

establishes comment deadline(s) pertaining to each request.

The public portions of the Postal Service's request(s) can be accessed via the Commission's Web site (<http://www.prc.gov>). Non-public portions of the Postal Service's request(s), if any, can be accessed through compliance with the requirements of 39 CFR 3007.40.

The Commission invites comments on whether the Postal Service's request(s) in the captioned docket(s) are consistent with the policies of title 39. For request(s) that the Postal Service states concern market dominant product(s), applicable statutory and regulatory requirements include 39 U.S.C. 3622, 39 U.S.C. 3642, 39 CFR part 3010, and 39 CFR part 3020, subpart B. For request(s) that the Postal Service states concern competitive product(s), applicable statutory and regulatory requirements include 39 U.S.C. 3632, 39 U.S.C. 3633, 39 U.S.C. 3642, 39 CFR part 3015, and 39 CFR part 3020, subpart B. Comment deadline(s) for each request appear in section II.

II. Docketed Proceeding(s)

1. *Docket No(s)*.: MC2017-98 and CP2017-144; *Filing Title*: Request of the United States Postal Service to Add Priority Mail Contract 298 to Competitive Product List and Notice of Filing (Under Seal) of Unredacted Governors' Decision, Contract, and Supporting Data; *Filing Acceptance Date*: March 20, 2017; *Filing Authority*: 39 U.S.C. 3642 and 39 CFR 3020.30 *et seq.*; *Public Representative*: Christopher C. Mohr; *Comments Due*: March 28, 2017.

2. *Docket No(s)*.: MC2017-99 and CP2017-145; *Filing Title*: Request of the United States Postal Service to Add Priority Mail Express & Priority Mail Contract 44 to Competitive Product List and Notice of Filing (Under Seal) of Unredacted Governors' Decision, Contract, and Supporting Data; *Filing Acceptance Date*: March 20, 2017; *Filing Authority*: 39 U.S.C. 3642 and 39 CFR 3020.30 *et seq.*; *Public Representative*: Christopher C. Mohr; *Comments Due*: March 28, 2017.

3. *Docket No(s)*.: CP2017-146; *Filing Title*: Notice of United States Postal Service of Filing a Functionally Equivalent Global Expedited Package Services 7 Negotiated Service Agreement and Application for Non-Public Treatment of Materials Filed Under Seal; *Filing Acceptance Date*: March 20, 2017; *Filing Authority*: 39 CFR 3015.5; *Public Representative*: Curtis E. Kidd; *Comments Due*: March 28, 2017.

This notice will be published in the **Federal Register**.

Stacy L. Ruble,
Secretary.

[FR Doc. 2017-05870 Filed 3-23-17; 8:45 am]

BILLING CODE 7710-FW-P

POSTAL SERVICE

Product Change—Priority Mail Express and Priority Mail Negotiated Service Agreement

AGENCY: Postal Service™.

ACTION: Notice.

SUMMARY: The Postal Service gives notice of filing a request with the Postal Regulatory Commission to add a domestic shipping services contract to the list of Negotiated Service Agreements in the Mail Classification Schedule's Competitive Products List.

DATES: *Effective date*: March 24, 2017.

FOR FURTHER INFORMATION CONTACT: Elizabeth A. Reed, 202-268-3179.

SUPPLEMENTARY INFORMATION: The United States Postal Service® hereby gives notice that, pursuant to 39 U.S.C. 3642 and 3632(b)(3), on March 20, 2017, it filed with the Postal Regulatory Commission a *Request of the United States Postal Service to Add Priority Mail Express & Priority Mail Contract 44 to Competitive Product List*. Documents are available at www.prc.gov, Docket Nos. MC2017-99, CP2017-145.

Stanley F. Mires,

Attorney, Federal Compliance.

[FR Doc. 2017-05835 Filed 3-23-17; 8:45 am]

BILLING CODE 7710-12-P

POSTAL SERVICE

Product Change—Priority Mail Negotiated Service Agreement

AGENCY: Postal Service™.

ACTION: Notice.

SUMMARY: The Postal Service gives notice of filing a request with the Postal Regulatory Commission to add a domestic shipping services contract to the list of Negotiated Service Agreements in the Mail Classification Schedule's Competitive Products List.

DATES: *Effective date*: March 24, 2017.

FOR FURTHER INFORMATION CONTACT: Elizabeth A. Reed, 202-268-3179.

SUPPLEMENTARY INFORMATION: The United States Postal Service® hereby gives notice that, pursuant to 39 U.S.C. 3642 and 3632(b)(3), on March 20, 2017, it filed with the Postal Regulatory Commission a *Request of the United*

States Postal Service to Add Priority Mail Contract 298 to Competitive Product List. Documents are available at www.prc.gov, Docket Nos. MC2017-98, CP2017-144.

Stanley F. Mires,

Attorney, Federal Compliance.

[FR Doc. 2017-05836 Filed 3-23-17; 8:45 am]

BILLING CODE 7710-12-P

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-80281; File No. SR-C2-2017-010]

Self-Regulatory Organizations; C2 Options Exchange, Incorporated; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change Related to Complex Orders

March 20, 2017.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the "Act"),¹ and Rule 19b-4 thereunder,² notice is hereby given that on March 6, 2017, C2 Options Exchange, Incorporated (the "Exchange" or "C2") filed with the Securities and Exchange Commission (the "Commission") the proposed rule change as described in Items I and II below, which Items have been prepared by the Exchange. The Exchange filed the proposal pursuant to Section 19(b)(3)(A)(iii) of the Act³ and Rule 19b-4(f)(6) thereunder.⁴ 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 seeks to amend its rules related to complex orders. The text of the proposed rule change is provided below (additions are *italicized*; deletions are [bracketed]).

* * * * *

C2 Options Exchange, Incorporated

Rules

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Rule 1.1. Definitions

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Exchange Spread Market

The term "Exchange spread market" means the derived net market based on the BBOs in the individual series legs comprising

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ 15 U.S.C. 78s(b)(3)(A)(iii).

