

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 FICC and on DTCC's Web site (<http://dtcc.com/legal/sec-rule-filings.aspx>). 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-FICC-2017-004 and should be submitted on or before April 11, 2017.

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

Eduardo A. Aleman,
Assistant Secretary.

[FR Doc. 2017-05502 Filed 3-20-17; 8:45 am]

BILLING CODE 8011-01-P

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-80249; File No. SR-ISE-2017-23]

Self-Regulatory Organizations; International Securities Exchange, LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Amend the Exchange's Schedule of Fees

March 15, 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 10, 2017, the International Securities Exchange, LLC ("ISE" or "Exchange") filed with the Securities and Exchange Commission ("SEC" or "Commission") the 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 proposes to amend the Schedule of Fees to: (i) Eliminate the

Priority Customer complex order rebate for orders in the NASDAQ 100 Index option ("NDX") and in the Mini Nasdaq 100 Index option ("MNX"); (ii) increase the Non-Priority Customer License Surcharge for Index Options for NDX and MNX options, and (iii) waive the Marketing Fees for NDX and MNX, as described further below.

The text of the proposed rule change is available on the Exchange's Web site at 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) Eliminate the Priority Customer complex order rebate for orders in NDX and MNX; (ii) increase the Non-Priority Customer License Surcharge for Index Options for NDX and MNX, and (iii) waive marketing fees for NDX and MNX.³ The Exchange notes that both NDX and MNX are transitioning to be exclusively listed on the Exchange and its affiliated markets in 2017.⁴

Eliminate Rebate for Priority Customer Complex Orders in Non-Select Symbols for Orders in NDX and MNX

Currently, the Exchange provides rebates to Priority Customer⁵ complex orders that trade with non-Priority

³ The Exchange initially filed the proposed pricing change on March 1, 2017 (SR-ISE-2017-21). On March 10, 2017, the Exchange withdrew that filing and submitted this filing.

⁴ The Exchange and its affiliates will exclusively list NDX and MNX in the near future upon expiration of open expiries in these products on other markets.

⁵ A "Priority Customer" is a person or entity that is not a broker/dealer in securities, and does not place more than 390 orders in listed options per day on average during a calendar month for its own beneficial account(s), as defined in ISE Rule 100(a)(37A).

Customer complex orders in the complex order book or trade with quotes and orders on the regular order book.⁶ Rebates are tiered based on a member's ADV executed during a given month as follows: 0 to 14,999 contracts ("Tier 1"), 15,000 to 44,999 contracts ("Tier 2"), 45,000 to 59,999 contracts ("Tier 3"), 60,000 to 74,999 contracts ("Tier 4"), 75,000 to 99,999 contracts ("Tier 5"), 100,000 to 124,999 contracts ("Tier 6"), 125,000 to 224,999 contracts ("Tier 7"), and 225,000 or more contracts ("Tier 8"). In Non-Select Symbols,⁷ including NDX and MNX, the rebate is \$0.40 per contract for Tier 1, \$0.60 per contract for Tier 2, \$0.70 per contract for Tier 3, \$0.75 per contract for Tier 4, \$0.75 per contract for Tier 5, \$0.80 per contract for Tier 6, \$0.81 per contract for Tier 7, and \$0.85 per contract for Tier 8. The Exchange now proposes to add note 4 to Section II of the Schedule of Fees to provide that no Priority Customer complex order rebates will be paid for orders in NDX or MNX.

Increase Non-Priority Customer License Surcharge for Index Options for NDX and MNX

The purpose of the second proposed change is to raise revenue for the Exchange by increasing the Non-Priority Customer License Surcharge for options on NDX and MNX. Currently, a number of Non-Select Symbols are index options that are traded on the Exchange pursuant to license agreements for which the Exchange charges license surcharges. The Exchange charges the following license surcharges for all orders other than Priority Customer orders: \$ 0.10 per contract for options on BKX, and \$ 0.22 per contract for options on NDX and MNX. The license surcharge fees, which are charged by the Exchange to defray the licensing costs, are charged in addition to transaction fees. The Exchange is now proposing to amend Section IV.B of the Schedule of Fees to increase the Non-Priority Customer License Surcharge for Index Options for NDX and MNX from \$ 0.22 per contract to \$ 0.25 per contract.

Waive the Marketing Fee for NDX and MNX Options

Currently, the Exchange administers a Marketing Fee program that helps Market Makers establish Marketing Fee

⁶ These rebates are provided per contract per leg if the order trades with non-Priority Customer orders in the complex order book, or trades with quotes and orders on the regular order book.

⁷ "Select Symbols" are options overlying all symbols listed on the ISE that are in the Penny Pilot Program. "Non-Select Symbols" are options overlying all symbols, excluding Select Symbols. NDX and MNX are Non-Select Symbols.

