

are calculated for the on-the-run instrument in each index family.<sup>6</sup>

Once Variability Levels are calculated, ICC proposed to convert Variability Levels into Variability Bands, which correspond to a range of Variability Levels. Once Variability Levels and Variability Bands have been determined, ICC proposed to create market groups and assign each index instrument to one of these market groups. For example, the CDX.NA.IG and CDX.NA.HY would be assigned to the North American group. After assigning each index instrument to a market group, ICC would use the largest Variability Band of any instrument within a market group as the Variability Band for that market group as a whole. ICC refers to this Variability Band as the "Market-Proxy Variability Band."<sup>7</sup> The proposed automated BOW algorithm would then adjust the EOD BOW (Regime 1, 2, or 3) for the market group as a whole by one regime (moving from Regime 1 to Regime 2, or from Regime 2 to Regime 3) or two regimes (from Regime 1 to Regime 3), with higher Market-Proxy Variability Bands resulting in a two-regime adjustment, and smaller Market-Proxy Variability Bands resulting in a one-regime adjustment, or no adjustment.<sup>8</sup>

For single-name instruments, ICC proposes to introduce a new scaling factor that would be applied, along with other scaling factors used in the current process, to the EOD BOW, as calculated based on BOW data received from participants. The Variability Scaling Factor for single-name instruments would depend on the Market-Proxy Variability Band for the market to which each single-name instrument is assigned. A higher Market-Proxy Variability Band will result in a larger scaling factor being applied.<sup>9</sup>

In addition to proposing to automate the process for increasing selected BOWs, ICC also proposed to remove a footnote from its Pricing Policy that set forth details of an intraday filtering algorithm that was planned but never implemented. Also, ICC proposed to correct inaccurate references in the Pricing Policy.<sup>10</sup>

### III. Discussion and Commission Findings

Section 19(b)(2)(C) of the Act directs the Commission to approve a proposed rule change of a self-regulatory organization if it finds that such

proposed rule change is consistent with the requirements of the Act and the rules and regulations thereunder applicable to such organization.<sup>11</sup> Section 17A(b)(3)(F) of the Act requires, among other things, that the rules of a registered clearing agency be designed to promote the prompt and accurate clearance and settlement of securities transactions and, to the extent applicable, derivative agreements, contracts, and transactions.<sup>12</sup> Rule 17Ad-22(d)(4) requires, in relevant part, that a registered clearing agency shall establish, implement, maintain, and enforce written policies and procedures reasonably designed to identify sources of operational risk and minimize them through the development of appropriate systems, controls, and procedures; and implement systems that are reliable, resilient and secure, and have adequate, scalable capacity.<sup>13</sup>

The Commission finds that the proposed rule change, which modifies ICC's Pricing Policy to implement an automated process for widening the EOD BOW for index and single-name instruments is consistent with Section 17A of the Act and Rule 17Ad-22 thereunder. By automating the process for widening the EOD BOWs when necessary, the Commission believes that ICC will likely reduce the risk of error or delay in the end-of-day pricing process in connection with a potentially significant number of adjustments to BOWs that would need to be made manually and in a short period of time absent the proposed changes. Since the end-of-day BOW is an input in ICC's end-of-day price discovery process, the Commission believes that the proposed rule changes will likely enhance the speed and accuracy of that process, thereby promoting the prompt clearance and settlement of derivative agreements, contracts and transactions, consistent with Section 17A(b)(3)(F) of the Act.

For similar reasons, the Commission finds that the proposed rule changes are also consistent with Rule 17Ad-22(d)(4) in that they are designed to reduce operational risk. Specifically, the proposed rule changes are intended to reduce ICC's operational risk in the end-of-day pricing process by establishing an automated process that will more quickly implement the widening of BOWs, if appropriate, based on a set of well-defined criteria. As a result, the risk of error that accompanies manual observation of market conditions and manual input of a potentially significant amount of adjustments in a small period

of time during volatile market conditions is significantly reduced. Therefore, the Commission finds that the proposed rule changes are consistent with the requirements of Rule 17Ad-22(d)(4) that the registered clearing agencies establish, implement, maintain, and enforce written policies and procedures reasonably designed to identify sources of operational risk and minimize them through the development of appropriate systems, controls, and procedures; and implement systems that are reliable, resilient and secure, and have adequate, scalable capacity.