⁴ 17 CFR 240.19b-4(f)(6).

a complex order and, if a stock-option order, the NBBO of the stock leg.

* * * * *

National Spread Market

The term “national spread market” means the derived net market based on the NBBOs in the individual series legs comprising a complex order and, if a stock-option order, the NBBO of the stock leg.

* * * * *

Rule 6.13. Complex Order Execution

(a)–(c) No change.

Interpretations and Policies:

.01 No change.

.02 For each class where COA is activated, the Exchange may also determine to activate COA for complex orders resting in COB. For such classes, any non-marketable order resting at the top of COB may be automatically subject to COA if the order is within a number of ticks away from the opposite side of the current [derived net] Exchange spread market. [The “derived net market” will be calculated based on the derived net price of the individual series legs. For stock-option orders, the derived net market for a strategy will be calculated using the Exchange’s best bid or offer in the individual option series leg(s) and the NBBO in the stock leg.] The Exchange may also determine on a class-by-class and strategy basis to limit the frequency of COAs initiated for complex orders resting in COB.

.03 No change.

.04 Price Check Parameters: On a class-by-class basis, the Exchange may determine (and announce via Regulatory Circular) which of the following price check parameters will apply to eligible complex orders. Paragraphs (b)[, (e)] and (g)(1) will not be applicable to stock-option orders.

For purposes of this Interpretation and Policy .04:

Vertical Spread. A “vertical” spread is a two-legged complex order with one leg to buy a number of calls (puts) and one leg to sell the same number of calls (puts) with the same expiration date but different exercise prices.

Butterfly Spread. A “butterfly” spread is a three-legged complex order with two legs to buy (sell) the same number of calls (puts) and one leg to sell (buy) twice as many calls (puts), all with the same expiration date but different exercise prices, and the exercise price of the middle leg is between the exercise prices of the other legs. If the exercise price of the middle leg is halfway between the exercise prices of the other legs, it is a “true” butterfly; otherwise, it is a “skewed” butterfly.

Box Spread. A “box” spread is a four-legged complex order with one leg to buy calls and one leg to sell puts with one strike price, and one leg to sell calls and one leg to buy puts with another strike price, all of which have the same expiration date and are for the same number of contracts.

To the extent a price check parameter is applicable, the Exchange will not automatically execute an eligible complex order that is:

(a)–(d) No change.

(e) Acceptable Percentage [Distance] Range Parameter:

(i) An incoming complex order (including a stock-option order) after all leg series are open for trading that is marketable and would execute immediately upon submission to the COB or following a COA if[, following COA,] the execution would be at a price [that is not within] outside an acceptable percentage [distance from the derived net price of the individual series legs] range. The “acceptable percentage range” is the national spread market (or Exchange spread market if the NBBO in any leg is locked, crossed or unavailable and for pairs of orders submitted to AIM or SAM) that existed when the System received the order or at the start of COA. The “acceptable percentage distance” will be a percentage determined by the Exchange on a class-by-class basis and shall be no less than 3 percent. Such a complex order will be cancelled[, as applicable, plus/minus:

(A) the amount equal to a percentage (which may not be less than 3%) of the national spread market (the “percentage amount”) if that amount is not less than a minimum amount or greater than a maximum amount (the Exchange will determine the percentage and minimum and maximum amounts and announce them to Trading Permit Holders by Regulatory Circular);

(B) the minimum amount, if the percentage amount is less than the minimum amount; or
(C) the maximum amount, if the percentage amount is greater than the maximum amount.

(ii) The System cancels an order (or any remaining size after partial execution of the order) that would execute or rest in the COB at a price outside the acceptable price range.

(iii) If the System rejects either order in a pair of orders submitted to AIM or SAM pursuant to this parameter, then the System also cancels the paired order. Notwithstanding the foregoing, with respect to an AIM Retained (“A:AIR”) order as defined in Interpretation and Policy .10 to Rule 6.51, if the System rejects the Agency Order pursuant to this check, then the System also rejects the contra-side order; however, if the System rejects the contra-side order pursuant to this check, the System still accepts the Agency Order if it satisfies the check. To the extent a contra-side order or response is marketable against the Agency Order, the execution price will be capped at the opposite side of the acceptable price range.

(f) [Stock-Option Derived Net Market Parameters: A stock-option order that is marketable if, following COA, the execution would not be within the acceptable derived net market for the strategy that existed at the start of COA.

(1) An “acceptable derived net market” for a strategy will be calculated using the Exchange’s best bid or offer in the individual option series leg(s) and the NBBO in the stock leg plus/minus an acceptable tick distance. An “acceptable tick distance” (“ATD”) will be determined by the Exchange on a class-by-class and premium basis.

(2) Such a stock-option order will be cancelled.

(3) To the extent that any non-marketable order resting at the top of the COB is priced within the ATD of the derived net market, the full order will be subject to COA (and the processing described in this paragraph (f)). The Exchange may also determine on a class-by-class and strategy basis to limit the frequency of COAs initiated for non-marketable stock-option orders resting in COB.

In classes where this price check parameter is available, it will also be available for COA responses under Rule 6.13(c), AIM and Solicitation Auction Mechanism stock-option orders and responses under Rule 6.51 and 6.52, and customer-to-customer immediate cross stock-option orders under Rule 6.51.08. Such paired stock-option orders and responses under these provisions will not be accepted except that, to the extent that only a paired contra-side order subject to an auction under Rule 6.51 or 6.52 exceeds this price check parameter, the contra-side order will not be accepted and the paired original Agency Order will not be accepted or, at the order entry firm’s discretion (i.e., an AIM Retained (“A:AIR”) order as defined in Interpretation and Policy .10 to Rule 6.51), continue processing as an unpaired stock-option order. To the extent that a contra-side order or response is marketable, its price will be capped at the price inside the acceptable derived net market.] Reserved.

