

Rollover Option are subject to modification, termination or suspension without notice, except in certain limited cases.

4. Any DSC imposed on a Series' Units will comply with the requirements of subparagraphs (1), (2) and (3) of rule 6c-10(a) under the Act.

5. Each Series offering Units subject to a DSC will include in its prospectus the disclosure required by Form N-1A relating to deferred sales charges (modified as appropriate to reflect the differences between UITs and open-end management investment companies) and a schedule setting forth the number and date of each Installment Payment.

#### B. Net Worth Requirement

Applicants will comply in all respects with the requirements of rule 14a-3 under the Act, except that the Structured Series will not restrict their portfolio investments to "eligible trust securities."

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

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

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-80362; File No. SR-ISEMercury-2017-06]

### Self-Regulatory Organizations; ISE Mercury, LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to "Tick-Worse" Functionality

April 3, 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 March 28, 2017, ISE Mercury, LLC ("ISE Mercury" or "Exchange") filed with the Securities and Exchange Commission ("Commission") the proposed rule change as described in Items I, II, and III, below, which Items have been prepared by the 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 (i) request the decommission of "Tick-Worse"

functionality and (ii) amend Rule 713 (Priority of Quotes and Orders) relating to the priority of split price transactions.

The text of the proposed rule change is available on the Exchange's Web site at [www.ise.com](http://www.ise.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 (i) decommission the "Tick-Worse" functionality and (ii) amend Rule 713 (Priority of Quotes and Orders) as it relates to the priority of split price transactions. The proposed changes are discussed below.

###### "Tick-Worse" Functionality

The Exchange currently provides market makers<sup>3</sup> with Tick-Worse functionality, which allows market makers to pre-define the prices and sizes at which the system will automatically move their quotation following an execution that exhausts the size of their existing quotation.<sup>4</sup> As

<sup>3</sup> The term "market makers" refers to "Competitive Market Makers" and "Primary Market Makers" collectively. See Rule 100(a)(25).

<sup>4</sup> Tick-Worse functionality is not currently memorialized in the Exchange's rulebook. In addition, the Exchange will not offer Tick-Worse on the new Nasdaq INET system going forward. On September 30, 2004, International Securities Exchange, LLC ("ISE") filed with the Commission a proposal to codify this functionality in its rulebook, but inadvertently deleted the rule as obsolete rule text in a subsequent proposal filed on December 21, 2012. See Securities Exchange Act Release No. 51050 (January 18, 2005), 70 FR 3758 (January 26, 2005) (SR-ISE-2004-31); Securities Exchange Act Release No. 68570 (January 3, 2013), 78 FR 1901 (January 9, 2013) (SR-ISE-2012-82). The Exchange imported Rule 713 from ISE's rulebook when the Commission granted the Exchange's application for registration as a national securities exchange, which was after the Tick-Worse functionality rule was inadvertently removed from ISE's rules. See Securities Exchange Act Release No. 76998 (January 29, 2016), 81 FR 6066

such, when a market maker's quote is traded out, it can be automatically reinstated into the Exchange's order book at the next best price.<sup>5</sup> This optional feature is intended to help market makers meet their continuous quoting obligations under the Exchange's rules<sup>6</sup> when their displayed quotations are exhausted. When a market maker's quote is traded out and automatically reinstated into the Exchange's order book using the Tick-Worse functionality, the reinstated quote will be given priority pursuant to the Exchange's split price priority rule as discussed below.

Due to the lack of demand for the Tick-Worse feature, the Exchange proposes to decommission the use of this functionality as it migrates symbols to INET no later than in 2017 Q3.<sup>7</sup> As discussed above, the Exchange offers the Tick-Worse feature as a voluntary tool for market makers to assist them in meeting their continuous quoting obligations under the Exchange's rules. As such, market makers are not required to use the Exchange-provided functionality and can program their own systems to perform the same functions if they prefer. The Exchange has found that almost all market makers use their own systems rather than the Exchange's Tick-Worse feature to send refreshed quotations when their displayed quotations are exhausted, and therefore members have discontinued use of this functionality. Because the Tick-Worse functionality is currently not memorialized in the Exchange's rules as noted above, there is no text of the proposed rule change. The Exchange will provide advance notice to its Members through an Options Trader Alert of the intent to decommission the Tick-Worse functionality.<sup>8</sup>

(February 4, 2016) (Order Granting Registration as a National Securities Exchange).

<sup>5</sup> Market makers may choose to set Tick-Worse parameters by specifying how many price ticks back, and for what size, the quote is to be reinstated.

<sup>6</sup> Specifically, Primary Market Makers ("PMMs") are required under Rule 804(e)(1) to enter quotations in all of the series listed on the Exchange of the options classes to which they are appointed on a daily basis. Supplementary Material .01 to Rule 804 further requires PMMs to quote 90% of the time their assigned options class is open for trading on the Exchange. As provided in Rule 804(e)(2), Competitive Market Makers ("CMMs") are not required to enter quotations in the options class to which they are appointed, but in the event a CMM does initiate quoting, such CMM is generally required to quote 60% of the time its assigned options class is open for trading on the Exchange.

