

## 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 Advisory Committee on Small and Emerging Companies will hold a public meeting on Tuesday, July 19, 2016, in Multi-Purpose Room LL-006 at the Commission's headquarters, 100 F Street NE., Washington, DC.

The meeting will begin at 9:30 a.m. (EDT) and will be open to the public. Seating will be on a first-come, first-served basis. Doors will open at 9:00 a.m. Visitors will be subject to security checks. The meeting will be webcast on the Commission's Web site at [www.sec.gov](http://www.sec.gov).

On June 27, 2016, the Commission published notice of the Committee meeting (Release No. 33-10105), indicating that the meeting is open to the public and inviting the public to submit written comments to the Committee. This Sunshine Act notice is being issued because a majority of the Commission may attend the meeting.

The agenda for the meeting includes matters relating to rules and regulations affecting small and emerging companies under the federal securities laws.

For further information, please contact Brent J. Fields in the Office of the Secretary at (202) 551-5400.

Dated: July 12, 2016.

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

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-78284; File No. SR-NYSEARCA-2016-49]

### Self-Regulatory Organizations; NYSE Arca, Inc.; Notice of Filing of Amendment No. 1 and Order Granting Accelerated Approval of a Proposed Rule Change, as Modified by Amendment No. 1, To Amend Rule 6.64 With Respect To Opening Trading in an Options Series

July 11, 2016.

#### I. Introduction

On March 23, 2016, NYSE Arca, Inc. ("Exchange") filed with the Securities and Exchange Commission ("Commission"), 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> a proposed rule change to amend Exchange Rule 6.64 regarding the process for opening trading in an options series. The proposed rule change was published for comment in the *Federal Register* on April 12, 2016.<sup>3</sup> The Commission received one comment letter on the proposed rule change.<sup>4</sup> On May 25, 2016, the Commission extended the time 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 to July 11, 2016.<sup>5</sup> On July 8, 2016, the Exchange submitted Amendment No. 1 to the proposed rule change.<sup>6</sup> The Commission is publishing this notice to solicit comment on Amendment No. 1 to the proposed rule change from interested persons and is approving the proposed rule change, as modified by Amendment No. 1, on an accelerated basis.

#### II. Description of the Proposed Rule Change, as Modified by Amendment No. 1

Exchange Rule 6.64 sets forth the OX automated opening process.<sup>7</sup> Current Rule 6.64(b) provides that, after the primary market for the underlying security disseminates an opening trade or an opening quote, the Exchange will open the related option series automatically based on the following principles and procedures:

(A) The system will determine a single price at which a particular option series will be opened.

(B) Orders and quotes in the system will be matched up with one another based on price-time priority; provided, however, that Orders will have priority

over Market Maker quotes at the same price.

(C) Orders in the OX Book that were not executed during the Auction Process, other than Opening Only orders, shall become eligible for the Core Trading Session immediately after the conclusion of the Auction Process.

(D) The OX System will not conduct an Auction Process if the bid-ask differential for that series is not within an acceptable range. For the purposes of this rule, an acceptable range shall mean within the bid-ask differential guidelines established pursuant to Rule 6.37(b)(1)(A)-(E).

(E) If the OX System does not open a series with an Auction Process, the OX System shall open the series for trading after receiving notification of an initial NBBO disseminated by OPRA for the series or on a Market Maker quote, provided that the bid-ask differential does not exceed the bid-ask differential specified under Rule 6.37A(b)(4).<sup>8</sup>

In addition, Rule 6.64(c) provides for how the OX System will determine the opening price of a series when an Auction Process is conducted.<sup>9</sup> Specifically, current Rule 6.64(c) states, in part, that the "opening price of a series will be the price, as determined by OX, at which the greatest number of contracts will trade at or nearest to the midpoint of the initial uncrossed NBBO disseminated by OPRA, if any, or the midpoint of the best quote bids and quote offers in the OX Book."<sup>10</sup>

The Exchange proposes several changes to Exchange Rule 6.64 and the OX opening process. The proposed changes would also affect the process of re-opening an options series after a trading halt.<sup>11</sup>

First, the Exchange proposes to amend Exchange Rule 6.64(b) so that trading in an options series will be opened automatically once the primary market for the underlying security disseminates both a quote and a trade that is at or within the quote.<sup>12</sup> Further, the Exchange proposes to specify that the opening process will occur at or after 9:30 a.m. Eastern Time.<sup>13</sup>

The Exchange also proposes to modify Exchange Rule 6.64(b)(E) so that if the OX System does not open a series with an Auction Process, trading in an options series could no longer open on a local Market Maker quote, but would

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

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

<sup>3</sup> See Securities Exchange Act Release No. 77539 (April 6, 2016), 81 FR 21639 ("Notice").