¹⁷ 17 CFR 200.30-3(a)(12).

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

arrangements with Electronic Access Members (“EAMs”) in exchange for those EAMs routing some or all of their order flow to the Market Maker. This Marketing Fee program is funded through a fee of \$ 0.70 per contract, which is paid by ISE Market Makers for each regular Priority Customer contract executed in Non-Select Symbols.⁸ The fee is waived in FX Options, Flash Orders, and for Complex Orders in all symbols. The Exchange now proposes to amend Section IV.D of the Schedule of Fees to similarly waive the fee for NDX and MNX options.

2. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act,⁹ in general, and furthers the objectives of Sections 6(b)(4) and 6(b)(5) of the Act,¹⁰ in particular, in that it provides for the equitable allocation of reasonable dues, fees, and other charges among members and issuers and other persons using any facility, and is not designed to permit unfair discrimination between customers, issuers, brokers, or dealers.

The Commission and the courts have repeatedly expressed their preference for competition over regulatory intervention in determining prices, products, and services in the securities markets. In Regulation NMS, while adopting a series of steps to improve the current market model, the Commission highlighted the importance of market forces in determining prices and SRO revenues and, also, recognized that current regulation of the market system “has been remarkably successful in promoting market competition in its broader forms that are most important to investors and listed companies.”¹¹

Likewise, in *NetCoalition v. Securities and Exchange Commission*¹² (“NetCoalition”) the D.C. Circuit upheld the Commission’s use of a market-based approach in evaluating the fairness of

⁸ The Marketing Fee is rebated proportionately to the members that paid the fee such that on a monthly basis the Marketing Fee fund balance administered by a Primary Market Maker for a Group of options established under Rule 802(b) does not exceed \$100,000 and the Marketing Fee fund balance administered by a preferred Competitive Market Maker for such a Group does not exceed \$100,000. A preferred Competitive Market Maker that elects not to administer a fund will not be charged the Marketing Fee. The Exchange assesses an administrative fee of 0.45% on the total amount of the funds collected each month.

⁹ 15 U.S.C. 78f(b).

¹⁰ 15 U.S.C. 78f(b)(4) and (5).

¹¹ Securities Exchange Act Release No. 51808 (June 9, 2005), 70 FR 37496, 37499 (June 29, 2005) (“Regulation NMS Adopting Release”).

¹² *NetCoalition v. SEC*, 615 F.3d 525 (D.C. Cir. 2010).

market data fees against a challenge claiming that Congress mandated a cost-based approach.¹³ As the court emphasized, the Commission “intended in Regulation NMS that ‘market forces, rather than regulatory requirements’ play a role in determining the market data . . . to be made available to investors and at what cost.”¹⁴

Further, “[n]o one disputes that competition for order flow is ‘fierce.’ . . . As the SEC explained, ‘[i]n the U.S. national market system, buyers and sellers of securities, and the broker-dealers that act as their order-routing agents, have a wide range of choices of where to route orders for execution’; [and] ‘no exchange can afford to take its market share percentages for granted’ because ‘no exchange possesses a monopoly, regulatory or otherwise, in the execution of order flow from broker dealers’”¹⁵ Although the court and the SEC were discussing the cash equities markets, the Exchange believes that these views apply with equal force to the options markets.

The Exchange notes that the proposed rule changes are reasonable, equitable and not unfairly discriminatory as NDX and MNX transition to exclusively listed products. Similar to other proprietary products, the Exchange seeks to recoup the operational costs¹⁶ for listing proprietary products. Also, pricing by symbol is a common practice on many U.S. options exchanges as a means to incentivize order flow to be sent to an exchange for execution in particular products. Other options exchanges price by symbol.¹⁷

Eliminate Rebate for Priority Customer Complex Orders in Non-Select Symbols for Orders in NDX and MNX

The Exchange’s proposal to eliminate the rebate for Priority Customer complex orders in Non-Select Symbols for orders in NDX and MNX is reasonable because even after elimination of the rebate, Priority Customer complex orders in NDX and MNX will not be assessed any Complex Order transaction fees.¹⁸ By contrast,

¹³ See *NetCoalition*, at 534–535.

¹⁴ *Id.* at 537.

¹⁵ *Id.* at 539 (quoting Securities Exchange Act Release No. 59039 (December 2, 2008), 73 FR 74770, 74782–83 (December 9, 2008) (SR–NYSEArca–2006–21)).

¹⁶ By way of example, in analyzing an obvious error, the Exchange would have additional data points available in establishing a theoretical price for a multiply listed option as compared to a proprietary product, which requires additional analysis and administrative time to comply with Exchange rules to resolve an obvious error.

¹⁷ See pricing for RUT on CBOE’s Fees Schedule.

