

Interested persons are invited to submit written data, views, and arguments regarding whether the proposal should be approved or disapproved by June 29, 2017. Any person who wishes to file a rebuttal to any other person's submission must file that rebuttal by July 13, 2017. The Commission asks that commenters address the sufficiency of the Exchange's statements in support of the proposal, in addition to any other comments they may wish to submit about the proposed rule change.

Comments may be submitted by any of the following methods:

Electronic Comments

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>); or
- Send an email to rule-comments@sec.gov. Please include File Number SR-CBOE-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. All submissions should refer to File Numbers SR-CBOE-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 these filings also will be available for inspection and copying at the principal office of the Exchange. All comments received will be posted without change;

¹ 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).

the Commission does not edit personal identifying information from submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR-CBOE-2017-010 and should be submitted on or before June 29, 2017. Rebuttal comments should be submitted by July 13, 2017.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.²⁹

Eduardo A. Aleman,
Assistant Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-80853; File No. SR-MIAX-2017-25]

Self-Regulatory Organizations; Miami International Securities Exchange LLC; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change To Amend MIAX Options Rule 521, Nullification and Adjustment of Options Transactions Including Obvious Errors

June 2, 2017.

Pursuant to the provisions of 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 May 30, 2017, Miami International Securities Exchange, LLC ("MIAX Options" or "Exchange") filed with the Securities and Exchange Commission ("Commission") a proposed rule change as described in Items I and II below, which Items have been prepared by the Exchange. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

I. Self-Regulatory Organization's Statement of the Terms of Substance of the Proposed Rule Change

The Exchange is filing a proposal to make a technical amendment to Exchange Rule 521, Nullification and Adjustment of Options Transactions including Obvious Errors.

The text of the proposed rule change is available on the Exchange's Web site at <http://www.miaxoptions.com/rule-filings>, at MIAX's principal office, and at the Commission's Public Reference Room.

²⁹ 17 CFR 200.30-3(a)(57).

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

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 is proposing a technical change to delete obsolete Rule 521(l)(5), Complex Order Obvious Errors, from the Exchange's Rules.

Background

In 2015, the Exchange, in concert with the other then-existing U.S. options exchanges, adopted harmonized rules related to the adjustment and nullification of erroneous options transactions and coordination among the Exchanges in connection with large-scale events involving erroneous options transactions.³ The Exchange believes that the changes the options exchanges implemented with the new, harmonized rule have led to increased transparency and finality with respect to the adjustment and nullification of erroneous options transactions. However, as part of that initiative, the Exchange and other options exchanges deferred a few specific matters for further discussion, among them the manner in which erroneous transactions in complex orders would be handled.

In October, 2016, the Commission approved a proposed rule change that permitted the Exchange to adopt new rules to govern the trading of complex orders (the "Complex Orders Filing").⁴ Among the rules adopted in the Complex Orders Filing was Rule 521(l)(5), Complex Order Obvious Errors, which was not included in the industry-wide, harmonized rules described above.⁵ Rule 521(l)(5) governs the handling of complex orders in

³ See Securities Exchange Act Release No. 74918 (May 8, 2015), 80 FR 27781 (May 14, 2015) (SR-MIAX-2015-35).

⁴ See Securities Exchange Act Release No. 79072 (October 7, 2016), 81 FR 71131 (October 14, 2016) (SR-MIAX-2016-26).

⁵ See supra note 3.

situations where one or more components of a complex order is eligible to be adjusted or nullified under Rule 521(c)(4), Adjust or Bust.⁶

Since the industry-wide adoption of the harmonized rules, the options exchanges have been working together to identify ways to improve the process related to the adjustment and nullification of erroneous options transactions as it relates to complex orders and stock-option orders.⁷ The goal of the process that the options exchanges have undertaken is to further harmonize rules related to the adjustment and nullification of erroneous options transactions. Accordingly, as the culmination of this coordinated effort, the exchanges that offer complex orders and/or stock-option orders (including the Exchange) universally adopted new provisions that the options exchanges collectively believe will improve the handling of erroneous options transactions that result from the execution of complex orders and stock-option orders.⁸

Proposal

These harmonized provisions are set forth in recently-adopted Interpretations and Policies .03 to Rule 521.⁹ Interpretations and Policies .03 to Rule 521 should have replaced current Rule 521(l)(5) as the controlling Rule governing the manner in which the Exchange handles Obvious Errors in complex orders on the Exchange. The Exchange, however, inadvertently omitted the deletion of Rule 521(l)(5) from its Rules in the Complex Obvious Error Filing. Accordingly, the Exchange is proposing herein to delete obsolete Rule 521(l)(5) from its Rules as a technical matter.

