

executed according to price, with the highest bid price and the lowest offer price receiving highest priority and, within each price, according to the time of order entry. For Timed Orders, priority within each price is determined based on the effective time of the order, as provided in proposed Rule 86(b)(2)(B)(vi)(3)(a)–(c). Timed Orders submitted with an Effective Time become effective at the time designated on the order (*i.e.*, at the Effective Time), whereas Timed Orders submitted with an Expire Time become effective at the time such order is submitted. Additionally, Timed Orders submitted with a designated trading session alone or with a designated trading session and either an Effective Time or an Expire Time become effective at the time the designated trading session begins, whereas Timed Orders submitted during a designated trading session become effective at the time such order is received. The Exchange proposes to reflect these differences with an amendment to Rule 86(j)(A)(ii).²⁰

Finally, the Exchange proposes to make non-substantive organizational changes to the rule text in order to make the rule easier to read and understand. Specifically, the Exchange is proposing to renumber each of paragraphs (C), (D), and (E) to (B)(ii), (B)(iii), and (B)(iv) and to renumber each of paragraphs (F) through (O) to (C) through (K).

III. Discussion and Commission Findings

After careful review, the Commission finds that the proposed rule change is consistent with the requirements of the Act and the rules and regulations thereunder applicable to a national securities exchange.²¹ In particular, the Commission finds that the proposed rule change is consistent with Section 6(b)(5) of the Act,²² which requires, among other things, that the rules of a national securities 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 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; and are not designed to

permit unfair discrimination between customers, issuers, brokers, or dealers.

The Commission notes that the Exchange believes that the proposed rule change would protect investors and remove impediments to, and perfect the mechanisms of, a free and open market and a national market system by offering its Users additional order types and therefore affording them greater opportunities to execute their bond orders on the Exchange.²³ The Exchange further states that its proposal to adopt new order types on NYSE Bonds, including All-or-None, Fill-or-Kill, and Minimum Quantity orders, is consistent with order types available on other ATSS and exchanges.²⁴ The Commission notes that, according to the Exchange, the proposal to codify Good ‘Til Date Orders and Timed Orders does not add any new functionality but instead provides additional clarity and transparency regarding current functionality offered by the Exchange.²⁵ Finally, the Commission notes that the Exchange’s proposal relating to the calculation of the IMP is intended to provide additional detail, clarity, and transparency to the rule.²⁶

The Commission believes that the proposed rules to adopt new order types on NYSE Bonds would provide Users with additional options for trading in fixed income securities on the Exchange. Based on the Exchange’s representations, the Commission believes that the proposed rules regarding Good ‘Til Date and Timed Orders do not raise any novel regulatory considerations and should provide greater specificity, clarity, and transparency with respect to the functionality available on the Exchange. The Commission similarly believes that the proposal relating to the IMP calculation and the organizational changes to the rule text should provide additional clarity and transparency to the Exchange’s rules. For these reasons, the Commission believes that the proposed rule change is consistent with the Act.

IV. Conclusion

It is therefore ordered, pursuant to Section 19(b)(2) of the Act,²⁷ that the

proposed rule change (SR–NYSE–2016–17), as modified by Amendment No. 1, be, and hereby is, approved.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.²⁸

Robert W. Errett,

Deputy Secretary.

[FR Doc. 2016–12388 Filed 5–25–16; 8:45 am]

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–77881; File No. SR–ISEGemini–2016–03]

Self-Regulatory Organizations; ISE Gemini, LLC; Order Approving Proposed Rule Change Related to Market Wide Risk Protection

May 20, 2016.

I. Introduction

On March 17, 2016, ISE Gemini, LLC (the “Exchange” or “ISE Gemini”) 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 to introduce new activity-based risk protection functionality. The proposed rule change was published for comment in the **Federal Register** on April 6, 2016.³ No comment letters were received in response to this proposal. This order approves the proposed rule change.