### IV. Conclusion

*It is therefore ordered* pursuant to Section 19(b)(2) of the Act that the proposed rule change (SR-ICC-2017-006) be, and hereby is, approved.<sup>14</sup>

For the Commission by the Division of Trading and Markets, pursuant to delegated authority.<sup>15</sup>

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

[FR Doc. 2017-15774 Filed 7-26-17; 8:45 am]

BILLING CODE 8011-01-P

## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-81183; File No. SR-MIAX-2017-33]

### Self-Regulatory Organizations; Miami International Securities Exchange LLC; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change To Amend MIAX Options Rule 404, Series of Option Contracts Open for Trading

July 21, 2017.

Pursuant to the provisions of 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 July 18, 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.

<sup>14</sup> In approving the proposed rule change, the Commission considered the proposal's impact on efficiency, competition, and capital formation. <sup>15</sup> U.S.C. 78c(f).

<sup>15</sup> 17 CFR 200.30-3(a)(12).

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

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

<sup>6</sup> *Id.*

<sup>7</sup> *Id.*

<sup>8</sup> *Id.*

<sup>9</sup> *Id.*

<sup>10</sup> *Id.* at 27540-41.

<sup>11</sup> 15 U.S.C. 78s(b)(2)(C).

<sup>12</sup> 15 U.S.C. 78q-1(b)(3)(F).

<sup>13</sup> 17 CFR 240.17Ad-22(d)(4).

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

The Exchange is filing a proposal to amend Rule 404, Series of Option Contracts Open for Trading, Interpretations and Policies .10, to include the iShares S&P 500 Index ETF ("IVV") in the list of Exchange-Traded Funds ("ETFs") that are eligible for \$1 strike price intervals.

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.

## 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 the Statutory Basis for, the Proposed Rule Change

#### 1. Purpose

The Exchange proposes to amend Exchange Rule 404, Series of Option Contracts Open for Trading, to modify the strike setting regime for IVV options by including IVV in the list of ETFs that are eligible for \$1 strike price intervals under Interpretations and Policies .10. The Exchange notes that this is a competitive filing based on an immediately effective filing recently submitted by the Chicago Board Options Exchange, Incorporated ("CBOE").<sup>3</sup>

Specifically, the Exchange proposes to modify the interval setting regime for IVV options to allow \$1 strike price intervals above \$200. The Exchange believes that the proposed rule change would make IVV options easier for investors and traders to use and more tailored to their investment needs. Additionally, the interval setting regime the Exchange proposes to apply to IVV options is currently applied to options on units of the Standard & Poor's

Depository Receipts Trust ("SPY"),<sup>4</sup> which is an ETF that is identical in all material respects to the IVV ETF.

The SPY and IVV ETFs are identical in all material respects. The SPY and IVV ETFs are designed to roughly track the performance of the S&P 500 Index with the price of SPY and IVV designed to roughly approximate 1/10th of the price of the S&P 500 Index. Accordingly, SPY and IVV strike prices having a multiplier of \$100 reflect a value roughly equal to 1/10th of the value of the S&P 500 Index. For example, if the S&P 500 Index is at 1972.56, SPY and IVV options might have a value of approximately 197.26 with a notional value of \$19,726. In general, SPY and IVV options provide retail investors and traders with the benefit of trading the broad market in a manageably sized contract. As options with an ETF underlying, SPY and IVV options are listed in the same manner as equity options under the Rules.