¹⁸ Further, the Exchange notes that with its products, market participants are offered an

Public Customer executions on the C2 Options Exchange in another broad-based index option, the option on the Russell 2000 Index (RUT), are subject to a \$0.15 per contract transaction fee.¹⁹

The Exchange’s proposal to eliminate the rebate for Priority Customer complex orders in Non-Select Symbols for orders in NDX and MNX is an equitable allocation and is not unfairly discriminatory because the Exchange will eliminate the rebate for all similarly-situated members.

Increase Non-Priority Customer License Surcharge for Index Options for NDX and MNX

The Exchange believes that its proposal to increase the Non-Priority Customer License Surcharge for Index Options for NDX and MNX is reasonable because it is in line with the options surcharge of \$0.25 for transactions in NDX and MNX on NASDAQ PHLX and is in fact lower than the \$0.45 C2 Options Exchange surcharge applicable to non-public customer transactions in RUT, which is another broad-based index option and similar proprietary product.²⁰

The Exchange believes that its proposal to increase the Non-Priority Customer License Surcharge for Index Options for NDX and MNX is an equitable allocation and is not unfairly discriminatory because the Exchange will apply the increase to all similarly-situated members. The Exchange believes it is equitable and not unfairly discriminatory to assess this increased surcharge on all participants except Priority Customers because the Exchange seeks to encourage Priority Customer order flow and the liquidity such order flow brings to the marketplace, which in turn benefits all market participants.

opportunity to either transact options overlying NDX and MNX or separately execute options overlying PowerShares QQQ Trust (“QQQ”), an exchange-traded fund that, like MNX and NDX options, is based on the Nasdaq-100 Index. Offering products such as QQQ provides market participants with a variety of choices in selecting the product they desire as alternatives to NDX and MNX. By comparison, a market participant may trade options overlying RUT or separately the market participant has the choice of trading iShares Russell 2000 Index Fund (“IWM”) Exchange-Traded Fund Shares options, which are also multiply listed. When exchanges are able to recoup costs associated with offering proprietary products, it incentivizes growth and competition for the innovation of additional products.

¹⁹ See C2 Options Exchange, Incorporated Fees Schedule, Section 1.C.

²⁰ See C2 Options Exchange, Incorporated Fees Schedule, Section 1.D.

Waive the Marketing Fee for NDX and MNX

The Exchange believes that its proposal to waive the Marketing Fee for NDX and MNX is reasonable because the purpose of a Marketing Fee is to attract order flow to the Exchange. Because NDX and MNX are no longer widely traded on many competing options exchanges, a Marketing Fee whose purpose is to attract order flow to the Exchange is no longer necessary to attract order flow to ISE.

The Exchange believes that its proposal to waive the Marketing Fee for NDX and MNX is an equitable allocation and is not unfairly discriminatory because the Exchange will waive the Marketing Fee for all similarly-situated members.

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. In terms of inter-market competition, the Exchange notes that it operates in a highly competitive market in which market participants can readily favor competing venues if they deem fee levels at a particular venue to be excessive, or rebate opportunities available at other venues to be more favorable. In such an environment, the Exchange must continually adjust its fees to remain competitive with other exchanges and with alternative trading systems that have been exempted from compliance with the statutory standards applicable to exchanges. Because competitors are free to modify their own fees in response, and because market participants may readily adjust their order routing practices, the Exchange believes that the degree to which fee changes in this market may impose any burden on competition is extremely limited.

The proposed amendments to the fees will eliminate the rebate for Priority Customer complex orders in Non-Select Symbols for orders in NDX and MNX, increase the Non-Priority Customer License Surcharge for Index Options for NDX and MNX, and waive the Marketing Fee for NDX and MNX. In sum, if the changes proposed herein are unattractive to market participants, it is likely that the Exchange will lose market share as a result. Accordingly, the Exchange does not believe that the proposed changes will impair the ability of members or competing order execution venues to maintain their competitive standing in the financial

markets or will impose any inter-market burden on competition for the reasons stated above.²¹

In terms of intra-market competition, the elimination of the rebate for Priority Customer complex orders for orders in NDX and MNX will result in total fees for orders in NDX and MNX becoming more uniform across all classes of market participants, while still permitting Priority Customers to transact in NDX and MNX free of any transaction charge. Removing the rebate will also enhance the Exchange's ability to offer other rebates or reduced fees that could incentivize behavior that would enhance market quality on the Exchange, which would benefit all members.²² Likewise, the increase in the Non-Priority Customer License Surcharge for Index Options for NDX and MNX will impact all Non-Priority Customers equally, and will raise revenue for the Exchange without negatively impacting Priority Customers whose orders may enhance market quality for all Exchange members. Finally, the waiver of the Marketing Fee for NDX and MNX will reduce an existing disparity between ISE Market Makers, who currently are subject to the fee, and other Exchange members.

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

No written comments were either solicited or received.

