

Exchange will lose market share as a result. Accordingly, the Exchange does not believe that the proposed changes will impair the ability of members or competing order execution venues to maintain their competitive standing in the financial markets.

*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

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A)(ii) of the Act.<sup>16</sup>

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: (i) Necessary or appropriate in the public interest; (ii) for the protection of investors; or (iii) 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 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-NASDAQ-2017-016 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-NASDAQ-2017-016. 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-NASDAQ-2017-016, and should be submitted on or before March 15, 2017.

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

**Eduardo A. Aleman,**  
*Assistant Secretary.*

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-80043; File No. SR-NYSEMKT-2016-99]

### Self-Regulatory Organizations; NYSE MKT LLC; Order Instituting Proceedings To Determine Whether To Approve or Disapprove a Proposed Rule Change Amending Rule 104—Equities To Delete Subsection (g)(i)(A)(III) Prohibiting Designated Market Makers From Establishing a New High (Low) Price on the Exchange in a Security the DMM Has a Long (Short) Position During the Last Ten Minutes Prior to the Close of Trading

February 15, 2017.

#### I. Introduction

On October 27, 2016, NYSE MKT LLC (“Exchange” or “NYSE MKT”) filed with the Securities and Exchange Commission (“Commission”) 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> a proposed rule change amending Rule 104—Equities to delete subsection (g)(i)(A)(III), which prohibits Designated Market Makers (“DMMs”) from establishing, during the last ten minutes of trading before the close, a new high (low) price for the day on the Exchange in a security in which the DMM has a long (short) position (“Rule 104(g)(i)(A)(III) Prohibition”). The proposed rule change was published for comment in the **Federal Register** on November 17, 2016.<sup>3</sup>

On December 20, 2016, the Commission extended to February 15, 2017, the time period in which to approve the proposal, disapprove the proposal, or institute proceedings to determine whether to approve or disapprove the proposal.<sup>4</sup> The Commission has received no comments on the proposal. This order institutes proceedings under Section 19(b)(2)(B) of the Act to determine whether to approve or disapprove the proposal.

#### II. Description of the Proposal

Currently, under Exchange Rule 104—Equities (g)(i)(A)(III), a DMM with a long (short) position in a security cannot, during the last ten minutes before the close of trading, make a purchase (sale) in that security that results in a new high (low) price on the Exchange for that day.<sup>5</sup> The Exchange proposes to remove this prohibition from its rulebook.

The Exchange asserts that, in light of developments in the equity markets and in the Exchange's own trading model, Rule 104(g)(i)(A)(III) has lost its original purpose and utility.<sup>6</sup> Specifically, the Exchange asserts that, in today's electronic marketplace, where DMMs have replaced specialists, and control of pricing decisions has moved away from market participants on the Exchange trading floor, the purpose behind the Rule 104(g)(i)(A)(III) Prohibition is no longer necessary, and eliminating the prohibition would not eliminate other existing safeguards that prevent DMMs from inappropriately influencing or manipulating the close.<sup>7</sup>

The Exchange argues that the rationale behind preventing specialists from setting the price of a security on the Exchange in the final ten minutes of

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

<sup>3</sup> See Securities Exchange Act Release No. 79283 (Nov. 10, 2016), 81 FR 81210 (Nov. 17, 2016) (“Notice”).

<sup>4</sup> See Securities Exchange Act Release No. 79611 (Dec. 20, 2016), 81 FR 95205 (Dec. 27, 2016).

<sup>5</sup> See Exchange Rule 104—Equities (g)(i)(A)(III). Exchange Rule 104—Equities (g)(i)(A)(III)(2) provides two exceptions to this general prohibition.

<sup>6</sup> See Notice, 81 FR at 81211.

<sup>7</sup> See *id.* at 81211–81212.

<sup>16</sup> 15 U.S.C. 78s(b)(3)(A)(ii).

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

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

trading was to prevent specialists from inappropriately influencing the price of a security at the close to advantage a specialist's proprietary position.<sup>8</sup> In today's fragmented marketplace, according to the Exchange, a new high or low price for a security on the Exchange in the last ten minutes of trading does not have a significant effect on the market price for that security, because a new high or low price on the Exchange may not be the new high or low for a security—prices may be higher or lower in away markets, where the majority of intra-day trading in NYSEMKT-listed securities takes place—and because any advantage to a DMM by establishing a new high or low on the Exchange during the last ten minutes can rapidly evaporate following trades in away markets. Because DMMs do not have the ability to direct or influence trading, or to control intra-day prices, that specialists had before the implementation of Regulation NMS, the Exchange asserts, the Rule 104(g)(i)(A)(III) Prohibition is anachronistic.<sup>9</sup>

### III. Proceedings To Determine Whether To Disapprove SR-NYSEMKT-2016-99 and Grounds for Disapproval Under Consideration

The Commission is instituting proceedings pursuant to Section 19(b)(2)(B) of the Act<sup>10</sup> to determine whether the proposal should be disapproved. Institution of such proceedings is appropriate at this time in view of the legal and policy issues raised by the proposal, as discussed below. Institution of disapproval proceedings does not indicate that the Commission has reached any conclusions with respect to any of the issues involved. Rather, as described in greater detail below, the Commission seeks and encourages interested persons to provide additional comment on the proposal.