(g) Limit Order Price Parameters: [The Exchange will not accept for execution eligible limit orders if] The System rejects back to a Trading Permit Holder a complex limit order with a net debit (credit) price more than a specified amount above (below):

(1) prior to the opening of a series (including during any pre-opening period and opening rotation) [before a series is opened following a halt], the order is priced at a net debit that is more than an ATD above] the derived net market using the Exchange’s previous day’s closing[e] prices in the individual option series legs comprising the complex order. However, this does not apply [or the order is priced at a net credit that is more than an ATD below the derived net market using the Exchange’s previous day’s close in the individual series legs comprising the complex order (as determined by the Exchange on a class by class and net premium basis)] to stock-option orders, to orders for the account of Market-Makers or away Market-Makers, or if there is no Exchange previous day’s closing price in any leg; or

(2) [once a series has opened, the order is priced at a net debit that is more than an ATD above] intraday, the opposite side of the national spread [derived net] market. This applies to stock-option orders, but does not apply [using the Exchange’s best bid or offer in the individual option series legs comprising the complex order or the order is priced at a net credit that is more than an ATD below the opposite side derived net market using the Exchange’s best bid or offer in the individual option series legs comprising the complex order (as determined by the Exchange on a class by class and net premium basis)] if the NBBO in any leg is locked, crossed or unavailable or if there is no Exchange spread market.

[Paragraph (g)(1) is not applicable to limit orders of Exchange Market-Makers or away Market-Makers or Intermarket Sweep Orders (“ISOs”) as ISOs cannot be entered prior to the opening on the System. Paragraph (g)(2) is applicable to ISOs for all classes where the limit order price parameter is activated. The Exchange may determine on a class by class basis and announce via Regulatory Circular whether to apply paragraphs (g)(1) and/or (g)(2) to immediate-or-cancel complex orders if doing so would be necessary or appropriate in furtherance of the interests of investors and the promotion of fair and orderly markets. The Exchange may determine to widen or narrow the ATDs with respect to particular order types, in the interests of fair and orderly markets or, in furtherance of the objectives of the Options Order Protection and Locked/Crossed Market Plan, as announced via Regulatory Circular.]

(3) For purposes of this paragraph (g):

(i) [An ATD shall be no less than 5 minimum net price increment ticks (where the “minimum net price increment” is the minimum increment for net priced bids and offers for the given complex order strategy).] *The Exchange determines the amount, which may be no less than \$0.02, on a class-by-class and net premium basis and announces the amount to Trading Permit Holders via Regulatory Circular. The Exchange may determine to apply a different amount to orders entered during the pre-opening or a trading rotation.*

(ii) *No limit order price parameter applies to complex orders submitted during a halt (including during any pre-opening period and opening rotation prior to re-opening following the halt) or to pairs of orders submitted to AIM or SAM. The limit order price parameter will take precedence over another price check parameter to the extent that both are applicable to an incoming limit order.*

(iii) The senior official in the Help Desk may grant [intra-day] relief on any trading day (including prior to opening) by widening or inactivating one or more of the applicable [ATD] amount parameter settings [for complex orders] in the interest of a fair and orderly market.

(A) Notification of [intra-day] this relief will be announced via electronic message to Trading Permit Holders that request to receive such messages. Such [intra-day] relief will not extend beyond the trade day on which it is granted, unless a determination to extend such relief is announced to Trading Permit Holders via Regulatory Circular. The Exchange will make and keep records to document all determinations to grant [intra-day] this relief under this Rule, and shall maintain those records in accordance with Rule 17a-1 under the Exchange Act.

(B) The Exchange will periodically review determinations to grant [intra-day] relief on any trading day for consistency with the interest of a fair and orderly market. [If a limit order is not accepted for execution because the limit order price ATD has not been met, the order will be returned to the order entry firm. The limit order price parameter will take precedence over another price check parameter to the extent that both are applicable to an incoming limit order.]

(h) No change.

.06 Special Provisions Applicable to Stock-Option Orders: Stock-option orders may be executed against other stock-option orders through the COB and COA. Stock-option orders will not be legged against the individual component legs, except as provided in paragraph (d) below.

(a) No change.

(b) Option Component. Notwithstanding the special priority provisions contained in paragraphs (c) and (d) below, the option leg(s) of a stock-option order shall not be executed on the system (i) at a price that is inferior to the Exchange’s best bid (offer) in the series or (ii) at the Exchange’s best bid (offer) in that series if one or more public customer orders are resting at the best bid (offer) price on the Book in each of the component option series and the stock-option order could otherwise be executed in full (or in a permissible ratio). The option leg(s) of a stock-option order may be executed in a one-cent increment, regardless of the minimum quoting increment applicable to that series.

(1) No change.

(2) To the extent that a stock-option order resting in COB becomes marketable against the [derived net] *Exchange spread* market, the full order will be subject to COA (and the processing described in paragraph (b)(1) of this Interpretation and Policy). [The “derived net market” for a strategy will be calculated using the Exchange’s best bid or offer in the individual option series leg(s) and the NBBO in the stock leg.]

(c)–(f) No change.

.07 Execution of Complex Orders on the COB Open:

(a) Complex orders, including stock-option orders, do not participate in opening rotations for individual component option series legs conducted pursuant to Rule 6.11. When the last of the individual component option series legs that make up a complex order strategy has opened (and, in the case of a stock-option order, the underlying stock has opened), the COB for that strategy will open. The COB will open with no trade, except as follows:

(i) The COB will open with a trade against the individual component option series legs if there are complex orders on only one side of the COB that are marketable against the opposite side of the [derived net] *Exchange spread* market. The resulting execution will occur at the [derived net] *Exchange spread* market price to the extent marketable pursuant to the rules of trading priority otherwise applicable to incoming electronic orders in the individual component legs. To the extent there is any remaining balance, the complex orders will trade pursuant to subparagraph (ii) below or, if unable to trade, be processed as they would on an intra-day basis under Rule 6.13. This paragraph (i) is not applicable to stock-option orders because stock-option orders do not trade against the individual component option series legs when the COB opens.