II. Description of the Proposed Rule Change

The Exchange proposed to introduce two activity-based risk protection measures that will be mandatory for all members: (1) The “Order Entry Rate Protection,” which prevents members from *entering* orders at a rate that exceeds predefined thresholds,⁴ and (2) the “Order Execution Rate Protection,” which prevents members from *executing* orders at a rate that exceeds their predefined risk settings (together, “Market Wide Risk Protection”). The Exchange will announce the implementation date of the proposed

²⁸ 17 CFR 200.30–3(a)(12).

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b–4.

³ See Securities Exchange Act Release No. 77488 (Mar. 31, 2016), 81 FR 20021 (“Notice”).

⁴ The Exchange stated that it will initiate the Order Entry Rate Protection pre-open, but in a manner that allows members time to load their orders without inadvertently triggering the protection. The Exchange further noted that it will establish and communicate the precise initiation time via circular and prior to implementation. See Notice, *supra* note 3, at 20022 n.4.

²⁰ See *id.*

²¹ In approving this proposed rule change, the Commission has considered the proposed rule’s impact on efficiency, competition, and capital formation. See 15 U.S.C. 78c(f).

²² 15 U.S.C. 78f(b)(5).

²³ See Notice, *supra* note 4, at 19677.

²⁴ See *id.* at 19672 & n.13, 19677. The Exchange states that, because fixed income securities are not subject to Regulation NMS, it proposes to display the All-or-None and Minimum Quantity and permit executions that bypass an All-or-None order or Minimum Quantity order if the terms of such orders cannot be met, unlike similar All-or-None and Minimum Quantity order types on equity exchanges. See *id.* at 19677.

²⁵ See Notice, *supra* note 4, at 19677.

²⁶ See *id.* at 19672, 77.

²⁷ 15 U.S.C. 78s(b)(2).

rule in a circular to be distributed to members prior to implementation.⁵

Pursuant to proposed Rule 714(d), “Market Wide Risk Protection,” the Exchange’s trading system (the “System”) will maintain one or more counting programs on behalf of each member that will track the number of orders entered and the number of contracts traded on ISE Gemini or, if chosen by the member, across both ISE Gemini and its affiliate, International Securities Exchange, LLC (“ISE”).⁶ Members may also use multiple counting programs to separate risk protections for different groups established within the member.⁷ The counting programs will maintain separate counts, over rolling time periods specified by the member, for each count of: (1) The total number of orders entered; and (2) the total number of contracts traded.⁸

According to the Exchange, members will have the discretion to establish the applicable time period for each of the counts maintained under the Market Wide Risk Protection, provided that the selected period is within minimum and maximum time parameters that will be established by the Exchange and announced via circular.⁹ By contrast, the Exchange’s proposal does not establish minimum or maximum values for the order entry or execution parameters described in (1) and (2) above. Nevertheless, the Exchange will establish default values¹⁰ for the time period, order entry, and contracts traded parameters in a circular to be distributed to members. The Exchange represented that such default values will apply only to members that do not submit their own parameters for the

Market Wide Risk Protection measures.¹¹

Under proposed Rule 714(d), the System will trigger the Market Wide Risk Protection when it determines that the member has either (1) entered a number of orders exceeding its designated allowable order rate for the specified time period, or (2) executed a number of contracts exceeding its designated allowable contract execution rate for the specified time period.¹² If the member’s thresholds have been exceeded, the Market Wide Risk Protection will be triggered and the System will automatically reject all subsequent incoming orders entered by the member on ISE Gemini or, if set by the member, across both ISE Gemini and ISE.¹³ In addition, if the member has opted in to this functionality, the System will automatically cancel all of the member’s existing orders.¹⁴ The Market Wide Risk Protection will remain engaged until the member manually (e.g., via email) notifies the Exchange to enable the acceptance of new orders.¹⁵

III. Discussion and Commission Findings

After careful review, the Commission finds that the proposed rule change is consistent with the requirements of Section 6 of the Act¹⁶ and rules and regulations thereunder applicable to a national securities exchange.¹⁷ In particular, the Commission finds that the proposed rule change is consistent with the requirements of Section 6(b)(5) of the Act, which requires, among other things, that the rules of a national securities exchange be designed to

promote just and equitable principles of trade, 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.¹⁸

