

participation is on a basis different from or less advantageous than that of the other participants.

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

Robert W. Errett,  
Deputy Secretary.

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-79027; File No. SR-CHX-2016-19]

### Self Regulatory Organizations; Chicago Stock Exchange, Inc.; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change To Amend Rules To Describe Changes Necessary To Implement the Tick Size Pilot Program

October 3, 2016.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”),<sup>1</sup> and Rule 19b-4<sup>2</sup> thereunder, notice is hereby given that on September 30, 2016, the Chicago Stock Exchange, Inc. (“CHX” or the “Exchange”) 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 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

CHX proposes to amend the Rules of the Exchange (“CHX Rules”) to describe changes to CHX Matching System<sup>3</sup> functionality necessary to implement the quoting and trading provisions of the Regulation NMS Plan to Implement a Tick Size Pilot Program (“Plan” or “Pilot”).<sup>4</sup>

The Exchange has designated this proposal as “non-controversial” and provided the Commission with the notice required by Rule 19b-4(f)(6)(iii) under the Act.<sup>5</sup>

The text of this proposed rule change is available on the Exchange’s Web site at ([www.chx.com](http://www.chx.com)) and in 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 CHX included statements concerning the purpose of and basis for the proposed rule changes 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 CHX 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 Changes

###### 1. Purpose

On August 25, 2014, NYSE Group, Inc., on behalf of the Exchange, Bats BZX Exchange, Inc. f/k/a BATS Z-Exchange, Inc., Bats BYX Exchange, Inc. f/k/a BATS Y-Exchange, Inc., Bats EDGA Exchange, Inc. f/k/a EDGA Exchange, Inc., Bats EDGX Exchange, Inc. f/k/a EDGX Exchange, Inc., Financial Industry Regulatory Authority, Inc. (“FINRA”), NASDAQ OMX BX, Inc., NASDAQ OMX PHLX LLC, the Nasdaq Stock Market LLC, New York Stock Exchange LLC (“NYSE”), NYSE MKT LLC, and NYSE Arca, Inc. (collectively “Plan Participants”),<sup>6</sup> filed with the Commission, pursuant to Section 11A of the Act<sup>7</sup> and Rule 608 of Regulation NMS<sup>8</sup> thereunder, the Plan.<sup>9</sup> The Plan Participants filed the Plan to comply with an order issued by the Commission on June 24, 2014.<sup>10</sup> The Plan<sup>11</sup> was published for comment in the **Federal Register** on November 7, 2014, and

approved by the Commission, as modified, on May 6, 2015.<sup>12</sup>

The Plan is designed to allow the Commission, market participants, and the public to study and assess the impact of increment conventions on the liquidity and trading of the common stocks of small-capitalization companies. Each Plan Participant is required to comply with, and to enforce compliance by its member organizations, as applicable, with the provisions of the Plan.

The Pilot will include stocks of companies with \$3 billion or less in market capitalization, an average daily trading volume of one million shares or less, and a volume weighted average price of at least \$2.00 for every trading day. The Pilot will consist of a control group of approximately 1400 Pilot Securities and three test groups (“Test Groups”) with 400 Pilot Securities in each selected by a stratified sampling.<sup>13</sup> During the Pilot, Pilot Securities in the control group will be quoted and traded at the currently permissible increments. Pilot Securities in the first test group (“Test Group One”) will be quoted in \$0.05 minimum increments but will continue to trade at any price increment that is currently permitted.<sup>14</sup> Pilot Securities in the second test group (“Test Group Two”) will be quoted in \$0.05 minimum increments and will trade at \$0.05 minimum increments subject to a midpoint exception, a retail investor order exception, and a negotiated trade exception.<sup>15</sup> Pilot Securities in the third test group (“Test Group Three”) will be subject to the same restrictions as Test Group Two and also will be subject to the “trade-at” requirement to prevent price matching by a market participant that is not displaying at a price of a trading center’s<sup>16</sup> best protected bid or best protected offer (“Trade-at Prohibition”), unless an enumerated exception applies.<sup>17</sup> In addition to the exceptions provided under Test Group Two, an exception for Block Size orders and exceptions that mirror those under Rule

<sup>12</sup> See Securities Exchange Act Release No. 74892 (May 6, 2015), 80 FR 27514 (May 13, 2015) (“Approval Order”).