(ii) The COB will open (or continue to open with another trade if a trade occurred pursuant to subparagraph (i) above) with a trade against complex orders if there are complex orders in the COB (including any

remaining balance of an order that enters the COB after a partial trade with the legs pursuant to subparagraph (i)) that are marketable against each other and priced within the [derived net] *Exchange spread* market. The resulting execution will occur at a market clearing price that is inside the [derived net] *Exchange spread* market and that matches complex orders to the extent marketable pursuant to the allocation algorithm from Rule 6.12, as determined by the Exchange on a class-by-class basis with the addition that the COB gives priority to complex orders whose net price is better than the market clearing price first, and then to complex orders at the market clearing price. To the extent there is any remaining balance, the complex orders will be processed as they would on an intra-day basis under Rule 6.13. This subparagraph (ii) is applicable to stock-option orders.

(b) [The “derived net market” for a stock-option order strategy will be calculated using the Exchange’s best bid or offer in the individual option series leg(s) and the NBBO in the stock leg. The “derived net market” for any other complex order strategy will be calculated using the Exchange’s best bid or offer in the individual option series legs.]

(c) The Exchange may also use the process described in paragraph (a) of this Interpretation and Policy .07 when the COB reopens a strategy after a time period during which trading of that strategy was unavailable.

* * * * *

The text of the proposed rule change is also available on the Exchange’s Web site (<http://www.cboe.com/AboutCBOE/CBOELegalRegulatoryHome.aspx>), at the Exchange’s Office of the Secretary, 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 has in place various price protection mechanisms that are designed to prevent complex orders from executing at potentially erroneous

prices.⁵ These mechanisms are designed to help maintain a fair and orderly market by mitigating potential risks associated with complex orders trading at prices that are extreme or potentially erroneous. Currently, certain of these price protection mechanisms applicable to complex orders compare a complex order's net price, or the net price at which a complex order would execute, against the derived net market price based on the Exchange's best bid or offer ("BBO") in the individual series legs.⁶ The Exchange proposes to amend these mechanisms to provide they will use the derived net market based on the national best bid or offer ("NBBO") in the individual series legs rather than the BBO. The Exchange also proposes to update the parameter that requires a complex order to execute at a range within an acceptable percentage distance from the current market.

Limit Order Price Parameter for Complex Orders

The proposed rule change amends the limit order price parameters for complex and stock-option orders, which are intended to block executions at prices that exceed the derived net market by more than a reasonable amount. Rule 6.13, Interpretation and Policy .04(g) currently provides the Exchange will not accept for execution eligible limit orders if:

- Prior to the opening (including before a series is opened following a halt), the order is priced at a net debit that is more than an acceptable tick distance ("ATD") above the derived net market using the Exchange's previous day's close in the individual series legs comprising the complex order or the order is priced at a net credit that is more than an ATD below the derived net market using the Exchange's previous day's close in the individual series legs comprising the complex order on a class-by-class and net premium basis);⁷ or

- once a series has opened, the order is priced at a net debit that is more than an ATD above the opposite side derived net market using the Exchange's best bid or offer in the individual series legs

comprising the complex order or the order is priced at a net credit that is more than an ATD below the opposite side derived net market based on the individual series legs comprising the complex order (as determined by the Exchange on a class-by-class and net premium basis).

The Exchange proposes to amend these provisions to provide a complex order's price generally will be compared to the derived net price based on the national spread market.⁸ Specifically, proposed subparagraph (g)(1) states the System rejects back to a Trading Permit Holder⁹ a complex limit order with a net debit (credit) price more than distance specified amount above (below):

- Prior to the opening of a series (including during any pre-opening period and opening rotation), the derived net market using the Exchange's previous day's closing prices in the individual series legs comprising the complex order. However, this does not apply to stock-option orders, to orders for the account of C2 or away market-makers, or if there is no Exchange previous day's closing price in any leg; or

- intraday, the opposite side of the national spread market. This applies to stock-option orders, but does not apply if the NBBO in any leg is locked, crossed or unavailable¹⁰ or if there is no Exchange spread market.¹¹

⁸ The proposed rule change adds the definition of national spread market to Rule 1.1, defined as the derived net market based on the NBBOs in the individual series legs comprising a complex order and, if a stock-option order, the NBBO of the stock leg.

⁹ Current subparagraph (3)(ii)(B) states if a limit order is not accepted for execution because the limit order price ATD has not been met, the order will be returned to the order entry firm. The proposed rule change deletes this language, as it is no longer needed due to the revised introductory language in proposed paragraph (g). Additionally, the proposed rule change moves the rule provision stating the limit order price parameter will take precedence over another price check parameter to the extent both are applicable to an incoming limit order from current subparagraph (3)(ii)(B) to proposed subparagraph (3)(ii).

¹⁰ If the NBBO (or BBO) is not currently being disseminated, the NBBO (or BBO) will be considered "unavailable."

¹¹ The proposed rule change adds the definition of Exchange spread market to Rule 1.1, defined as the derived net market based on the BBOs in the individual series legs comprising a complex order and, if a stock-option order, the NBBO of the stock leg. The proposed rule change makes corresponding changes to Rule 6.13, Interpretations and Policies .02, .06, and .07 to incorporate the proposed defined term (as well as delete the definition currently in those provision [sic] to avoid duplication). The proposed rule change also clarifies in Interpretation and Policy .02 the number of ticks is applied to the opposite side of the Exchange spread market, which is consistent with System functionality and language in other rules that incorporate the Exchange spread market or national spread market.

While the Exchange believes Trading Permit Holders are generally willing to accept executions at prices that exceed the maximum possible value of the applicable spread to a certain extent, executions too far away from the market may be erroneous. The current limit order price parameter when trading is open compares the order prices to the Exchange spread market, which is the derived net market based on the BBOs of the individual series legs comprising a complex order and, if a stock-option order, the NBBO of the stock leg. The proposed rule change amends this parameter so it compares an order's price to the national spread market intraday (*i.e.*, when open for trading). As discussed above, the NBBO of the legs (upon which the national spread market is based) more accurately reflects the entire market for the legs comprising a complex order at the time of execution than the Exchange spread market (based on the BBO of the legs). Therefore, the Exchange believes it is appropriate for complex order net execution prices during the trading day to be based on the best prices throughout the entire market rather than those only on C2's market.¹²

Prior to individual series legs opening on C2 (which the rule clarifies includes any pre-opening period and opening rotation),¹³ the System will continue to use the derived net market using the Exchange's previous day's closing prices as the comparison figure. The check will continue to not apply to stock-option orders or orders of C2 or away market-makers. The check will also not apply if there is no Exchange previous day's closing price in any leg (and thus no reliable measure against which to compare the price of the order to determine its reasonability).