The proposed deletion of Rule 521(l)(5) is intended to avoid the possibility of confusion between Rule 521(l)(5) and Interpretations and Policies .03 to Rule 521, and to eliminate any potential conflict in the Exchange's Rules in this regard. Interpretations and Policies .03 tracks the harmonized rules of the exchanges that offer and trade complex orders, and

⁶ If it is determined that an Obvious Error has occurred, the Exchange shall take one of the actions listed in Rule 521(c)(4). Upon taking final action, the Exchange shall promptly notify both parties to the trade electronically or via telephone. See Exchange Rule 521(c)(4).

⁷ See Exchange Rule 518(a)(5) (defining complex orders and stock-option orders).

⁸ Exchanges that do not offer complex orders and/or stock-option orders did not adopt these new provisions.

⁹ See Securities Exchange Act Release No. 80284 (March 21, 2017), 82 FR 15251 (March 27, 2017) (SR-MIAX-2017-13) (the "Complex Obvious Error Filing").

the Exchange believes that it is appropriate to establish one single rule regarding Obvious Errors in complex orders. Accordingly, the Exchange proposes to delete current Rule 521(l)(5) from its Rules.

The Exchange notes that NYSE Arca, Inc. ("NYSEArca") also deleted its comparable provision from its Rule 6.87 (specifically, Rule 6.87(c)(5)) when it filed to adopt harmonized rules for the handling of Obvious Errors in complex orders.¹⁰

2. Statutory Basis

MIAX believes that its proposed rule change is consistent with Section 6(b) of the Act¹¹ in general, and furthers the objectives of Section 6(b)(5) of the Act¹² in particular, in that it is 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 facilitating transactions in securities, to remove impediments to and perfect the mechanisms of a free and open market and a national market system and, in general, to protect investors and the public interest.

The Exchange believes the proposed rule change promotes just and equitable principles of trade and removes impediments to and perfects the mechanism of a free and open market and a national market system because it eliminates a potentially conflicting section from Rule 521 that was erroneously left intact in the Complex Obvious Error Filing.

In particular, the Exchange believes that the proposed rule change will provide consistency and clarity to Members¹³ and the public, regarding the Exchange's Rules. Moreover, the proposed rule change eliminates a rule that could possibly be in conflict with another Exchange rule and with the harmonized rules. The Exchange believes therefore that it is in the public interest for rules to be accurate and concise so as to eliminate the potential for confusion.

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

The Exchange does not believe that the proposed rule change will impose

¹⁰ See Securities Exchange Act Release No. 80496 (April 20, 2017), 82 FR 19282 (April 26, 2017) (SR-NYSEArca-2017-42).

¹¹ 15 U.S.C. 78f(b).

¹² 15 U.S.C. 78f(b)(5).

¹³ The term "Member" means an individual or organization approved to exercise the trading rights associated with a Trading Permit. Members are deemed "members" under the Exchange Act. See Exchange Rule 100.

any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. The proposed rule change will have no impact on competition as it is not designed to address any competitive issues but rather to add additional clarity to, and remedy possible conflicts in, the Exchange's Rules.

The Exchange does not believe that the proposed rule changes will impose any burden on intermarket competition as the Rules apply equally to all Exchange Members.

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

Written comments were neither solicited nor received.

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

Because the 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 Act¹⁴ and Rule 19b-4(f)(6) thereunder.¹⁵

A proposed rule change filed pursuant to Rule 19b-4(f)(6) under the Act¹⁶ normally does not become operative for 30 days after the date of its filing. However, Rule 19b-4(f)(6)(iii)¹⁷ permits the Commission to designate a shorter time if such action is consistent with the protection of investors and the public interest. The Exchange has asked the Commission to waive the 30-day operative delay so that the current conflict between Rule 521(l)(5) and Interpretations and Policies .03 to Rule 521 may be promptly removed from the Exchange's Rules, which the Exchange stated would avoid any potential confusion among participants using its facilities. The Commission believes the waiver of the operative delay is consistent with the protection of investors and the public interest. Therefore, the Commission hereby waives the operative delay and

¹⁴ 15 U.S.C. 78s(b)(3)(A).