<sup>13</sup> See Section V of the Plan for identification of Pilot Securities, including criteria for selection and grouping.

<sup>14</sup> See Section VI(B) of the Plan.

<sup>15</sup> See Section VI(C) of the Plan.

<sup>16</sup> The Plan incorporates the definition of “trading center” from Rule 600(b)(78) of Regulation NMS. Regulation NMS defines a “trading center” as “a national securities exchange or national securities association that operates an SRO trading facility, an alternative trading system, an exchange market maker, an OTC market maker, or any other broker or dealer that executes orders internally by trading as principal or crossing orders as agent.”

<sup>17</sup> See Section VI(D) of the Plan.

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

<sup>2</sup> 17 CFR 240.19b-4.

<sup>3</sup> The Matching System is an automated order execution system, which is a part of the Exchange’s “Trading Facilities,” as defined under CHX Article 1, Rule 1(z).

<sup>4</sup> See Securities Exchange Act Release No. 74892 (May 6, 2015), 80 FR 27513 (May 13, 2015) (“Approval Order”).

<sup>5</sup> 17 CFR 240.19b-4(f)(6)(iii).

<sup>6</sup> A “Participant” is a “member” of the Exchange for purposes of the Act. See CHX Article 1, Rule 1(s). For clarity, the Exchange proposes to utilize the term “CHX Participant” when referring to members of the Exchange and the term “Plan Participant” when referring to Participants of the Plan.

<sup>7</sup> 15 U.S.C. 78k-1.

<sup>8</sup> 17 CFR 242.608.

<sup>9</sup> See Letter from Brendon J. Weiss, Vice President, Intercontinental Exchange, Inc., to Secretary, Commission, dated August 25, 2014.

<sup>10</sup> See Securities Exchange Act Release No. 72460 (June 24, 2014), 79 FR 36840 (June 30, 2014).

<sup>11</sup> Unless otherwise specified, capitalized terms used in this rule filing are defined as set forth in the Plan.

611 of Regulation NMS<sup>18</sup> will apply to the Trade-at Prohibition.

The Plan requires the Exchange to establish, maintain, and enforce written policies and procedures that are reasonably designed to comply with applicable quoting and trading requirements specified in the Plan. Accordingly, the Exchange adopted Article 20, Rule 13(a) to require CHX Participants to comply with the quoting and trading provisions of the Plan.<sup>19</sup> The Exchange also adopted Article 20, Rule 13(b) to require CHX Participants to comply with the data collection provisions under Appendix B and C of the Plan.<sup>20</sup>

#### Proposed Operation of Certain Order Types and Modifiers for Pilot Securities

Current Article 20, Rule 13(a)(2) provides that the Matching System will not display, quote or trade in violation of the applicable quoting and trading requirements for a Pilot Security specified in the Plan and Article 20, Rule 13, unless such quotation or transaction is specifically exempted under the Plan. The Exchange now proposes to adopt Article 20, Rule 13(c) (Operation of Certain Order Types and Modifiers for Pilot Securities) to describe specific changes to existing Matching System functionality necessary to implement the applicable quoting and trading requirements of the Plan or to clarify the operation of certain functionality in light of the Plan.<sup>21</sup>

Initially, the Exchange proposes to amend current CHX Article 20, Rule 13(a)(2) to adopt an additional sentence that provides that “The operation of certain order types and modifiers applicable to the Pilot Securities are set forth under paragraph (c) below.”

#### CHX Only<sup>22</sup>

The CHX Only modifier is a limit order modifier that instructs the Exchange to reprice the CHX Only order pursuant to the CHX Only Price Sliding Processes<sup>23</sup> under certain circumstances, including for Rule 610(d) of Regulation NMS<sup>24</sup> (NMS Price

Sliding<sup>25</sup>) and Rule 201 of Regulation SHO<sup>26</sup> (Short Sale Price Sliding<sup>27</sup>) compliance purposes.<sup>28</sup> Pursuant to NMS Price Sliding, a CHX Only order that, at the time of entry, would lock or cross a protected quotation of an external market in violation of Rule 610(d) would be repriced to be executable at the locking price in the Matching System and, if not marked Do Not Display,<sup>29</sup> displayable at one minimum price variation below the current NBO (for bids) or at one minimum price variation above the current NBB (for offers).<sup>30</sup> CHX Only orders subject to the CHX Only Price Sliding Processes may be price slid once or multiple times depending on changes to the prevailing NBBO.<sup>31</sup>