The Commission believes that the Exchange’s proposed activity-based order protections will provide an additional tool to members to assist them in managing their risk exposure.¹⁹ Specifically, the Commission believes that the Market Wide Risk Protection functionality may help members to mitigate the potential risks associated with entering and/or executing a level of orders that exceeds their risk management thresholds that may result from, for example, technology issues with electronic trading systems. Further, the Commission notes that other exchanges have established risk protection mechanisms for members and market makers that are similar in many respects to ISE Gemini’s proposal.²⁰

Proposed Rule 714(d) imposes a mandatory obligation on ISE Gemini members to utilize the Market Wide Risk Protection functionality. The Commission notes that, although the Exchange will establish minimum and maximum permissible parameters for the time period values, members will have discretion to set the threshold values for the order entry and order execution parameters.²¹ If members do not independently set such parameters, they will be subject to the default parameters established by ISE Gemini.²² While the Commission believes that the Exchange’s proposed rule provides members flexibility to tailor the Market Wide Risk Protection to their respective risk management needs, the Commission reminds members to be mindful of their obligations to, among other things, seek best execution of orders they handle on an agency basis and consider their best execution obligations when establishing parameters for the Market Wide Risk Protection or utilizing the default

⁵ See Notice, *supra* note 3, at 20022.

⁶ Members may set different risk parameters for their trading activity on each exchange, or they may set risk parameters that apply to their trading across both ISE Gemini and ISE. See proposed Rule 714(d).

⁷ The Exchange stated that it will explain how members can go about setting up risk protections for different groups (e.g., business units) in a circular issued to members. See Notice, *supra* note 3, at 20022 n.7.

⁸ See proposed Rule 714(d). The Exchange clarified that a member’s allowable order rate for the Order Entry Rate Protection will be comprised of parameter (1), while the allowable contract execution rate for the Order Execution Rate Protection will be comprised of parameter (2). The Exchange further explained that contracts executed on the agency and contra-side of a two-sided crossing order will be counted separately for the Order Execution Rate Protection. See Notice, *supra* note 3, at 20022.

⁹ *Id.* The Exchange stated that it anticipated setting these minimum and maximum time parameters at one second and a full trading day, respectively. See Notice, *supra* note 3, at 20022 n.9.

¹⁰ See proposed Rule 714(d); see also Notice, *supra* note 3, at 20022.

¹¹ *Id.*

¹² *Id.*; see also proposed Rule 714(d)(1). Specifically, after a member enters or executes an order, the System will look back over the specified time period to determine whether the member has exceeded the relevant thresholds. See Notice, *supra* note 3, at 20022. In the Notice, the Exchange provided examples illustrating how the Market Wide Risk Protection functionality would work both for order entry and order execution protections. See Notice, *supra* note 3, at 20022–23.

¹³ According to the Exchange, members that set different risk parameters for ISE Gemini and ISE will only have their orders rejected on the exchange whose threshold was exceeded. See Notice, *supra* note 3, at 20022 n.10.

¹⁴ Proposed Rule 714(d)(2).

¹⁵ Proposed Rule 714(d)(3). Members who have not opted to cancel all existing orders under proposed Rule 714(d)(2), however, will still be able to interact with their existing orders entered before the Market Wide Risk Protection was triggered. For instance, such members may send cancel order messages and/or receive trade executions for those orders. *Id.*; see also Notice, *supra* note 3, at 20022.

¹⁶ 15 U.S.C. 78f(b).

¹⁷ In approving these proposed rule changes, the Commission has considered the proposed rules’ impact on efficiency, competition, and capital formation. See 15 U.S.C. 78c(f).

¹⁸ 15 U.S.C. 78f(b)(5).

¹⁹ The Exchange currently provides members with limit order price protections that reject orders priced too far outside of the Exchange’s best bid or offer. See ISE Gemini Rule 714(b)(2).

²⁰ See, e.g., Miami International Securities Exchange, LLC Rule 519A (“Risk Protection Monitor”); BATS BZX Exchange, Inc. Rule 21.16 (“Risk Monitor Mechanism”).