However, under current Interpretation and Policies .05 to Rule 404, the interval between strike prices in series of options on Index-Linked Securities,<sup>5</sup> as defined in Rule 402(k)(1), will be \$1 or greater where the strike price is \$200 or less and \$5 or greater where the strike price is greater than \$200. In addition, under Exchange Rule 404, Interpretation and Policies .02(e),

*Strike Price Interval.* The strike price interval for Short Term Option series may be \$0.50 or greater for option classes that trade in \$1 strike price intervals and are in the Short Term Option Series Program. If the class does not trade in \$1 strike price intervals, the strike price interval for Short Term Option series may be \$0.50 or greater where the strike price is less than \$100 and \$1.00 or greater where the strike price is between \$100 and \$150, and \$2.50 or greater for strike prices greater than \$150. A non-Short Term Option Series that is included in a class that has been selected to participate in the Short Term Option Series Program is referred to as a "Related non-Short Term Option." Notwithstanding any other provision regarding strike prices in this rule, Related non-Short Term Option series shall be opened during the month prior to expiration in the same manner as permitted in Rule 404, Interpretations and Policies .02 and in the same strike price intervals for the Short Term Option Series permitted in this Rule 404, Interpretations and Policies .02(e).

The Exchange's proposal seeks to narrow the strike price intervals to \$1 for IVV options above \$200, in effect matching the strike setting regime for strike intervals in IVV options below

\$200 and matching the strike setting regime applied to SPY options.

Currently, the S&P 500 Index is above 2000. The S&P 500 Index is widely regarded as the best single gauge of large cap U.S. equities and is widely quoted as an indicator of stock prices and investor confidence in the securities market. As a result, individual investors often use S&P 500 Index-related products to diversify their portfolios and benefit from market trends. Accordingly, the Exchange believes that offering a wider range of S&P 500 Index-based option strikes affords traders and investors important hedging and trading opportunities. The Exchange believes that not having the proposed \$1 strike price intervals above \$200 in IVV significantly constricts investors' hedging and trading possibilities.

The Exchange proposes to amend Interpretations and Policies .10 to Rule 404 to allow IVV options to trade in \$1 increments above a strike price of \$200. Specifically, the Exchange proposes to amend Interpretations and Policies .10 to state that, "[n]otwithstanding any other provision regarding the interval of strike prices of series of options on Exchange-Traded Fund Shares in this rule, the interval of strike prices on SPDR S&P 500 ETF ("SPY"), iShares S&P 500 Index ETF ("IVV"), and the SPDR Dow Jones Industrial Average ETF ("DIA") options will be \$1 or greater." The Exchange believes that by having smaller strike intervals in IVV, investors would have more efficient hedging and trading opportunities due to the lower \$1 interval ascension. The proposed \$1 intervals, particularly above the \$200 strike price, will result in having at-the-money series based upon the underlying moving less than 1%. The Exchange believes that the proposed strike setting regime is in line with the slower movements of broad-based indices. Furthermore, the proposed \$1 intervals would allow option trading strategies (such as, for example, risk reduction/hedging strategies using IVV weekly options), to remain viable. Considering the fact that \$1 intervals already exist below the \$200 price point and that IVV is above the \$200 level, the Exchange believes that continuing to maintain the artificial \$200 level (above which intervals increase 500% to \$5), would have a negative effect on investing, trading and hedging opportunities, and volume. The Exchange believes that the investing, trading, and hedging opportunities available with IVV options far outweighs any potential negative impact of allowing IVV options to trade in more finely tailored intervals above the \$200 price point.

<sup>4</sup> See Exchange Rule 404.10.

<sup>3</sup> See Securities Exchange Act Release No. 80913 (June 13, 2017), 82 FR 27907 (June 19, 2017) (SR-CBOE-2017-048).

<sup>5</sup> The Exchange notes that IVV is treated as an Index-Linked Security under current Exchange rules.