Assuming no changes to the CHX Only modifier, the Trade-at Prohibition would result in CHX Only price slid orders in Test Group 3 securities to only be executable at the locking price pursuant to an exception or exemption to the Trade-at Prohibition. In order to avoid the order cancellations that could result from CHX Only price slid orders being ranked at the locking price, the Exchange now proposes to adopt proposed paragraph (c)(1) to adopt a modification to the current CHX Only Price Sliding processes for Test Group Three securities (“Trade-at price sliding”) which provides as follows:

In Test Group Three, an incoming CHX Only buy order priced at or through the current NBO shall be price slid to be executable and displayable at one minimum price variation below the current NBO and an incoming CHX Only sell order priced at or through the current NBB shall be price slid to be executable and displayable at one minimum price variation above the current NBB. Thereafter, in Test Group Three, a price slid CHX Only order shall continue to be price slid and executable at its displayed price pursuant to Article 1, Rule 2(b)(1)(C)(i)(b) or Rule 2(b)(1)(C)(ii)(b), as applicable.

The result of Trade-at price sliding is that the executable and displayable price of a CHX Only order that is price slid upon initial receipt and continually thereafter will always be the same.<sup>32</sup>

CHX Only orders in non-Test Group Three securities that would lock or cross a protected quotation of an external market in violation of Rule 610(d) would continue to be repriced pursuant to Article 1, Rule 2(b)(1)(C), as described above.

#### Cross Orders<sup>33</sup>

The Exchange proposes the following amendments regarding the operation of cross orders in certain Pilot Securities.

#### Block Size Exception for Cross Orders Only

Section VI(D)(2) of the Plan provides that trading centers will be permitted to execute Block Size<sup>34</sup> orders for a Pilot Security at a price equal to a protected bid or protected offer (“Block Size exception”). The Exchange now proposes to adopt paragraph (c)(2), which provides that only cross orders received by the Matching System shall be eligible for the Block Size exception to the Trade-at Prohibition.<sup>35</sup> Thus, limit<sup>36</sup> and market<sup>37</sup> orders for Test Group Three securities shall not be eligible for the Block Size exception at CHX. In the event the Exchange receives a limit or market order of Block Size that is subject to the Trade-at Prohibition, the Exchange will either (1) price slide the order if it is marked CHX Only, as described above, or (2) cancel the order.

#### Cross Order Exemption From Minimum Increment Requirement

Section VI(B) of the Plan prohibits the Exchange from, among other things, accepting orders in any Pilot Security in Test Group One in price increments other than \$0.05 (“\$0.05 minimum order increment requirement”); provided that orders priced to execute at the midpoint and orders entered in a Plan Participant-operated retail liquidity program may be ranked and accepted in increments of less than \$0.05. The \$0.05 minimum order increment requirement and related exceptions also apply to Pilot Securities in Test Group Two and Test Group Three.<sup>38</sup>

<sup>18</sup> See CHX Article 1, Rule 2(a)(2) defining “cross order.”

<sup>19</sup> “Block Size” is defined in the Plan as an order (1) of at least 5,000 shares or (2) with a market value of at least \$100,000.

<sup>20</sup> Given that cross orders are always handled IOC, cross orders can never be routed away and can never be ranked on the CHX book. Moreover, cross orders can only execute as a clean cross and cannot execute against resting orders on the CHX book. See *id.*

<sup>21</sup> See CHX Article 1, Rule 2(a)(1) defining “limit orders.”

<sup>22</sup> See CHX Article 1, Rule 2(a)(3) defining “market orders.”

<sup>23</sup> Section VI(C) of the Plan provides that Pilot Securities in Test Group Two will be subject to the

<sup>18</sup> 17 CFR 242.611.

<sup>19</sup> See Securities Exchange Act Release No. 78146 (June 23, 2016), 81 FR 42380 (June 29, 2016) (SR-CHX-2016-09).

<sup>20</sup> See Exchange Act Release No. 78812 (September 12, 2016) (SR-CHX-2016-17); see also Exchange Act Release No. 77469 (March 29, 2016), 81 FR 19275 (April 4, 2016) (SR-CHX-2016-03).

<sup>21</sup> The Exchange notes that, in connection with this proposed rule change, the Exchange intends to file an exemptive request seeking relief from certain of the Plan’s trading and quoting requirements.