With respect to complex orders entered during a trading halt (which includes any pre-opening period or opening rotation prior to re-opening following a halt),¹⁴ current subparagraph (g)(1) applies, using the derived net market using the Exchange's previous day's closing prices. The

¹² The proposed rule change also makes nonsubstantive changes to paragraph (g).

¹³ Pursuant to Rule 6.11, the procedure used to open classes for trading on the Exchange includes use of a pre-opening period (which currently begins at 6:30 a.m.) and trading rotation. The pre-opening period and rotation occur prior to a class being open, and the proposed rule change merely makes this clear.

¹⁴ Pursuant to Rule 6.11(i), the Exchange may reopen a class following a trading halt using the procedure described in the rule, including use of a pre-opening period and rotation. Any such pre-opening period and rotation would occur while trading is still halted, as trading would not yet be reopened, and the proposed rule change merely makes this clear.

⁵ See, e.g., Rules 6.13, Interpretation and Policy .04.

⁶ See *id.*

⁷ This provision currently does not apply to orders of Exchange Market-Makers or away Market-Makers or Intermarket Sweep Orders ("ISOs") (which cannot be entered prior to the opening of the System). The proposed rule change eliminates the reference to ISOs—because Trading Permit Holders may not enter ISOs prior to the opening, the rule does not need to specify this check will not apply to those orders prior to the opening, as none will enter the System during that time.

proposed rule change states in subparagraph (g)(3)(ii) the System will no longer apply the limit order price parameter to complex orders entered during a trading halt. If a halt occurs during the trading day, it is difficult for the System at this time to determine reliable pricing for each leg during a likely volatile time when quotes may be available for some legs but not others. The Exchange believes this is preferable to applying the check using the previous day's closing price, which would be stale by that time.

The proposed rule change states this price parameter will not apply to pairs of orders submitted to AIM or SAM. The AIM and SAM functionality separately limits the prices at which those pairs may be submitted and executed, and thus it would be duplicative for the System to apply this price parameter to those pairs of orders.¹⁵

Once a series has opened on C2, this check will compare the price of a complex order with a net debit (credit) price to the opposite side of the national spread market. The national spread market would more accurately reflect the then-current market, rather than the Exchange spread market, and thus the Exchange believes it would be a better measure to use for purposes of determining the reasonability of the prices of orders. This applies to stock-option orders, but does not apply if the NBBO in any leg is locked, crossed or unavailable¹⁶ or if there is no Exchange spread market¹⁷ (and thus no reliable measure against which to compare the price of the order to determine its reasonability).

Currently, C2 does not accept stock-option orders. However, current paragraph (g) does not specify whether the limit order price parameter would apply to stock-option orders if C2 accepted them. The proposed rule change states proposed subparagraph (g)(1) does not apply to stock-option orders but subparagraph (g)(2) does apply to stock-option orders.

Current subparagraph (3)(i) states an ATD may be no less than five minimum net price increment ticks (where the "minimum net price increment" is the minimum increment for net priced bids and offers for the given complex order

¹⁵ See Rules 6.51(a) and Interpretation and Policy .06, and 6.52(a) and Interpretation and Policy .01, respectively.

¹⁶ If the NBBO (or BBO) is not currently being disseminated, the NBBO (or BBO) will be considered "unavailable."

¹⁷ The Exchange notes this is consistent with functionality today—the System does not apply the limit order price parameter to an order if there is no Exchange spread market (which includes if there is no C2-disseminated quote in any leg comprising the complex order).

strategy). The proposed rule change states the Exchange will determine a specified amount, rather than an ATD, which may be no less than \$0.02. With respect to complex orders, the Exchange has determined pursuant to Rule 6.4(4) the minimum increment for complex orders in all but three classes (SPX, OEX and XEO) is \$0.01, which would be the minimum increment tick under current Rule 6.13, Interpretation and Policy .04(g) (thus the current minimum is essentially \$0.01 for almost all classes). The Exchange generally announces the setting for this parameter in a monetary amount rather than number of ticks, so the Exchange believes amending the rule to use the term amount rather than ticks is consistent with this practice.¹⁸

Additionally, because market conditions during pre-opening periods and trading rotations are different than those present during regular trading hours, the proposed rule change provides the Exchange with flexibility to apply a different amount during those times. The Exchange believes it is appropriate to have the ability to apply a different amount during the pre-open period or opening rotation so the check does not impact the Exchange's ability to open an option or determination of the opening price.¹⁹

The proposed rule change deletes the Exchange's flexibility to not apply this price parameter to immediate-or-cancel complex orders, as the Exchange believes these orders are also at risk of

¹⁸ See Regulatory Circular RG16-008.

¹⁹ Note current Rule 6.13, Interpretation and Policy .04(g)(3)(ii) permits a senior official on the Exchange Help Desk to grant intra-day relief by widening or inactivating one or more of the applicable ATD parameters settings in the interest of a fair and orderly market. The proposed rule change amends subparagraph (3)(ii) to become subparagraph (3)(iii) and to provide this relief (with respect to an amount rather than ATD) can be on any trading day (including prior to opening). The term intraday used elsewhere in Rule 6.13 generally refers to when trading is open, while this temporary relief may be granted at any time on a trading day, including prior to the open of trading. Granting this relief at any of those times may be necessary to address market events or volatility, which may occur prior to an opening, in addition to when the Exchange is open for trading, and maintain a fair and orderly market during those times. The proposed rule change clarifies when this relief may be granted. The Exchange will continue to make and keep records of any determination to grant relief, and periodically review these determinations. The proposed rule change also deletes language in paragraph (g) stating the Exchange may determine to widen or narrow the ATDs with respect to particular order types, in the interests of fair and orderly markets or, in furtherance of the objectives of the Options Order Protection and Locked/Crossed Market Plan, as announced via Regulatory Circular. Current subparagraph (3)(ii) and proposed subparagraph (3)(iii) includes language permitting the Exchange to widen or inactivate the settings in the interest of a fair and orderly market, so the Exchange believes this additional language is redundant.

execution at extreme and potentially erroneous prices and thus will benefit from applicability of these checks.