¹⁵ 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.

¹⁶ 17 CFR 240.19b-4(f)(6).

¹⁷ 17 CFR 240.19b-4(f)(6)(iii).

designates the proposal operative upon filing.¹⁸

At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act. If the Commission takes such action, the Commission 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-MIAX-2017-25 on the subject line.

Paper Comments

- Send paper comments in triplicate to Brent J. Fields, Secretary, Securities and Exchange Commission, 100 F Street NE., Washington, DC 20549-1090. All submissions should refer to File Number SR-MIAX-2017-25. 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

¹⁸ For purposes only of waiving the 30-day operative delay, the Commission has also considered the proposed rule's impact on efficiency, competition, and capital formation. See 15 U.S.C. 78c(f).

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-MIAX-2017-25 and should be submitted on or before June 29, 2017.

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

Eduardo A. Aleman,

Assistant Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-80848; File No. SR-LCH SA-2017-003]

Self-Regulatory Organizations; LCH SA; Order Approving Proposed Rule Change Relating to Recovery Risk Margin

June 2, 2017.

I. Introduction

On April 4, 2017, Banque Centrale de Compensation, which conducts business under the name LCH SA ("LCH SA"), filed with the Securities and Exchange Commission ("Commission"), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act")¹ and Rule 19b-4 thereunder,² a proposed rule change (SR-LCH SA-2017-003) to revise its margin methodology with respect to credit default swaps ("CDS") in the Reference Guide: CDS Margin Framework ("Reference Guide"). The proposed rule change was published for comment in the **Federal Register** on April 19, 2017.³ The Commission received no comment letters regarding the proposed change. For the reasons discussed below, the Commission is approving the proposed rule change.

II. Description of the Proposed Rule Change

The proposed rule change seeks to amend the Reference Guide by

¹⁹ 17 CFR 200.30-3(a)(12).

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ Securities Exchange Act Release No. 34-80450 (April 13, 2017), 82 FR 18488 (April 19, 2017) (SR-LCH SA-2017-003) (the "Notice").

eliminating the recovery rate risk charge as a component of the margin methodology, as it applies to index CDS. LCH SA, however, does not propose to alter the recovery rate risk charge as a component of the margin methodology, as it applies to single name CDS. The proposed rule change also seeks to make minor updates and clarifications to the Reference Guide.⁴

With respect to the portion of the proposed rule change that eliminates the recovery rate risk charge as a margin component for index CDS positions, LCH SA believes that recovery rate risk is irrelevant to index CDS in normal market conditions and it therefore should not need to charge margin to address it. In support, LCH SA represents that "[the] market convention is to assume a pre-defined recovery rate for pricing an index CDS, such as a CDS on iTraxx indices."⁵ Therefore, according to LCH SA, there is no need to charge margin for an adverse recovery rate movement for an index CDS position because, pursuant to market convention for pricing an index CDS in normal market conditions, the rate will not move. Moreover, LCH SA characterizes any drop in the recovery rate for index CDS as a stress loss, and states that applying a margin charge to address this risk "would be trying to capture a stress loss incurred in a Clearing Member's portfolio should the pre-defined recovery rate for these index CDS change, which is not consistent with market convention in normal market conditions."⁶ Furthermore, while LCH SA does expect deviations from this market convention in extreme market conditions, LCH SA believes that these deviations—and any resultant recovery rate risk on the affected index CDS positions—should not be addressed through its margin framework but rather "would be captured by LCH SA's stress scenarios used to size the Default Fund."⁷ Therefore, LCH SA maintains that elimination of recovery rate risk charge from its margin framework is appropriate and consistent with applicable provisions of the Exchange Act and Commission Rules promulgated thereunder.

⁴ LCH SA has proposed changes to the Reference Guide to (i) correct a hyperlink and (ii) add a cross reference and hyperlink to the general inputs considered by LCH SA in constructing the CDS pricing for European and U.S. dollar denominated contracts. See Notice, 82 FR at 18489.

⁵ *Id.*

⁶ *Id.*

⁷ *Id.*