<sup>22</sup> See CHX Article 1, Rule 2(b)(1)(C).

<sup>23</sup> See *id.*

<sup>24</sup> 17 CFR 242.610(d).

<sup>25</sup> See CHX Article 1, Rule 2(b)(1)(C)(i).

<sup>26</sup> See 17 CFR 242.201.

<sup>27</sup> See CHX Article 1, Rule 2(b)(1)(C)(ii).

<sup>28</sup> See CHX Article 1, Rule 2(b)(1)(C).

<sup>29</sup> See CHX Article 1, Rule 2(c)(2). Price slid undisplayed CHX Only orders (*i.e.*, CHX Only orders marked Do Not Display) would only be executable at the locking price and not displayable at any price.

<sup>30</sup> See CHX Article 1, Rule 2(b)(1)(C).

<sup>31</sup> See CHX Article 1, Rule 2(b)(1)(D).

<sup>32</sup> CHX Only sell orders subject to Short Sale Price Sliding are similarly repriced to one minimum price variation above the current NBB. See CHX Article 1, Rule 2(b)(1)(C)(ii).

Following the adoption of Rule 612 of Regulation NMS,<sup>39</sup> the Commission granted the national securities exchanges a limited exemption from Rule 612 to permit the exchanges to accept cross orders priced in sub-penny increments if (1) the orders are immediately executed against each other and (2) the cross transaction is effected in accordance with exchange rules approved or established pursuant to Section 19(b) of the Exchange Act<sup>40</sup> (“cross order exemption”).<sup>41</sup> This exception is not set forth in the Plan, and thus does not currently apply to cross orders for securities in the Test Groups (“Test Groups securities”). The Exchange has determined that it is appropriate to incorporate the cross order exemption to the \$0.05 minimum order increment requirement, as this exemption is equally applicable to cross orders for Test Groups securities. Accordingly, the Exchange is proposing to adopt CHX Article 20, Rule 13(c)(4), which provides as follows:

In Test Group One, the Exchange shall accept cross orders in increments less than \$0.05, subject to Article 20, Rule 4(a)(7)(B).<sup>42</sup> In Test Groups Two and Three, the Exchange shall accept cross orders in increments less than \$0.05 only if the cross orders would qualify as Negotiated Trades, subject to Article 20, Rule 4(a)(7)(B).

In connection with this proposed amendment, the Exchange is seeking exemptive relief from complying with the \$0.05 minimum order increment requirement as currently set forth in the Plan, which does not contain this exception.<sup>43 44</sup>

same quoting requirements as Test Group One. Moreover, Section VI(D) of the Plan provides that Pilot Securities in Test Group Three will be subject to the same quoting and trading requirements as Test Group Two, along with the applicable quoting and trading exceptions.

<sup>39</sup> 17 CFR 242.612.

<sup>40</sup> 15 U.S.C. 78s(b)(1).

<sup>41</sup> Currently, the Exchange permits any type of cross order in any security, whether the order is priced less than or at or above \$1.00, to be submitted in an increment as small as \$0.000001. See CHX Article 20, Rule 4(a)(7)(B). This rule is based on exemptive relief from Rule 612 granted by the Commission to the national securities exchanges in 2006. See Securities Exchange Act Release No. 54714 (November 6, 2006), 71 FR 66352 (November 14, 2006) (“Rule 612 Exemptive Relief Order”).

<sup>42</sup> See *id.*

<sup>43</sup> See *supra* note 21.

<sup>44</sup> The Exchange notes that cross orders in Test Group Two and Three securities would continue to be subject to the \$0.05 minimum trading increment requirement set forth under Section VI(C) of the Plan.

Special Handling of Certain Intermarket Sweep Orders (“ISOs”)<sup>45</sup>

The Exchange proposes to clarify how it will handle certain ISOs received by the Exchange in Test Group Three securities. Specifically, in Test Group Three, the Exchange proposes to handle an ISO with a Time-In-Force of Day<sup>46</sup> or GTD<sup>47</sup> (“Day ISO”) as a Trade-at ISO,<sup>48</sup> as an order sender that submits a Day ISO to the Exchange would be representing that it has swept protected quotations priced better than or equal to the limit price of the Day ISO,<sup>49</sup> which would be the same representation made by an order sender submitting a Trade-at ISO to the Exchange.<sup>50</sup> However, an ISO with a Time-In-Force of IOC<sup>51</sup> (“IOC ISO”) would not be handled as a Trade-at ISO (*i.e.*, the Exchange will not ignore protected quotations priced at the limit price of the IOC ISO when processing the IOC ISO), as the sender of an IOC ISO would only be representing that it has swept protected quotations priced better than the limit price of the IOC ISO.