Example

The System receives a complex order to buy Series A and sell Series B for a net debit price of \$1.50. Suppose the NBBO for Series A is \$2.00 to \$2.20 and the NBBO for Series B is \$1.00 to \$1.20, making the national spread market for a strategy with a buy Series A leg and sell Series B leg \$0.80 to \$1.20. The Exchange has set the limit order price parameter at \$0.20 (thus a limit order will be rejected if more than \$0.20 above (below) the opposite side of the national spread market). Because the net debit price of the complex order is \$0.30 above the offer of the national spread market, the System rejects this order.

Acceptable Percentage Range Parameter

The proposed rule change amends Rule 6.13, Interpretation and Policy .04(e), which currently provides the Exchange will not automatically execute an eligible complex order that is marketable if, following a complex order auction ("COA"), the execution would be at a price that is not within an acceptable percentage distance from the derived net price of the individual series legs that existed at the start of COA. The acceptable percentage distance is a percentage determined by the Exchange on a class-by-class basis and is no less than 3%.

The proposed rule change amends this price protection mechanism to provide the Exchange will not automatically execute an incoming complex order (including a stock-option order) after all leg series are open for trading²⁰ that is marketable and would execute immediately upon submission to the complex order book ("COB") or following a COA if the execution would be at a price outside an acceptable percentage range, which is the national spread market that existed when the System received the order or at the start of COA, as applicable, plus/minus:

- The amount equal to a percentage (which may not be less than 3%) of the national spread market (the "percentage amount") if that amount is not less than a minimum amount or greater than a maximum amount (the Exchange will determine the percentage and minimum and maximum amounts and announce

²⁰ Rule 6.11 has separate price protections applicable to execution prices during pre-open and the opening rotation. The Exchange believes it is appropriate to apply the acceptable price range protection to orders when the leg series comprising the complex order are open to avoid interfering with the orderly opening process during which the System matches as many orders as possible.

them to Trading Permit Holders by Regulatory Circular);

- the minimum amount, if the percentage amount is less than the minimum amount; or
- the maximum amount, if the percentage amount is greater than the maximum amount.²¹

The System cancels an order (or any remaining size after partial execution of the order) that would execute or rest in the COB at a price outside the acceptable price range.

This proposed rule change expands this parameter to incoming complex orders that do not COA and may immediately execute, as well as orders that do COA (to which the current parameter applies), which will potentially prevent erroneous executions of more complex orders. The proposed rule change provides, while the acceptable price range will continue to be based on a percentage away from the market, the System will use the national spread market rather than the Exchange spread market for the reasons set forth above.²² The proposed rule change also puts in place a “maximum” price range (with the minimum and maximum amounts), which will keep the acceptable price range from being too wide and thus enhance the

²¹ The proposed rule change also amends the name of this price parameter to be consistent with the proposed changes.

²² Proposed subparagraph (e)(i) states the acceptable price range uses the Exchange spread market rather than the national spread market if the NBBO in any leg is locked, crossed or unavailable (and thus there is no reliable measure against which to compare the price of the order to determine its reasonability). Pursuant to proposed subparagraph (e)(i), the acceptable price range will also continue to use the Exchange spread market for pairs of orders submitted to AIM and SAM (as it does today), as the AIM and SAM functionality separately limits the prices at which those pairs may be submitted and executed. See Rules 6.51(a) and Interpretation and Policy .06, and 6.52(a) and Interpretation and Policy .01, respectively. If the System rejects either order in the pair pursuant to this parameter, then the System also cancels the paired order. Notwithstanding the foregoing, with respect to an AIM Retained (“A:AIR”) order as defined in Interpretation and Policy .10 to Rule 6.51, if the System rejects the Agency Order pursuant to this check, then the System also rejects the contra-side order; however, if the System rejects the contra-side order pursuant to this check, the System still accepts the Agency Order if it satisfies the check. This currently is codified in paragraph (f) for stock-option orders and is being codified for all complex orders in proposed subparagraph (e)(iii), as it is consistent with current System functionality and the contingencies attached to those types of orders, as well as rules related to other price protections. See, e.g., Rule 6.13, Interpretation and Policy .04(c) and (h). Additionally, the proposed rule change applies the provision in current paragraph (f), which states to the extent a contra-side order or response is marketable against the Agency Order, the execution price will be capped at the opposite side of the acceptable price range, to all complex orders in proposed paragraph (e)(iii).

effectiveness of this price parameter to prevent erroneous executions.²³

Rule 6.13, Interpretation and Policy .04(f) sets forth a parameter currently applicable to stock-option orders, which is the same as the parameter in current paragraph (e), except the parameter in current paragraph (f) blocks executions of stock-option orders at prices more than a specified number of ticks away from the Exchange spread market, while current paragraph (e) blocks executions of complex orders at prices more than a specified percentage away from the Exchange spread market. Current paragraph (f) states the Exchange will not automatically execute a stock-option order that is marketable if, following a COA, the execution would not be within the acceptable derived net market for the strategy that existed at the start of COA. An “acceptable derived net market” for a strategy is calculated using the BBO in the individual option series leg(s) and the NBBO in the stock leg plus/minus an acceptable tick distance, which is determined by the Exchange on a class-by-class and premium basis. Such a stock-option order will be cancelled. The proposed rule change deletes paragraph (f) and applies the parameter in paragraph (e) (as proposed to be amended) to stock-option orders.²⁴ Proposed paragraph (e) will apply to stock-option orders in the same manner as it does to other complex orders.²⁵ Therefore, the Exchange believes it simplifies its rules to include the enhanced parameter once in the rules using the proposed defined terms.