The proposed strike setting regime would permit strikes to be set to more closely reflect values in the underlying S&P 500 Index and allow investors and traders to roll open positions from a lower strike to a higher strike in conjunction with the price movement of the underlying. Under the current rule, where the next higher available series would be \$5 away above a \$200 strike price, the ability to roll such positions is effectively negated. Accordingly, to move a position from a \$200 strike to a \$205 strike under the current rule, an investor would need for the underlying product to move 2.5%, and would not be able to execute a roll up until such a large movement occurred. With the proposed rule change, however, the investor would be in a significantly safer position of being able to roll his open options position from a \$200 to a \$201 strike price, which is only a 0.5% move for the underlying. The proposed rule change will allow the Exchange to better respond to customer demand for IVV strike prices more precisely aligned with current S&P 500 Index values. The Exchange believes that the proposed rule change, like the other strike price programs currently offered by the Exchange, will benefit investors by providing investors the flexibility to more closely tailor their investment and hedging decisions using IVV options.

By allowing series of IVV options to be listed in \$1 intervals between strike prices over \$200, the proposal will moderately augment the potential total number of option series available on the Exchange. However, the Exchange believes it and the Options Price Reporting Authority (“OPRA”) have the necessary systems capacity to handle any potential additional traffic associated with this proposed rule change. The Exchange also believes that Members<sup>6</sup> will not have a capacity issue due to the proposed rule change. In addition, the Exchange represents that it does not believe that this expansion will cause fragmentation of liquidity.

In addition, the interval setting regime the Exchange proposes to apply to IVV options is currently applied to options on SPY,<sup>7</sup> which is an ETF that is identical in all material respects to the IVV ETF.

## 2. Statutory Basis

MIAX 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.<sup>8</sup> Specifically, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)<sup>9</sup> 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)<sup>10</sup> 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 will allow investors to more easily use IVV options. Moreover, the proposed rule change would allow investors to better trade and hedge positions in IVV options where the strike price is greater than \$200, and ensure that IVV options investors are not at a disadvantage simply because of the strike price.

The Exchange also believes the proposed rule change is consistent with Section 6(b)(1) of the Act, which provides that the Exchange be organized and have the capacity to be able to carry out the purposes of the Act and the rules and regulations thereunder, and the rules of the Exchange. The rule change proposal allows the Exchange to respond to customer demand to allow IVV options to trade in \$1 intervals above a \$200 strike price. The Exchange does not believe that the proposed rule would create additional capacity issues or affect market functionality.

As noted above, some ETF options trade in wider \$5 intervals above a \$200 strike price, whereby options at or below a \$200 strike price trade in \$1 intervals. This creates a situation where contracts on the same option class effectively may not be able to execute certain strategies such as, for example, rolling to a higher strike price, simply because of the arbitrary \$200 strike price above which options intervals increase by 500%. This proposal remedies this situation by establishing an exception to the current interval regime for IVV

options to allow such options to trade in \$1 or greater intervals at all strike prices.

The Exchange believes that the proposed rule change, like other strike price programs currently offered by the Exchange, will benefit investors by giving them increased flexibility to more closely tailor their investment and hedging decisions. Moreover, the proposed rule change is consistent with the rules of other exchanges.<sup>11</sup>

With regard to the impact of this proposal on system capacity, the Exchange believes it and OPRA have the necessary systems capacity to handle any potential additional traffic associated with this proposed rule change. The Exchange believes that its Members will not have a capacity issue as a result of this proposal.

In addition, the interval setting regime the Exchange proposes to apply to IVV options is currently applied to options on SPY,<sup>12</sup> which is an ETF that is identical in all material respects to the IVV ETF.

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

The Exchange does not believe that the proposed rule change will result in any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. Rather, the Exchange believes that the proposed rule change will result in additional investment options and opportunities to achieve the investment and trading objectives of market participants seeking efficient trading and hedging vehicles, to the benefit of investors, market participants, and the marketplace in general. Specifically, the Exchange believes that IVV options investors and traders will significantly benefit from the availability of finer strike price intervals above a \$200 price point. In addition, the interval setting regime the Exchange proposes to apply to IVV options is currently applied to options on SPY,<sup>13</sup> which is an ETF that is identical in all material respects to the IVV ETF. Thus, applying the same strike setting regime to SPY and IVV options will help level the playing field for options on similar, competing ETFs.