<sup>4</sup> See letter from Anonymous, dated May 3, 2016. The letter was generally supportive of the proposed rule change.

<sup>5</sup> See Securities Exchange Act Release No. 77912 (May 25, 2016), 81 FR 35105 (June 1, 2016).

<sup>6</sup> See Letter to Brent J. Fields, Secretary, Commission, from Martha Redding, Associate General Counsel, Assistant Secretary, NYSE Arca, LLC dated July 11, 2016. As more fully described below, in Amendment No. 1 the Exchange proposes additional modifications to Rule 6.64(c) to clarify and detail how the Exchange would determine the opening price upon dissemination of an NBBO from OPRA. Amendment No. 1 to the proposed rule change is also available on the Commission's Web site at: <https://www.sec.gov/comments/sr-nysearca-2016-49/nysearca201649.shtml>.

<sup>7</sup> See Exchange Rule 6.64. The term "OX" refers to the Exchange's electronic order delivery, execution and reporting system for designated option issues through which orders and quotes of Users are consolidated for execution and/or display. See Exchange Rule 6.1A(a)(13) (defining "OX").

<sup>8</sup> See Exchange Rule 6.64(b)(A)-(E).

<sup>9</sup> See Notice and current Exchange Rule 6.64(c).

<sup>10</sup> See current Exchange Rule 6.64(c).

<sup>11</sup> See Exchange Rule 6.64(d), which provides that the Exchange will follow the same procedures in opening after a trading halt as the procedures followed for the opening of the trading day.

<sup>12</sup> See proposed Rule 6.64(b).

<sup>13</sup> See *id.*

instead require an initial uncrossed NBBO disseminated by OPRA.<sup>14</sup> According to the Exchange, OPRA disseminates an NBBO based on information collected from the exchanges.<sup>15</sup> Thus, the Exchange states, NYSE Arca's local Market Maker quotes would be disseminated back to the Exchange from OPRA and may or may not be at the same price as the NBBO.<sup>16</sup>

In addition, the Exchange proposes to amend Rule 6.64(c). As noted, current Rule 6.64(c) provides that if there is no initial uncrossed NBBO disseminated by OPRA, the System instead determines an opening price that is "at the midpoint of the best quotes and offers in the OX Book." The Exchange originally proposed to modify Rule 6.64(c) by eliminating this language so that the rule would no longer provide that the opening price of a series could be determined by reference to the best quote bids and offers in the System Book.<sup>17</sup> Thus, as originally proposed, the opening price of a series would be the price, as determined by the System, at which the greatest number of contracts will trade "at or nearest to the midpoint of the initial uncrossed NBBO disseminated by OPRA."<sup>18</sup> As more fully set forth in the Notice, the Exchange stated that the original proposed modification was a conforming change that was necessary because the Exchange would no longer open solely on a local Market Maker quote.<sup>19</sup>

In Amendment No. 1, the Exchange proposes further modifications to Rule 6.64(c) to clarify and detail how the Exchange would determine the opening price upon dissemination of an NBBO from OPRA. Under proposed Rule 6.64(c), as modified by Amendment No. 1, "[t]he opening price of a series will be the price, as determined by the System, at which the greatest number of contracts will trade at a price at or between the NBBO disseminated by OPRA."<sup>20</sup> In addition, in Amendment No. 1 the Exchange proposes to specify further the circumstances under which the System would use midpoint pricing.<sup>21</sup> In particular, proposed Rule 6.64(c), as modified by Amendment No.

1, would specify what would happen if there is a tie and the same number of contracts can trade at multiple prices. Specifically, proposed Rule 6.64(c), as modified by Amendment No. 1, would provide that if the same number of contracts can trade at multiple prices, the opening price is the price at which the greatest number of contracts can trade that is "at or nearest to the midpoint" of the NBBO disseminated by OPRA. The rule would further specify that (i) if one of such prices is equal to the price of any Limit Order(s) in the Consolidated Book, the opening price will be the same price as the Limit Order(s) with the greatest size and, if the same size, the highest price; and (ii) if there is a tie between price levels and no Limit Orders exist at either of the prices, the Exchange would use the higher price.<sup>22</sup> In connection with these proposed modifications, the Exchange further proposes to delete language in current Rule 6.64(c) referring to pricing by reference to the best quotes bids and offers in the System. According to the Exchange, the language proposed to be deleted is superfluous, as the Exchange would no longer use Market Maker quotes to determine the opening price.<sup>23</sup>

Finally, the Exchange proposes a new provision to permit the Exchange to deviate from the standard manner of the Auction Process, including adjusting the timing of the Auction Process in any option class, when the Exchange believes it to be necessary in the interest of a fair and orderly market.<sup>24</sup>