Thus, proposed paragraph (c)(3) provides that in Test Group Three, an Intermarket Sweep Order with a Time-In-Force of Day or GTD shall be treated

<sup>45</sup> See 17 CFR 242.600(b)(30); see also CHX Article 1, Rule 2(b)(3)(B) defining “ISO.” The Exchange recently amended the operation of the Exchange’s various ISO modifiers and thus changes to CHX Article 1, Rule 2(b)(3)(B) are currently effective, but not yet operative. See Securities Exchange Act Release No. 78684 (August 25, 2016), 81 FR 60034 (August 31, 2016) (SR-CHX-2016-15). Changes effected pursuant to SR-CHX-2016-15 will be operative upon, or prior to, the commencement of the Pilot Period.

<sup>46</sup> See CHX Article 1, Rule 2(d)(1) defining “Day.”

<sup>47</sup> See CHX Article 1, Rule 2(d)(3) defining “GTD.”

<sup>48</sup> CHX Article 20, Rule 13(a)(7)(A)(i) defines “Trade-at Intermarket Sweep Order” as follows:

(i) “Trade-at Intermarket Sweep Order” means a limit order for a Pilot Security that meets the following requirements: (1) When routed to a Trading Center, the limit order is identified as a Trade-at Intermarket Sweep Order; and (2) Simultaneously with the routing of the limit order identified as a Trade-at Intermarket Sweep Order, one or more additional limit orders, as necessary, are routed to execute against the full size of any Protected Bid, in the case of a limit order to sell, or the full displayed size of any Protected Offer, in the case of a limit order to buy, for the Pilot Security with a price that is better than or equal to the limit price of the limit order identified as a Trade-at Intermarket Sweep Order. These additional routed orders also must be marked as Trade-at Intermarket Sweep Orders.

<sup>49</sup> See CHX Article 20, Rule 6(c)(3); see also Question 5.02 of “Division of Trading and Markets: Responses to Frequency Asked Questions Concerning Rule 611 and Rule 610 of Regulation NMS.” U.S. Securities and Exchange Commission, 4 April 2008, Web. 21 May 2015. <http://www.sec.gov/divisions/marketreg/nmsfaq610-11.htm>

<sup>50</sup> See *id.*; see also CHX Article 20, Rule 6(c)(3).

<sup>51</sup> See CHX Article 1, Rule 2 (d)(4) defining “IOC.”

as a Trade-at Intermarket Sweep Order. Moreover, as the Trade-at Prohibition does not apply to non-Test Group Three securities, proposed paragraph (c)(3) also provides that in non-Test Group Three securities, a Trade-at Intermarket Sweep Order shall be treated as an Intermarket Sweep Order.

Proposed CHX Routing Services Changes

Currently, the Exchange routes away Routable Orders<sup>52</sup> received by the Exchange that trigger a Routing Event, which are listed and described under Article 19, Rule 3(a). For example, Article 19, Rule 3(a)(1) (“Routing Event #1”) provides that the Exchange will route away orders to the extent necessary to permit the display and/or execution of an incoming Routable Order on the Exchange in compliance with Rules 610(d) and 611.

In light of the Trade-at Prohibition, the Exchange proposes to amend Article 19, Rule 3(a)(1) to provide that that the Exchange will route away orders to the extent necessary to permit the display and/or execution of an incoming Routable Order on the Exchange in compliance with Rules 610(d) and 611 and, for the duration of the pilot period to coincide with the pilot period for the Plan, the Trade-at Prohibition described under the Plan. The Exchange will continue to route orders pursuant to amended Routing Event #1 as IOC ISOs.

For example, assume that the NBBO for security XYZ, a Test Group Three security, is 20.00—20.05. Assume that the CHX has one undisplayed buy order for 100 shares of security XYZ priced at 20.00. Assume that two away markets are displaying protected bids for security XYZ at the NBB, each for 100 shares. Assume then that the Exchange receives a Routable Order to sell 300 shares of security XYZ at 20.00/share. Pursuant to amended Routing Event #1, the Exchange would route away two IOC ISOs, each for 100 shares of security XYZ priced at 20.00, to satisfy the full displayed size of the two protected bids at the NBB. The Exchange would then fully execute the remaining 100 shares of the incoming sell order against the resting undisplayed order at 20.00/share.

