees applicable to Members⁶ of the Exchange pursuant to IEX Rule 15.110(a) and (c) (“Fee Schedule”), and (ii) adopt regulatory

fees related to the Central Registration Depository (“CRD system”), which will be collected by the Financial Industry Regulatory Authority, Inc. (“FINRA”) pursuant to IEX Rule 15.110(a). The Exchange proposes to implement the rule change effective with its exchange launch. The text of the proposed rule change is available at the Exchange’s Web site at www.iextrading.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 self-regulatory organization 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 [sic] may be examined at the places specified in Item IV below. The self-regulatory organization 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 the Statutory Basis for, the Proposed Rule Change

1. Purpose

Transaction Fees

The Exchange proposes to implement a fee schedule applicable to use of the Exchange commencing on the date it begins operating as a national securities exchange. The Exchange currently intends to commence operations as a national securities exchange on or about August 19, 2016. IEX proposes to implement the Fee Schedule described herein, which will be applicable to transactions executed in all trading sessions, effective with its exchange launch.

(A) Displayed Match Fee

The Exchange does not propose to charge any fee to Members for executions on IEX that include resting interest with displayed priority (*i.e.*, an order or portion of a reserve order that is booked and ranked with display priority on the Order Book either as the IEX best bid or best offer (“BBO”) or at a worse price on the Order Book) for both the liquidity adding and liquidity removing order.⁷

⁷ This pricing is referred to by the Exchange as “Displayed Match Fee” on the proposed Fee Schedule with a Fee Code of ‘L’ to be provided by the Exchange on execution reports.

(B) Non-Displayed Match Fee

The Exchange proposes to charge \$0.0009 per share (or 0.30% of the total dollar value of the transaction for securities priced below \$1.00) to Members for executions on IEX that include resting interest with non-displayed priority (*i.e.*, an order or portion of a reserve order that is booked and ranked with non-display priority on the Order Book either at the NBBO midpoint or at a worse price on the Order Book) for both the liquidity adding and liquidity removing order,⁸ with the exception of executions on the Exchange where the adding and removing order originated from the same Exchange Member and displayable orders removing non-displayed liquidity upon entry, each as described below.

Notwithstanding the foregoing, the Exchange does not propose to charge any fee to Members for executions on IEX that involve taking resting interest with non-displayed priority where (a) the liquidity removing order was displayable (*i.e.*, the order would have been booked and displayed if posted to the Order Book) and (b) on a monthly basis, at least 90% of the liquidity removing Member’s aggregate executions of displayable orders added liquidity during such calendar month. However, in such transactions, the non-displayed liquidity adding interest will be subject to the Non-Displayed Match Fee described above.

(C) Internalization Fee

The Exchange does not propose to charge any fee to Members for executions on IEX when the adding and removing order originated from the same Exchange Member.⁹ Orders from different market participant identifiers of the same broker dealer, with the same Central Registration Depository registration number, would be treated as originating from the same Exchange Member.

(D) Routing Charges

The Exchange proposes to pass the fee or rebate from an away trading center to the Member and charge a fee of \$0.0001 per share for all routing options offered by the Exchange. All charges for routing are applicable only in the event that an

⁸ This pricing is referred to by the Exchange as “Non-Displayed Match Fee” on the proposed Fee Schedule with a Fee Code of ‘I’ to be provided by the Exchange on execution reports.

⁹ This pricing is referred to by the Exchange as “Internalization Fee” on the proposed Fee Schedule with a Fee Code of ‘S’ to be provided by the Exchange on execution reports.

²² 17 CFR 200.30-3(a)(12).

¹ 15 U.S.C. 78s(b)(1).

² 15 U.S.C. 78a.

³ 17 CFR 240.19b-4.

⁴ 15 U.S.C. 78s(b)(1).

⁵ 17 CRF [sic] 240.19b-4.

⁶ See, IEX Rule 1.160(s).