<sup>7</sup> Currently, this functionality is being used by one market maker on the Exchange.

<sup>8</sup> The Exchange notes that it similarly decommissioned Tick-Worse on ISE Gemini, LLC

Continued

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

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

### Split Price Priority

The Exchange is proposing to delete Rule 713(f), which relates to the priority of split price transactions, because this priority rule currently only applies in the context of the Tick-Worse functionality, as described above, which the Exchange proposes to decommission. The Exchange proposes to delete this rule no later than 2017 Q3, along with the decommissioning of the Tick-Worse functionality.

Rule 713(f) provides that if a Member purchases (sells) one (1) or more options contracts of a particular series at a particular price, it shall at the next lower (higher) price at which there are Professional Orders or market maker quotes, have priority over such Professional Orders and market maker quotes in purchasing (selling) up to the equivalent number of options contracts of the same series that it purchased (sold) at the higher (lower) price, but only if the purchase (sale) so effected represents the opposite side of a transaction with the same offer (bid) as the earlier purchase (sale). Although the language of Rule 713(f) is more general, the Exchange's intent was to apply split price priority solely to the Tick-Worse functionality.

### Example

- Primary Market Maker has opted into tick worse functionality and selected to tick worse and post 10 contracts at a penny worse than their original quote
- Primary Market Maker quote for 10 contracts bid at \$1.00 and 10 contracts offered at \$1.02
- Additionally, there is a Priority Customer order to buy 5 contracts at \$0.99, and a Competitive Market Maker quote for 10 contracts bid at \$0.99 and 10 contracts offered at \$1.02
- A member enters a sell order for 20 contracts at \$0.99
- This order will trade as follows:
  - 10 contracts trade at \$1.00 with the Primary Market Maker bid quote, and Primary Market Maker is ticked worse to 10 contracts bid at \$0.99
  - 5 contracts trade at \$0.99 with the Priority Customer order due to customer priority
  - 5 contracts trade at \$0.99 with the Primary Market Maker's ticked worse quote due to the split price priority rule; 0 contracts trade with the Competitive Market Maker bid quote

The Exchange represents that Tick-Worse has historically only ever applied

in the context of the split price priority rule in Rule 713(f). Furthermore, the Exchange has historically only ever awarded priority pursuant to Rule 713(f) for split price transactions that occur in the Tick-Worse functionality, and the existing rule should have been clarified to more accurately reflect its current application. Nonetheless, the Exchange is now proposing to delete the rule text in its entirety along with decommissioning the Tick-Worse functionality, as proposed above.

### 2. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act,<sup>9</sup> in general, and furthers the objectives of Section 6(b)(5) of the Act,<sup>10</sup> in particular, in that it is designed to promote just and equitable principles of trade, to remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general to protect investors and the public interest.

### “Tick-Worse” Functionality

As noted above, the Exchange originally offered Tick-Worse as an optional feature to help market makers meet their continuous quoting obligations under the Exchange's rules. The Exchange believes that its proposal is consistent with the Act because it has found that the Tick-Worse feature is rarely used today<sup>11</sup> as almost all market makers use their own systems to send refreshed quotations when their displayed quotations are exhausted. The Exchange therefore believes that it is consistent with the Act to propose to discontinue use of this functionality prior to the migration to INET. Because one member continues to utilize the functionality, the Exchange believes that providing advance notice of the intent to decommission this functionality will serve to prepare Members as to the upcoming change with INET. As such, the Exchange believes that decommissioning Tick-Worse prior to the migration to INET and providing advance notice to its members is consistent with the Act because it eliminates any investor uncertainty related to the status of this functionality.

### Split Price Priority

The Exchange also believes that its proposal to delete the split price priority rule in Rule 713(f) protects investors and the public interest because it removes rule text that will become obsolete with the decommissioning of the

Tick-Worse functionality. As described above, the split price priority rule only applies to the Tick-Worse functionality. Because the Rule is more general than its current, specific application, however, the Exchange believes that the continued presence of Rule 713(f) in its rules even after retiring the Tick-Worse functionality will be confusing to its members and investors. By removing obsolete rule text that only applies in the context of Tick-Worse, the Exchange is eliminating any potential for confusion about how its systems operate.

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

The Exchange does not believe that the proposed rule change will impose any burden on competition not necessary or appropriate in furtherance of the purposes of the Act. The proposed rule change is not designed to have any competitive impact but rather request the decommissioning of a rarely-used functionality on the Exchange and relatedly, to remove the rule text that this functionality supports from the Exchange's rulebook, thereby reducing investor confusion and making the Exchange's rules easier to understand and navigate.

### 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

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)(iii) of the Act<sup>12</sup> and subparagraph (f)(6) of Rule 19b-4 thereunder.<sup>13</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

<sup>12</sup> 15 U.S.C. 78s(b)(3)(A)(iii).