## 2. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act<sup>53</sup> in general, and furthers the objectives of Section 6(b)(5) of the Act<sup>54</sup>

<sup>52</sup> See CHX Article 1, Rule 1(oo) defining “Routable Order.”

<sup>53</sup> 15 U.S.C. 78f(b).

<sup>54</sup> 15 U.S.C. 78f(b)(5).

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 this proposal is consistent with the Act because it implements, interprets, and clarifies the provisions of the Plan and CHX Rules, and is designed to assist the Exchange and CHX Participants in meeting regulatory obligations pursuant to the Plan. In approving the Plan, the SEC noted that the Pilot was an appropriate, data-driven test that was designed to evaluate the impact of a wider tick size on trading, liquidity, and the market quality of securities of smaller capitalization companies, and was therefore in furtherance of the purposes of the Act. To the extent that this proposal implements, interprets, and clarifies the Plan and applies specific requirements to CHX Participants, the Exchange believes that this proposal is in furtherance of the objectives of the Plan, as identified by the SEC, and is therefore consistent with the Act.

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

The Exchange does not believe that the proposed rule change will result in any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. The Exchange notes that the proposed rule change implements the provisions of the Plan, and is designed to assist the Exchange in meeting its regulatory obligations pursuant to the Plan. The Exchange also notes that the quoting and trading requirements of the Plan will apply equally to all CHX Participants that trade Pilot Securities.

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

No written comments were either solicited or received.

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

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A)<sup>55</sup> of the Act and Rule 19b-4(f)(6)<sup>56</sup> thereunder because the

proposal does not: (i) Significantly affect the protection of investors or the public interest; (ii) impose any significant burden on competition; and (iii) 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 if consistent with the protection of investors and the public interest.

A proposed rule change filed under Rule 19b-4(f)(6)<sup>57</sup> normally does not become operative prior to 30 days after the date of the filing. However, pursuant to Rule 19b-4(f)(6)(iii),<sup>58</sup> the Commission may designate a shorter time if such action is consistent with the protection of investors and the public interest. The Exchange has asked the Commission to waive the 30-day operative delay so that so that the proposed rule change can become operative on September 30, 2016.

The Commission believes that waiving the 30-day operative delay is consistent with the protection of investors and the public interest because it will allow the Exchange to implement the proposed rules immediately thereby preventing delays in the implementation of the Plan. The Commission notes that the Plan is scheduled to start on October 3, 2016. Therefore, the Commission hereby waives the 30-day operative delay and designates the proposed rule change to be operative upon filing with the Commission.<sup>59</sup>

### **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](mailto:rule-comments@sec.gov). Please include File No. SR-CHX-2016-19 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.

<sup>57</sup> 17 CFR 240.19b-4(f)(6).

<sup>58</sup> 17 CFR 240.19b-4(f)(6)(iii).

<sup>59</sup> For purposes only of waiving the operative delay for this proposal, the Commission has considered the proposed rule's impact on efficiency, competition, and capital formation. See 15 U.S.C. 78c(f).

All submissions should refer to File No. SR-CHX-2016-19. 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 changes 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 CHX. 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-CHX-2016-19 and should be submitted on or before October 28, 2016.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>60</sup>

**Robert W. Errett,**  
*Deputy Secretary.*

[FR Doc. 2016-24281 Filed 10-6-16; 8:45 am]

**BILLING CODE 8011-01-P**

## **SECURITIES AND EXCHANGE COMMISSION**

[Release No. 34-79024; File No. SR-Phlx-2016-79]

### **Self-Regulatory Organizations; NASDAQ PHLX LLC; Notice of Designation of a Longer Period for Commission Action on a Proposed Rule Change To Amend Rule 1017, Openings in Options**

October 3, 2016.

On August 4, 2016, NASDAQ PHLX LLC ("Exchange") filed with the Securities and Exchange Commission ("Commission"), pursuant to Section 19(b)(1) of the Securities Exchange Act

<sup>60</sup> 17 CFR 200.30-3(a)(12).

<sup>55</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>56</sup> 17 CFR 240.19b-4(f)(6).