### *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.

<sup>6</sup> 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.

<sup>7</sup> See Exchange Rule 404.10.

<sup>8</sup> 15 U.S.C. 78f(b).

<sup>9</sup> 15 U.S.C. 78f(b)(5).

<sup>10</sup> *Id.*

<sup>11</sup> See Nasdaq Phlx Rule 1012.05(a)(iv)(C) and CBOE Rule 5.5.08(b).

<sup>12</sup> See Exchange Rule 404.10.

<sup>13</sup> *Id.*

### 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 after the date of the filing, or such shorter time as the Commission may designate, it has become effective pursuant to 19(b)(3)(A) of the Act<sup>14</sup> and Rule 19b-4(f)(6)<sup>15</sup> thereunder.

A proposed rule change filed under Rule 19b-4(f)(6)<sup>16</sup> normally does not become operative for 30 days after the date of filing. However, pursuant to Rule 19b-4(f)(6)(iii),<sup>17</sup> the Commission may designate a shorter time if such action is consistent with the protection of investors and the public interest. The Exchange has asked the Commission to waive the 30-day operative delay so that the proposal may become operative immediately upon filing. The Commission believes that waiving the 30-day operative delay is consistent with the protection of investors and the public interest as it will immediately provide investors with additional flexibility in trading and hedging positions in IVV options on the Exchange. The Commission also notes that the proposed rule change is consistent with the strike price intervals in IVV options that is permitted on other exchanges and thus raises no new novel or substantive issues.<sup>18</sup> Accordingly, the Commission hereby waives the 30-day operative delay requirement and designates the proposed rule change as operative upon filing.<sup>19</sup>

At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is 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 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-MIAX-2017-33 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-MIAX-2017-33. 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-MIAX-2017-33, and should be submitted on or before August 17, 2017.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>20</sup>

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

[FR Doc. 2017-15771 Filed 7-26-17; 8:45 am]

BILLING CODE 8011-01-P

### SECURITIES AND EXCHANGE COMMISSION

[SEC File No. 270-094; OMB Control No. 3235-0085]

#### Submission for OMB Review; Comment Request

*Upon Written Request, Copies Available From:* Securities and Exchange Commission, Office of FOIA Services, 100 F Street NE., Washington, DC 20549-2736.

#### Extension:

Rule 17a-11

Notice is hereby given that pursuant to the Paperwork Reduction Act of 1995 (44 U.S.C. 3501 *et seq.*) the Securities and Exchange Commission ("Commission") has submitted to the Office of Management and Budget a request for approval of extension of the previously approved collection of information provided for in Rule 17a-11 (17 CFR 240.17a-11) under the Securities Exchange Act of 1934 (15 U.S.C. 78a *et seq.*) ("Exchange Act").

In response to an operational crisis in the securities industry between 1967 and 1970, the Commission adopted Rule 17a-11 under the Exchange Act on July 11, 1971. Rule 17a-11 requires broker-dealers that are experiencing financial or operational difficulties to provide notice to the Commission, the broker-dealer's designated examining authority ("DEA"), and the Commodity Futures Trading Commission ("CFTC") if the broker-dealer is registered with the CFTC as a futures commission merchant. Rule 17a-11 is an integral part of the Commission's financial responsibility program which enables the Commission, a broker-dealer's DEA, and the CFTC to increase surveillance of a broker-dealer experiencing difficulties and to obtain any additional information necessary to gauge the broker-dealer's financial or operational condition.

Rule 17a-11 also requires over-the-counter ("OTC") derivatives dealers and broker-dealers that are permitted to compute net capital pursuant to Appendix E to Exchange Act Rule 15c3-1 to notify the Commission when their tentative net capital drops below certain levels.

<sup>20</sup> 17 CFR 200.30-3(a)(12).

<sup>14</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>15</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>16</sup> 17 CFR 240.19b-4(f)(6).

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

<sup>18</sup> See *supra* note 11.

<sup>19</sup> 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).