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

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A)(ii) of the Act,²³ and Rule 19b-4(f)(2)²⁴ thereunder. At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is: (i) Necessary or appropriate in the public interest; (ii) for the protection of investors; or (iii) otherwise in furtherance of the purposes of the Act. If the Commission takes such action, the Commission shall institute proceedings to determine whether the proposed rule should be approved or disapproved.

²¹ See footnote 18 above.

²² The Exchange offers rebates to market participants to encourage certain behavior on the Exchange such as adding more liquidity in a certain product.

²³ 15 U.S.C. 78s(b)(3)(A)(ii).

²⁴ 17 CFR 240.19b-4(f)(2).

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-ISE-2017-23 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-ISE-2017-23. 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-ISE-2017-23 and should be submitted on or before April 11, 2017.

²⁵ 17 CFR 200.30-3(a)(12).

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.²⁵

Eduardo A. Aleman,

Assistant Secretary.

[FR Doc. 2017-05499 Filed 3-20-17; 8:45 am]

BILLING CODE 8011-01-P

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-80247; File No. SR-BOX-2017-08]

Self-Regulatory Organizations; BOX Options Exchange LLC; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change To Amend BOX Rule 7170 (Nullification and Adjustment of Options Transactions) To Add IM-7170-4

March 15, 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 3, 2017, BOX Options Exchange LLC (the “Exchange”) filed with the Securities and Exchange Commission (“Commission”) the proposed rule change as described in Items I and II below, which Items have been prepared by the self-regulatory organization. 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 amend BOX Rule 7170 (Nullification and Adjustment of Options Transactions) to add IM-7170-4. The text of the proposed rule change is available from the principal office of the Exchange, at the Commission’s Public Reference Room and also on the Exchange’s Internet Web site at <http://boxexchange.com>.

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 self-regulatory organization 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 self-regulatory organization 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 proposes to amend BOX Rule 7170 (Nullification and Adjustment of Options Transactions) to add IM-7170-4. This is filing is based on a proposal recently submitted by Chicago Board Options Exchange, Incorporated (“CBOE”) and approved by the Commission.³

Last year, the Exchange and other options exchanges adopted a new, harmonized rule related to the adjustment and nullification of erroneous options transactions, including a specific provision related to coordination in connection with large-scale events involving erroneous options transactions.⁴ 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 the initial initiative, the Exchange and other options exchanges deferred a few specific matters for further discussion.

Specifically, 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 orders⁵ and stock-option orders. 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. As described below, the Exchange believes that the changes the options exchanges and BOX have agreed to propose will provide transparency and finality with respect to the adjustment and nullification of erroneous complex order and stock-option order transactions. Particularly, the proposed changes seek to achieve consistent results for participants across U.S. options exchanges while maintaining a fair and orderly market, protecting investors and protecting the public interest.

³ See Securities Exchange Act Release No. 80040 (February 14, 2017), 82 FR 11248 (February 21, 2017) (Order Approving SR-CBOE-2016-088).

⁴ See Securities Exchange Act Release No. 74911 (May 8, 2015), 80 FR 27717 (May 14, 2015) (SR-BOX-2015-18) (the “Initial Filing”).

⁵ See Rule 7240(a)(5) (defining complex orders).

The Proposed Rule is the culmination of this coordinated effort and reflects discussions by the options exchanges whereby the exchanges that offer complex orders and/or stock-option orders will universally adopt 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.⁶

The Exchange believes that the Proposed Rule supports an approach consistent with long-standing principles in the options industry under which the general policy is to adjust rather than nullify transactions. The Exchange acknowledges that adjustment of transactions is contrary to the operation of analogous rules applicable to the equities markets, where erroneous transactions are typically nullified rather than adjusted and where there is no distinction between the types of market participants involved in a transaction. For the reasons set forth below, the Exchange believes that the distinctions in market structure between equities and options markets continue to support these distinctions between the rules for handling obvious errors in the equities and options markets.

Various general structural differences between the options and equities markets point toward the need for a different balancing of risks for options market participants and are reflected in this proposal. Option pricing is formulaic and is tied to the price of the underlying stock, the volatility of the underlying security and other factors. Because options market participants can generally create new open interest in response to trading demand, as new open interest is created, correlated trades in the underlying or related series are generally also executed to hedge a market participant’s risk. This pairing of open interest with hedging interest differentiates the options market specifically (and the derivatives markets broadly) from the cash equities markets. In turn, the Exchange believes that the hedging transactions engaged in by market participants necessitates protection of transactions through adjustments rather than nullifications when possible and otherwise appropriate.

The options markets are also quote driven markets dependent on liquidity providers to an even greater extent than equities markets. In contrast to the approximately 7,000 different securities

⁶ The Exchange notes that it does not offer stock-option orders and will not adopt the CBOE provisions around stock-option orders.

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.