²¹ The Exchange has represented that it anticipates that the minimum and maximum values for the applicable time period will be initially set at one second and a full trading day, respectively, which the Commission believes gives members wide latitude in establishing the applicable time periods. See Notice, *supra* note 3, at 20022 n.9.

²² Proposed Rule 714(d).

parameters set by ISE.²³ For example, an abnormally low order entry parameter, set over an abnormally long specified time period should be carefully scrutinized, particularly if a member's order flow to ISE Gemini contains agency orders. To the extent that a member chooses sensitive parameters, a member should consider the effect of its chosen settings on its ability to receive a timely execution on marketable agency orders that it sends to ISE Gemini in various market conditions. The Commission cautions brokers considering their best execution obligations to be aware that the agency orders they represent may be rejected as a result of the Market Wide Risk Protection functionality.

As discussed above, ISE Gemini determined not to establish minimum and maximum permissible settings for the order entry and order execution parameters in its rule and indicated its intent to set a minimum and maximum for the time period parameters that provide broad discretion to members (*i.e.*, one second and a full trading day, respectively).²⁴ In light of these broad limits, the Commission expects ISE Gemini to periodically assess whether the Market Wide Risk Protection measures are operating in a manner that is consistent with the promotion of fair and orderly markets, including whether the default values and minimum and maximum permissible parameters for the applicable time period established by ISE Gemini continue to be appropriate and operate in a manner consistent with the Act and the rules thereunder.

Finally, the Commission believes that it is consistent with the Act for ISE Gemini to offer its Market Wide Risk Protection across both ISE Gemini and its affiliate, ISE, as such functionality could assist members in managing and reducing inadvertent exposure to excessive risk across both of these markets if the member desires to avail itself of that feature. Further, the Commission notes that it previously approved ISE Gemini's proposal to offer cross-market risk protections for market maker quotes, and approval of the cross-market application of the Market Wide Risk Protection functionality is consistent with that prior approval.²⁵

²³ See Securities Exchange Act Release No. 37619A (Sept. 6, 1996), 61 FR 48290, at 48323 (Sept. 12, 1996) (Order Execution Obligations adopting release); *see also* Securities Exchange Act Release No. 51808 (June 9, 2005), 70 FR 37496, 37537–8 (June 29, 2005) (Regulation NMS adopting release).

²⁴ See Notice, *supra* note 3, at 20022 n.9; *see also supra* note 21.

²⁵ See ISE Gemini Rule 804(g); *see also* Securities Exchange Act Release No. 73148 (Sept. 19, 2014),

IV. Conclusion

It is therefore ordered, pursuant to Section 19(b)(2) of the Act,²⁶ that the proposed rule change (SR-ISEGemini-2016-03) be, and hereby is, approved.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.²⁷

Robert W. Errett,
Deputy Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-77871; File No. SR-BATS-2015-100]

Self-Regulatory Organizations; BATS Exchange, Inc.; Notice of Designation of a Longer Period for Commission Action on Proceedings To Determine Whether To Approve or Disapprove a Proposed Rule Change, as Modified by Amendments Nos. 1, 3, and 4 Thereto, To Amend BATS Rule 14.11(i) To Adopt Generic Listing Standards for Managed Fund Shares

May 20, 2016.

On November 18, 2015, BATS Exchange, Inc. (now known as Bats BZX Exchange, Inc., “Exchange”) ¹ filed with the Securities and Exchange Commission (“Commission”), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”) ² and Rule 19b-4 thereunder, ³ a proposed rule change to amend BATS Rule 14.11(i) by, among other things, adopting generic listing standards for Managed Fund Shares. The proposed rule change was published for comment in the **Federal Register** on November 25, 2015. ⁴ On January 4, 2016, the Commission designated a longer period within which to approve the proposed rule change, disapprove the proposed rule change, or institute proceedings to determine whether to disapprove the proposed rule change. ⁵ On February 9, 2016, the

79 FR 57626 (Sept. 25, 2014) (SR-ISEGemini-2014-09) (approval order).

²⁶ 15 U.S.C. 78s(b)(2).