<sup>13</sup> 17 CFR 240.19b-4(f)(6). In addition, Rule 19b-4(f)(6) requires a self-regulatory organization to give the Commission written notice of its intent to file 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. The Exchange has satisfied this requirement.

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

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

<sup>11</sup> It is only being used by one market maker.

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-ISEMercury-2017-06 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-ISEMercury-2017-06. 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-

ISEMercury-2017-06 and should be submitted on or before April 28, 2017.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>14</sup>

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

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-80361; File No. SR-FICC-2017-803]

### Self-Regulatory Organizations; Fixed Income Clearing Corporation; Notice of Filing of Advance Notice To Establish the Centrally Cleared Institutional Triparty Service and Make Other Changes

April 3, 2017.

Pursuant to Section 806(e)(1) of Title VIII of the Dodd-Frank Wall Street Reform and Consumer Protection Act entitled the Payment, Clearing, and Settlement Supervision Act of 2010 ("Clearing Supervision Act")<sup>1</sup> and Rule 19b-4(n)(1)(i) under the Securities Exchange Act of 1934 ("Act"),<sup>2</sup> notice is hereby given that on March 9, 2017, Fixed Income Clearing Corporation ("FICC") filed with the Securities and Exchange Commission ("Commission") the advance notice SR-FICC-2017-803 ("Advance Notice") as described in Items I, II and III below, which Items have been prepared by the clearing agency.<sup>3</sup> The Commission is publishing this notice to solicit comments on the Advance Notice from interested persons.

#### I. Clearing Agency's Statement of the Terms of Substance of the Advance Notice

This Advance Notice consists of amendments to the Government Securities Division ("GSD") Rulebook ("GSD Rules")<sup>4</sup> that would (i) establish the "Centrally Cleared Institutional Triparty Service" or the "CCIT<sup>TM</sup> Service"<sup>5</sup> and thereby make central

clearing available to the institutional triparty repurchase agreement ("repo") market<sup>6</sup> and (ii) make other amendments and clarifications to the GSD Rules, as described below.

#### II. Clearing Agency's Statement of the Purpose of, and Statutory Basis for, the Advance Notice

In its filing with the Commission, the clearing agency included statements concerning the purpose of and basis for the Advance Notice and discussed any comments it received on the Advance Notice. 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 and B below, of the most significant aspects of such statements.

##### (A) Clearing Agency's Statement on Comments on the Advance Notice Received From Members, Participants, or Others

Written comments relating to this proposal have not been solicited or received. FICC will notify the Commission of any written comments received by FICC.

##### (B) Advance Notice Filed Pursuant to Section 806(e) of the Payment, Clearing and Settlement Supervision Act

##### Nature of the Proposed Change

The proposed rule change would, among other things, make central clearing available to the institutional triparty repo market through the proposed CCIT Service.

The proposed CCIT Service would allow the submission of tri-party repo transactions in GCF Repo<sup>®7</sup> Securities between Netting Members that participate in the GCF Repo Service<sup>8</sup> and institutional counterparties (other than investment companies registered under the Investment Company Act of 1940, as amended<sup>9</sup> ("RICs")), where the institutional counterparties are the cash lenders in the transactions submitted to GSD. The proposed CCIT Service would create a new GSD limited service

<sup>1</sup> "Centrally Cleared Institutional Triparty Service" or "CCIT Service" would be defined as "the service offered by the Corporation to clear institutional triparty repurchase agreement transactions, as more fully described in Rule 3B." Proposed GSD Rule 1, Definitions.

<sup>2</sup> The proposed rule changes with respect to the establishment of the proposed CCIT Service are reflected in proposed GSD Rule 3B, and conforming changes are proposed to GSD Rules 1, 2, 2A (Section 2), 4 (Sections 1a and 7), 5, 22C, 24, 30 and 49.

<sup>3</sup> GCF Repo is a registered trademark of FICC.

<sup>4</sup> Pursuant to this filing, "GCF Repo Service" would be defined as "the service offered by the Corporation to compare, net and settle GCF Repo Transactions." Proposed GSD Rule 1, Definitions.

<sup>5</sup> 15 U.S.C. 80a-1 *et seq.*

<sup>14</sup> 17 CFR 200.30-3(a)(12).

<sup>1</sup> 12 U.S.C. 5465(e)(1).

<sup>2</sup> 17 CFR 240.19b-4(n)(1)(i).

<sup>3</sup> On March 9, 2017, FICC filed this Advance Notice as a proposed rule change (SR-FICC-2017-005) with the Commission pursuant to Section 19(b)(1) of the Act, 15 U.S.C. 78s(b)(1), and Rule 19b-4, 17 CFR 240.19b-4. A copy of the proposed rule change is available at <http://www.dtcc.com/legal/sec-rule-filings.aspx>.

<sup>4</sup> Capitalized terms not defined herein are defined in the GSD Rules, available at <http://www.dtcc.com/legal/rules-and-procedures>.

<sup>5</sup> CCIT is a trademark of The Depository Trust & Clearing Corporation. Pursuant to this filing,