Pursuant to Section 19(b)(2)(B) of the Act, the Commission is providing notice of the grounds for disapproval under consideration. The Commission is instituting proceedings to allow for additional analysis of the proposed rule change's consistency with Section 6(b)(5) of the Act,<sup>11</sup> which requires that the rules of an exchange be designed, among other things, to prevent fraudulent and manipulative acts and practices, 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. In addition, Section 6(b)(5) of the Act prohibits the rules of an exchange from being designed to permit unfair discrimination between customers, issuers, brokers, or dealers.

The Rule 104(g)(i)(A)(III) Prohibition was originally approved as part of the New York Stock Exchange LLC ("NYSE") pilot program called the "New Market Model"<sup>12</sup> which was subsequently incorporated into the Exchange's rulebook.<sup>13</sup> As the Commission stated when approving the NYSE proposal to conduct the New Market Model pilot, "[w]e carefully review trading rule proposals that seek to offer special advantages to market makers. Although an exchange may reward such participants for the benefits they provide to the exchange's market, such rewards must not be disproportionate to the services provided."<sup>14</sup> In 2015, when the Commission approved the NYSE's proposal to make the New Market Model permanent,<sup>15</sup> the Commission noted the Rule 104(g)(i)(A)(III) Prohibition,<sup>16</sup> among many aspects of the New Market Model, and reiterated that the pilot program had been conducted, among other reasons, to seek "further evidence that the benefits proposed for DMMs are not disproportionate to their obligations."<sup>17</sup>

Under the proposal, the Exchange seeks to eliminate the Rule 104(g)(i)(A)(III) Prohibition—an obligation imposed on DMMs—thereby altering the existing set of obligations and benefits of DMM status. Accordingly, the Commission seeks public comment on whether the Exchange's proposal would maintain an appropriate balance between the benefits and obligations of being a DMM on the Exchange and whether the

obligations of DMMs under remaining Exchange rules are reasonably designed to prevent DMMs from inappropriately influencing or manipulating the close in light of DMMs' special responsibility for closing auctions under Exchange rules.

### IV. Solicitation of Comments

The Commission requests that interested persons provide written submissions of their views, data and arguments with respect to the concerns identified above, as well as any others they may have with the proposal. In particular, the Commission invites the written views of interested persons concerning whether the proposal is inconsistent with Section 6(b)(5) or any other provision of the Act, or the rules and regulation thereunder. Although there do not appear to be any issues relevant to approval or disapproval which would be facilitated by an oral presentation of views, data, and arguments, the Commission will consider, pursuant to Rule 19b-4, any request for an opportunity to make an oral presentation.<sup>18</sup>

Interested persons are invited to submit written data, views and arguments regarding whether the proposal should be disapproved by March 15, 2017. Any person who wishes to file a rebuttal to any other person's submission must file that rebuttal by March 29, 2017.

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-NYSEMKT-2016-99 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 Numbers SR-NYSEMKT-2016-99. The 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

<sup>12</sup> See Securities Exchange Act Release No. 58845 (Oct. 24, 2008), 73 FR 64379 (Oct. 29, 2008) (SR-NYSE-2008-46) (approving NYSE New Market Model pilot program) ("NMM Pilot Approval Order").

<sup>13</sup> See Securities Exchange Act Release No. 59022 (Nov. 26, 2008), 73 FR 63683 (Dec. 3, 2008) (NYSEALTR-2008-10) (amending equity rules to conform to NYSE NMM pilot rules).

<sup>14</sup> See NMM Pilot Approval Order, 73 FR at 64388.

<sup>15</sup> See Securities Exchange Act Release No. 75578 (Jul. 31, 2015), 80 FR 47008 (Aug. 6, 2015) (SR-NYSE-2015-26) ("NMM Approval Order"). See also Securities Exchange Act Release No. 75952 (Sep. 18, 2015), 80 FR 57645 (Sep. 24, 2015) (SR-NYSEMKT-2015-64) (notice of filing and immediate effectiveness of proposed rule change to make permanent the rules of the New Market Model pilot).

<sup>16</sup> See NMM Approval Order, 80 FR at 47010.

<sup>17</sup> See *id.* at 47013.

<sup>18</sup> Section 19(b)(2) of the Act, as amended by the Securities Act Amendments of 1975, Public Law 94-29 (June 4, 1975), grants the Commission flexibility to determine what type of proceeding—either oral or notice and opportunity for written comments—is appropriate for consideration of a particular proposal by a self-regulatory organization. See Securities Act Amendments of 1975, Senate Comm. on Banking, Housing & Urban Affairs, S. Rep. No. 75, 94th Cong., 1st Sess. 30 (1975).

<sup>8</sup> See *id.* at 81211.

<sup>9</sup> See *id.*

<sup>10</sup> 15 U.S.C. 78s(b)(2)(B).

<sup>11</sup> 15 U.S.C. 78f(b)(5).