Example

Suppose the NBBO for Series A is \$2.00 to \$2.20 (50 × 50) and the NBBO for Series B is \$1.00 to \$1.20 (50 × 50), making the national spread market for a strategy with a buy Series A leg and sell Series B leg \$0.80 to \$1.20. Also suppose the BBO for Series A is \$1.98 to \$2.22 (10 × 10) and the BBO for Series B is \$0.98 to \$1.22 (10 × 10), making the Exchange spread market for a strategy

²³ The maximum value acceptable price range in Rule 6.13, Interpretation and Policy .04(h) similarly uses an acceptable price range determined by a percentage away from the maximum possible value of a spread, with a minimum and maximum amount.

²⁴ Proposed paragraph (e) will apply to incoming orders and not auction responses. While this price protection will not cancel auction responses that would execute outside the acceptable price range, this price protection will prevent an order from executing outside the acceptable price range (including against an auction response), and thus responses will not execute against an order outside the acceptable price range.

²⁵ The proposed rule change makes a conforming change to the introductory paragraph of Interpretation and Policy .04.

with a buy Series A leg and sell Series B leg \$0.76 to \$1.24. Pursuant to proposed Rule 6.13, Interpretation and Policy .04(g), the Exchange has set the limit order price parameter at \$0.20 (thus a limit order will be rejected if more than \$0.20 above (below) the opposite side of the national spread market). The Exchange determined the following settings for the acceptable percentage range parameter: 10%, with a minimum amount of \$0.05 and a maximum amount of \$0.10. Therefore, the acceptable percentage range is \$0.72 to \$1.30.²⁶ The System receives a COA-eligible²⁷ complex order to buy 35 Series A and sell 35 Series B for a net debit price of \$1.40. A COA begins, and at the end of the COA, there are no auction responses or opposite side complex orders resting in the COB. The complex order executes against the 10 contracts in the leg market at a net price of \$1.24 (buy 10 contracts in Series A at the \$2.22 offer, and sell 10 contracts in Series B at the \$0.98 bid), which price is within the acceptable price range. The resulting BBO for Series A is \$1.98 to \$2.26 (10 × 10), and the resulting BBO for Series B is \$0.94 to \$1.22 (10 × 10), making the resulting Exchange spread market for a strategy with a buy Series A leg and sell Series B leg \$0.76 to \$1.32. The System cancels the remaining 25 contracts of the order, because the next execution price with the leg markets of \$1.32 and the \$1.40 net debit price of the order are each outside the acceptable price range, and therefore, the order cannot trade or rest in the book at a price not outside the acceptable price range.

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.²⁸ Specifically, the Exchange believes the proposed rule change is consistent with the Section

²⁶ The bid side of this range equals \$0.72, which is \$0.80 minus 10% of \$0.80 (or \$0.08), an amount greater than the minimum and less than the maximum. The offer side of this range equals \$1.30, which is \$1.20 plus the maximum amount of \$0.10, because 10% of \$1.20 (or \$0.12) is greater than that maximum amount.

²⁷ See Rule 6.13(c) for a description of the COA process and order eligibility requirements. Note, in this example, the same result occurs for a non-COA eligible order—such order would execute against the 10 contracts resting in the leg markets at a net price of \$1.24 upon submission to the COB rather than following a COA, and the System would cancel the remainder.

²⁸ 15 U.S.C. 78f(b).

6(b)(5)²⁹ 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)³⁰ requirement that the rules of an exchange not be designed to permit unfair discrimination between customers, issuers, brokers, or dealers.

In particular, the proposed rule change removes impediments to and perfects the mechanism of a free and open market and national market system because the limit order price parameter (intraday) and the acceptable percentage range parameter for complex orders will be based on the national spread market when available, which is based on the NBBO, and thus will more accurately reflect the entire market for a complex order at the time of execution than the Exchange spread market (which is based on the BBO). The Exchange believes the enhanced price protection mechanisms will further protect investors and the public interest and maintain fair and orderly markets by mitigating potential risks associated with market participants entering orders at extreme and potentially erroneous prices.

With respect to the limit order price parameter for complex orders, the Exchange believes the national spread market when trading is open would be a better measure to use for purposes of determining the reasonability of the prices of orders and more accurately prevent executions of limit orders at erroneous prices, which ultimately protects investors. The Exchange also believes applying this check to immediate-or-cancel complex orders may prevent executions at extreme and potentially erroneous prices of these orders. The Exchange believes it is appropriate to have flexibility to determine to apply a different amount to complex orders entered during the pre-opening, a trading rotation, or a trading halt to reflect different market conditions during those times. This flexibility will further assist the Exchange with its efforts to maintain a fair and orderly market, which will ultimately protect investors.

With respect to the acceptable percentage range parameter, the national spread market would be a better measure to use for purposes of preventing executions of complex orders at erroneous prices, which ultimately protects investors. The proposed parameter will apply to complex orders that do not COA (and would execute against orders in the COB) in addition to those that do, which may prevent additional erroneous trades at prices that are extreme or “too far away” from the market.³¹ The Exchange believes the methodology to determine the acceptable price range is reasonable because using a percentage amount provides Trading Permit Holders with precise protection, while the pre-set minimum and maximum ensures that the acceptable price range cannot be too wide or narrow to the point that the parameter would become ineffective.

The Exchange also believes the proposed rule change regarding how the acceptable percentage range parameter will apply to AIM and SAM orders is reasonable, as the proposed rule change is consistent with the contingencies attached to those types of orders.

The proposed rule change to apply a single limit order price parameter and acceptable price range to all complex orders, including stock-option orders (subject to certain exceptions consistent with the current rules), will protect investors, as it simplifies the rules.

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

C2 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. The proposed rule change will apply to all complex orders submitted to C2 in the same manner. The enhancements to the price protection mechanisms applicable to all incoming orders will help further prevent potentially erroneous executions, which benefits all market participants. The proposed rule change will not impose any burden on intermarket competition, as it merely incorporates best prices available on other markets into current price protection mechanisms applicable to complex orders. Additionally, the proposed rule change is substantially similar to a rule of another options exchange.³²

³¹ As further discussed below, the proposed rule change is substantially similar to NASDAQ OMX [sic] PHLX LLC (“PHLX”) Rule 1098(i).

