

applicable to a national securities exchange, and, in particular, with the requirements of Section 6(b) of the Act.<sup>13</sup> Specifically, the proposed change is consistent with Section 6(b)(5) of the Act,<sup>14</sup> because 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, and to remove impediments to, and perfect the mechanism of, a free and open market and a national market system. The proposed change to remove Interpretation and Policy .01 from Rule 11.13 will permit the Exchange to focus its regulatory efforts on conduct that more likely violates principles of just and equitable trade rather than dedicating regulatory staff and efforts on a topic which the Exchange has found no evidence of its existence. Since 2011, the Exchange has dedicated resources to operate regulatory surveillance and investigate potential abuse of the Exchange's functionality and has found that there is no evidence of abuse of the relevant order handling procedures solely for the purpose of obtaining one-half minimum price variations. The Exchange believes the proposal will promote just and equitable principles of trade and will help prevent fraudulent and manipulative acts by focusing regulatory efforts on activity that the Exchange has identified as having an impact on the safety and quality of its market rather than the hypothetical concern that Interpretation and Policy .01 was implemented to monitor.

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

The Exchange does not believe that the proposed rule changes will result in any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. The proposed rule change simply removes an interpretation and policy that the Exchange does not believe is necessary, as described above, and should have no effect on competition.

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

The Exchange has neither solicited nor received written comments on the proposed rule change.

### **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 Act<sup>15</sup> and Rule 19b-4(f)(6) thereunder.<sup>16</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 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](mailto:rule-comments@sec.gov). Please include File No. SR-BatsBZX-2016-28 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 No. SR-BatsBZX-2016-28. 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/>

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

<sup>16</sup> 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.

[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 No. SR-BatsBZX-2016-28, and should be submitted on or before July 27, 2016.

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

**Robert W. Errett,**  
*Deputy Secretary.*

[FR Doc. 2016-15916 Filed 7-5-16; 8:45 am]

**BILLING CODE 8011-01-P**

## **SECURITIES AND EXCHANGE COMMISSION**

### **Sunshine Act Meeting**

Notice is hereby given, pursuant to the provisions of the Government in the Sunshine Act, Public Law 94-409, that the Securities and Exchange Commission will hold a Closed Meeting on Thursday, July 7, 2016 at 2:00 p.m.

Commissioners, Counsel to the Commissioners, the Secretary to the Commission, and recording secretaries will attend the Closed Meeting. Certain staff members who have an interest in the matters also may be present.

The General Counsel of the Commission, or her designee, has certified that, in her opinion, one or more of the exemptions set forth in 5 U.S.C. 552b(c)(3), (5), (7), 9(B) and (10) and 17 CFR 200.402(a)(3), (5), (7), 9(ii) and (10), permit consideration of the scheduled matter at the Closed Meeting.

Chair White, as duty officer, voted to consider the items listed for the Closed Meeting in closed session.

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

<sup>13</sup> 15 U.S.C. 78f(b).

<sup>14</sup> 15 U.S.C. 78f(b)(5).

The subject matter of the Closed Meeting will be:

Institution and settlement of injunctive actions;

Institution and settlement of administrative proceedings;

Resolution of litigation claims; and

Other matters relating to enforcement proceedings.

At times, changes in Commission priorities require alterations in the scheduling of meeting items.

For further information and to ascertain what, if any, matters have been added, deleted or postponed, please contact Brent J. Fields from the Office of the Secretary at (202) 551-5400.

Dated: June 30, 2016.

**Brent J. Fields,**  
Secretary.

[FR Doc. 2016-16076 Filed 7-1-16; 11:15 am]

BILLING CODE 8011-01-P

## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-78192; File No. SR-Phlx-2016-72]

### Self-Regulatory Organizations; NASDAQ PHLX LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change Relating to Detection of Loss of Connection

June 29, 2016.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”),<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on June 15, 2016, NASDAQ PHLX LLC (“Phlx” 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 Phlx Rule 1019, entitled “Acceptance of Bid or Offer” to adopt functionality which is designed to assist Phlx members and member organizations (hereinafter “member(s)”) in the event that they lose communication with their assigned Financial Information eXchange (“FIX”)<sup>3</sup> or Specialized Quote

Feed (“SQF”)<sup>4</sup> Ports due to a loss of connectivity.