²⁷ 17 CFR 200.30-3(a)(12).

¹ In March 2016, BATS changed its name from “BATS Exchange, Inc.” to “Bats BZX Exchange, Inc.” See Securities Act Release No. 77307 (Mar. 7, 2016), 81 FR 12996 (Mar. 11, 2016) (SR-BATS-2016-25) (publishing notice of the name change to Bats BZX Exchange, Inc.).

² 15 U.S.C. 78s(b)(1).

³ 17 CFR 240.19b-4.

⁴ See Securities Exchange Act Release No. 76478 (Nov. 19, 2015), 80 FR 73841 (“Notice”).

⁵ See Securities Exchange Act Release No. 76820, 81 FR 989 (Jan. 8, 2016). The Commission designated February 23, 2016 as the date by which the Commission shall either approve or disapprove,

Exchange filed Amendment No. 1 to the proposed rule change,⁶ which replaced the originally filed proposed rule change in its entirety.⁷ On February 11, 2016, the Exchange both filed and withdrew Amendment No. 2 to the proposed rule change. On February 11, 2016, the Exchange filed Amendment No. 3 to the proposed rule change.⁸ On February 17, 2016, the Exchange filed Amendment No. 4 to the proposed rule change.⁹ On February 22, 2016, the Commission issued notice of filing of Amendment Nos. 1, 3, and 4 to the proposed rule change and instituted proceedings under Section 19(b)(2)(B) of

or institute proceedings to determine whether to disapprove, the proposed rule change. *See id.*

⁶ Amendment No. 1: (1) Clarifies the proposed treatment of convertible securities under the proposed generic listing criteria; (2) modifies the proposed criterion regarding American Depositary Receipts (“ADRs”) to provide that no more than 10% of the equity weight of the portfolio shall consist of non-exchange traded (rather than unsponsored) ADRs; (3) modifies the proposed portfolio limit on listed derivatives to require that at least 90% of the weight of such holdings invested in futures, exchange-traded options, and listed swaps shall, on both an initial and continuing basis, consist of futures, options, and swaps for which the Exchange may obtain information via the Intermarket Surveillance Group (“ISG”) from other members or affiliates of the ISG or for which the principal market is a market with which the Exchange has a comprehensive surveillance sharing agreement (“CSSA”); (4) provides that a portfolio's investments in listed and over-the-counter derivatives will be calculated for purposes the proposed limits on such holdings as the total absolute notional value of the derivatives; (5) makes certain other conforming and clarifying changes. The amendments to the proposed rule change are available at: <http://www.sec.gov/comments/sr-bats-2015-100/bats2015100.shtml>.

⁷ See Amendment No. 1, *supra* note 6, at 4.

⁸ Amendment No. 3 deletes from the proposal the following two sentences: (1) “Such limitation will not apply to listed swaps because swaps are listed on swap execution facilities (“SEFs”), the majority of which are not members of ISG.” and (2) “Such limitation would not apply to listed swaps because swaps are listed on SEFs, the majority of which are not members of ISG.” Amendment No. 3 also corrects an erroneous statement in Item 11 to indicate that an Exhibit 4 was included in Amendment No. 1.

⁹ Amendment No. 4 deletes from the proposal the following sentence: “Thus, if the limitation applied to swaps, there would effectively be a cap of 10% of the portfolio invested in listed swaps.” Amendment No. 4 also amends two representations as follows (*added* language in brackets): The Exchange or FINRA, on behalf of the Exchange, will communicate as needed regarding trading in Managed Fund Shares [and their underlying components] with other markets that are members of the ISG, including all U.S. securities exchanges and futures exchanges on which the components are traded[, or with which the Exchange has in place a CSSA.] In addition, the Exchange or FINRA[, on behalf of the Exchange[, may obtain information regarding trading in Managed Fund Shares [and their underlying components] from other markets that are members of the ISG, including all U.S. securities exchanges and futures exchanges on which the components are traded, or with which the Exchange has in place a CSSA.”