³² See PHLX Rule 1098(i).

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

Because the foregoing proposed rule change does not: (i) significantly affect the protection of investors or the public interest; (ii) impose any significant burden on competition; and (iii) become operative for 30 days from the date on which it was filed, or such shorter time as the Commission may designate, it has become effective pursuant to Section 19(b)(3)(A) of the Act³³ and Rule 19b-4(f)(6) thereunder.³⁴

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 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-C2-2017-010 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.

³³ 15 U.S.C. 78s(b)(3)(A).

³⁴ 17 CFR 240.19b-4(f)(6). As required under Rule 19b-4(f)(6)(iii), the Exchange provided the Commission with written notice of its intent to file the proposed rule change, along with a brief description and the text of the proposed rule change, at least five business days prior to the date of filing of the proposed rule change, or such shorter time as designated by the Commission.

²⁹ 15 U.S.C. 78f(b)(5).

³⁰ *Id.*

All submissions should refer to File Number SR–C2–2017–010. 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–C2–2017–010 and should be submitted on or before April 14, 2017.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.³⁵

Eduardo A. Aleman,
Assistant Secretary.

[FR Doc. 2017–05854 Filed 3–23–17; 8:45 am]

BILLING CODE 8011–01–P

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–80280; File No. SR–DTC–2017–001]

Self-Regulatory Organizations; The Depository Trust Company; Notice of Filing of Proposed Rule Change To Establish a Sub-Account for Use With the DTCC Euroclear Global Collateral Ltd Collateral Management Service and Provide for the Authorization of a Representative To Receive Information About the Sub-Account

March 20, 2017.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934

(“Act”)¹ and Rule 19b–4 thereunder,² notice is hereby given that on March 9, 2017, The Depository Trust Company (“DTC”) 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 DTC. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

I. Clearing Agency's Statement of the Terms of Substance of the Proposed Rule Change

The proposed rule change consists of amendments to Rules, By-Laws and Organization Certificate of The Depository Trust Company (the “DTC Rules”)³ in order to add new Rule 35 (CMS Reporting) which would provide that any DTC Participant that is, or is acting on behalf of, a user of certain collateral management services (“CMS”)⁴ of DTCC Euroclear Global Collateral Ltd. (“DEGCL”)⁵ may establish one or more sub-Accounts for use in connection with CMS (each, a “CMS Sub-Account”). A DTC Participant that establishes a CMS Sub-Account pursuant to the proposed rule (a “CMS Participant”) would thereby: (i) Authorize DEGCL to receive account and transactional information and reports with respect to the CMS Sub-Account, and (ii) direct DTC to provide such information and reports to DEGCL, as described in detail below.

II. Clearing Agency's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, the clearing agency 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 clearing agency has prepared summaries, set forth in sections A, B, and C below, of the most significant aspects of such statements.

(A) Clearing Agency's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

1. Purpose

The proposal would add new Rule 35 (CMS Reporting), which would provide that any DTC Participant that is, or is acting on behalf of, a user of DEGCL CMS may establish one or more CMS Sub-Accounts. A CMS Participant would thereby: (i) Authorize DEGCL to receive account and transactional information and reports with respect to the CMS Sub-Account, and (ii) direct DTC to provide such information and reports to DEGCL, as described below.

(i) Background

(a) DEGCL

DEGCL was formed in the United Kingdom (“UK”), and is authorized by the Financial Conduct Authority (“FCA”)⁶ in the UK as a “service company” in accordance with applicable law of the UK.⁷ DEGCL was formed for the purpose of offering global information, record keeping, and processing services for derivatives collateral transactions and other types of financing transactions. DEGCL seeks to provide services to buy-side and sell-side financial institutions that seek increased efficiency in the availability and deployment of collateral and streamlined margin processing, in light

⁶ The FCA is an independent public body that regulates 56,000 financial services firms and financial markets in the UK financial services firms in the UK. It is accountable to the UK Treasury, which is responsible for the UK's financial system, and to Parliament.

⁷ DEGCL was authorized as a “service company” by the FCA on March 29, 2016. A “service company,” as defined in the FCA Handbook, Glossary, is: “[A] firm whose only permitted activities are making arrangements with a view to transactions in investments, and agreeing to carry on that regulated activity, and whose Part 4A permission: (a) Incorporates a limitation substantially to the effect that the firm carry on regulated activities only with market counterparties or intermediate customers; and (b) includes requirements substantially to the effect that the firm must not: (i) Guarantee, or otherwise accept responsibility for, the performance, by a participant in arrangements made by the firm in carrying on regulated activities, of obligations undertaken by that participant in connection with those arrangements; or (ii) approve any financial promotion on behalf of any other person or any specified class of persons; or (iii) in carrying on its regulated activities, provide services otherwise than in accordance with documents (of a kind specified in the requirement) provided by the firm to the FCA.” FCA Handbook, Glossary, available at <https://www.handbook.fca.org.uk/handbook/glossary>.

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b–4.

³ Each capitalized term not otherwise defined herein has its respective meaning as set forth in the Rules, By-Laws and Organization Certificate of The Depository Trust Company (the “DTC Rules”), available at <http://www.dtcc.com/legal/rules-and-procedures.aspx>.

⁴ In particular, there will be a CMS option authorizing DEGCL, on behalf of the CMS User, to propose collateral allocations to satisfy counterparty obligations of the CMS User, referred to by DEGCL as the “Allocation Option” and further explained below.

⁵ DEGCL is a joint venture of The Depository Trust & Clearing Corporation (“DTCC”), the corporate parent of DTC, and Euroclear S.A./N.V. (“Euroclear”), the corporate parent of Euroclear Bank, described further below. DTC understands that CMS will be operated by Euroclear Bank and other entities in the Euroclear group, as service providers to DEGCL, in accordance with appropriate agreements between them.

³⁵ 17 CFR 200.30–3(a)(12).