The text of the proposed rule change is available on the Exchange’s Web site at <http://nasdaqomxphlx.cchwallstreet.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

Phlx proposes to amend Rule 1019 entitled “Acceptance of Bid or Offer” to adopt a new section “c” entitled “Detection of Loss of Connection,” a new automated process which Phlx proposes to adopt for its SQF<sup>5</sup> and FIX Ports in the event that they lose communication with a Client Application due to a loss of connectivity. This feature is designed to protect Market Makers<sup>6</sup> and other

<sup>4</sup> SQF permits the transmission of quotes to the Exchange by a Market Maker using its Client Application. SQF Auction Responses would not be cancelled pursuant to this Rule 1019 because other rules govern auction specific responses. Market Sweeps would not be cancelled pursuant to this Rule 1019 because these type of orders are Immediate or Cancel (“IOC”).

<sup>5</sup> Today, SQF has capability to cancel quotes for technical disconnects, although there is no automated process triggered by pre-set conditions. The rule change would adopt a formalized process to automatically cancel quotes when there is a loss of communication with the member’s Client Application.

<sup>6</sup> Phlx Market Makers include Specialists and Registered Options Traders or “ROT’s.” A Specialist is an Exchange member who is registered as an options specialist. See Phlx Rule 1020(a). An ROT is defined in Exchange Rule 1014(b) as a regular member or a foreign currency options participant of the Exchange located on the trading floor who has received permission from the Exchange to trade in options for his own account. See Exchange Rule 1014 (b)(i) and (ii). A ROT includes a Streaming Quote Trader or “SQT,” a Remote Streaming Quote Trader or “RSQT” and a Non-SQT, which by definition is neither a SQT nor a RSQT. For purposes of this filing, Specialists and ROTs shall be defined broadly as “Market Makers.”

market participants from inadvertent exposure to excessive risk.

By way of background, Phlx members currently enter quotes and orders utilizing either an SQF or FIX Port. SQF is utilized by Phlx Market Makers and FIX is utilized by all market participants. These ports are trading system components through which a member communicates its quotes and/or orders to the Phlx match engine through the member’s Client Application. Under the proposed rule change, an SQF Port would be defined as the Exchange’s system component through which members communicate their quotes from the member’s Client Application at proposed Rule 1019(c)(i)(B). A FIX Port would be defined as the Exchange’s system component through which members communicate their orders from the member’s Client Application at proposed Rule 1019(c)(i)(C). Market Makers may submit quotes to the Exchange from one or more SQF Ports. Similarly, market participants may submit orders to the Exchange from one or more FIX Ports. The proposed cancellation feature will be mandatory for each Market Maker utilizing SQF for the removal of quotes and optional for any market participant utilizing FIX for the removal of orders.

When the SQF Port detects the loss of communication with a member’s Client Application because the Exchange’s server does not receive a Heartbeat message<sup>7</sup> for a certain period of time (a period of “nn” seconds), the Exchange will automatically logoff the member’s affected Client Application and automatically cancel all of the member’s open quotes. Quotes will be cancelled across all Client Applications that are associated with the same Specialist or Registered Options Trader (collectively “Market Maker”) ID and underlying issues.

The Exchange proposes to define “Client Application” as the system component of the member through which the Exchange member or member organization communicates its quotes and orders to the Exchange at proposed Rule 1019(c)(i)(D). The Exchange proposes to define a “Heartbeat” message as a communication which acts as a virtual pulse between the SQF or FIX Port and the Client Application at proposed Rule 1019(c)(i)(A). The Heartbeat message sent by the member and subsequently received by the Exchange allows the SQF or FIX Port to continually monitor its connection with the member.

<sup>7</sup> It is important to note that the Exchange separately sends a connectivity message to the member as evidence of connectivity.

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

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

<sup>3</sup> FIX permits the entry of orders.