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 proposal that are filed with the Commission, and all written communications relating to the proposal 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 filings also will be available for inspection and copying at the principal office of the Exchanges. 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-NYSEMKT-2016-99 and should be submitted on or before March 15, 2017. Rebuttal comments should be submitted by March 29, 2017.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>19</sup>

**Eduardo A. Aleman,**

*Assistant Secretary.*

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-80055; File No. SR-BX-2017-009]

### Self-Regulatory Organizations; NASDAQ BX, Inc.; Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Increase the BX Options Market Port Fees and Institute a Fee Cap at Chapter XV Section 3

February 16, 2017.

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 February 8, 2017, NASDAQ BX, Inc. ("BX" or "Exchange") 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 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 increase the BX Options Market port fees and institute a fee cap at Chapter XV Section 3.

The text of the proposed rule change is available on the Exchange's Web site at <http://nasdaqbx.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 purpose of the proposed rule change is to increase the BX Options Market port fees and institute a fee cap at Chapter XV Section 3(b).<sup>3</sup> The Exchange notes that it has not increased fees for the connectivity provided under the rule since its adoption in January 2015<sup>4</sup> notwithstanding that the costs that the Exchange incurs in offering the connectivity have increased. As described below, the Exchange is also proposing to limit the total amount that an Options Participant<sup>5</sup> may be assessed under the rule.

Under the Chapter XV Section 3(b), the Exchange assesses an Options Participant \$200 per port, per month,

<sup>3</sup> The Exchange initially filed the proposed pricing changes on February 1, 2017 (SR-BX-2017-005). On February 8, 2017, the Exchange withdrew that filing and submitted this filing.

<sup>4</sup> See Securities Exchange Act Release No. 73894 (December 19, 2014), 79 FR 78119 (December 29, 2014) (SR-BX-2014-060).

<sup>5</sup> As defined by BX Options Rules Chapter II, Section 1.

per mnemonic<sup>6</sup> for Order Entry Ports,<sup>7</sup> CTI Ports,<sup>8</sup> BX Depth Ports,<sup>9</sup> BX TOP Ports,<sup>10</sup> and Order Entry DROP Ports<sup>11</sup> without a cap on how much a Participant is assessed.<sup>12</sup> The Exchange is proposing to increase the fee assessed for Order Entry Ports, CTI Ports, BX Depth Ports, BX TOP Ports, and Order Entry DROP Ports to \$650 per port, per month, per mnemonic, which is consistent with the fees assessed by The NASDAQ Stock Market for comparable connectivity.<sup>13</sup> The Exchange is also

<sup>6</sup> A "mnemonic" is a unique identifier consisting of a four character alpha code.

<sup>7</sup> The Order Entry Port Fee is a connectivity fee in connection with routing orders to the Exchange via an external order entry port. BX Options Market Participants access the Exchange's network through order entry ports. A BX Options Market Participant may have more than one order entry port.

<sup>8</sup> CTI offers real-time clearing trade updates. A real-time clearing trade update is a message that is sent to a member after an execution has occurred and contains trade details. The message containing the trade details is also simultaneously sent to The Options Clearing Corporation. The trade messages are routed to a member's connection containing certain information. The administrative and market event messages include, but are not limited to: System event messages to communicate operational-related events; options directory messages to relay basic option symbol and contract information for options traded on the Exchange; complex strategy messages to relay information for those strategies traded on the Exchange; trading action messages to inform market participants when a specific option or strategy is halted or released for trading on the Exchange; and an indicator which distinguishes electronic and non-electronically delivered orders.

<sup>9</sup> A BX Depth Port provides access to BX Depth, which is a data feed that provides quotation information for individual orders on the BX book, last sale information for trades executed on BX, and Order Imbalance Information as set forth in BX Options Rules Chapter VI, Section 8. BX Depth is the options equivalent of the BX TotalView/ITCH data feed that BX offers under BX Rule 7023 with respect to equities traded on BX. As with TotalView, members use BX Depth to "build" their view of the BX book by adding individual orders that appear on the feed, and subtracting individual orders that are executed. See Chapter VI, Section 1(a)(3)(A).

<sup>10</sup> BX TOP Port is a data feed that provides the BX Best Bid and Offer ("BBO") and last sale information for trades executed on BX. The BBO and last sale information are identical to the information that BX sends to the Options Price Regulatory Authority ("OPRA") and which OPRA disseminates via the consolidated data feed for options. BX TOP Port is the options equivalent of the BX Basic data feed offered for equities under BX Rule 7047. See Chapter VI, Section 1(a)(3)(B).

<sup>11</sup> The DROP interface provides real time information regarding orders sent to the BX Options Market and executions that occurred on the BX Options Market. The DROP interface is not a trading interface and does not accept order messages.

<sup>12</sup> The Exchange also assesses a \$500 SQF Port fee, which is assessed per port, per month. A SQF Port is a port that allows a Participant acting as options Market Maker to enter its markets into the BX Options Market. The Exchange is not proposing to amend the fees assessed for SQF Ports or apply the proposed limit on fees to SQF Port fees.

<sup>13</sup> See NASDAQ Options Rules Chapter XV, Section 3(b).

<sup>19</sup> 17 CFR 200.30-3(a)(57).

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

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