### III. Discussion and Commission Findings

After careful review, the Commission finds that the proposed rule change, as modified by Amendment No. 1, is consistent with the requirements of the Act and the rules and regulations thereunder applicable to a national securities exchange.<sup>25</sup> In particular, the Commission finds that the proposed rule change, as modified by Amendment No. 1, is consistent with Section 6(b)(5) of the Act,<sup>26</sup> 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. As noted above, the Commission received one comment letter regarding the proposal, expressing support.<sup>27</sup>

The Commission believes the Exchange's proposal to require both a disseminated quote and a trade within the quote in an underlying security before opening trading in the related options series, instead of either one or the other, is reasonably designed ensure that the underlying security has been opened pursuant to a robust price discovery process before the overlying option begins trading.<sup>28</sup>

The Exchange proposes that if it does not open a series with an Auction Process, it will open the series for trading after receiving notification of an initial uncrossed NBBO disseminated by OPRA.<sup>29</sup> The Exchange represents that opening an options series for trading after receiving an uncrossed NBBO from OPRA, rather than based on a local Market Maker quote, will eliminate ambiguity as to the source of the information for each options series and should lead to more accurate prices on the Exchange.<sup>30</sup>

Further, the Exchange proposes that if it does open a series with an Auction Process, the opening price of a series will be the price, as determined by the System, at which the greatest number of contracts will trade at a price at or between the NBBO disseminated by OPRA. The Exchange further proposes to specify how the System will determine an opening price if the same number of contracts can trade at multiple prices.<sup>31</sup> The Commission believes the proposed process for how the System will determine an opening price for an option series at or between the NBBO disseminated by OPRA, and the circumstances under which System would use midpoint pricing, should result in an opening price that is related to the current market for an option and is therefore reasonably designed to protect investors and the public interest.

In addition, the Commission believes it is appropriate to allow the Exchange the discretion to deviate from the standard manner of the Auction Process,

<sup>14</sup> See proposed Rule 6.64(b)(E).

<sup>15</sup> See Notice, *supra* note 3, at 21640.

<sup>16</sup> See Notice, *supra* note 3, at 21640.

<sup>17</sup> Specifically, the Exchange proposed to delete from current Rule 6.64(c) the words "if any, or the midpoint of the best quotes and offers in the OX Book."

<sup>18</sup> See Notice *supra* note 3 at 21640.

<sup>19</sup> See *id.*

<sup>20</sup> See Amendment No. 1 and proposed Rule 6.64(c).

<sup>21</sup> See Amendment No. 1 and proposed Rule 6.64(c).

<sup>22</sup> See Amendment No. 1 and proposed Rule 6.64(c).

<sup>23</sup> See Amendment No. 1 and proposed Rule 6.64(c).

<sup>24</sup> See proposed Rule 6.64(b)(F); see also Notice, *supra* note 3, at 21640. For a more detailed description of the original proposed rule change, see Notice, *supra* note 3.

<sup>25</sup> 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).

<sup>26</sup> 15 U.S.C. 78f(b)(5).

<sup>27</sup> See *supra* note 4.

<sup>28</sup> See Notice, *supra* note 3, at 21640.

<sup>29</sup> See *supra* note 14 and accompanying text.

<sup>30</sup> See Notice, *supra* note 3, at 21640.

<sup>31</sup> See *supra* note 21 and accompanying text.

as the proposal provides, when it believes it is necessary in the interests of a fair and orderly market. The Commission believes that the ability to exercise such discretion can be important in situations when, for example, the primary market for an options class is unable to open due to a systems or technical issue or if some other unanticipated circumstance arises. The Commission notes that it has previously approved provisions of this kind as consistent with the Act.<sup>32</sup>

The Commission further believes that the proposed rule change will provide transparency and enhance investors' understanding of the operation of the Exchange's opening process. For these reasons, the Commission believes that the proposed rule change, as modified by Amendment No. 1, is consistent with the Act.

#### IV. Solicitation of Comments on Amendment No. 1

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether Amendment No. 1 to the proposed rule change is consistent with the Exchange 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-NYSEARCA-2016-49 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-NYSEARCA-2016-49. 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-NYSEARCA-2016-49 and should be submitted by August 5, 2016.

#### V. Accelerated Approval of Proposed Rule Change, as Modified by Amendment No. 1

The Commission finds good cause to approve the proposed rule change, as modified by Amendment No. 1, prior to the 30th day after the date of publication of notice of Amendment No. 1 in the **Federal Register**. As discussed above, Amendment No. 1 clarifies how the Exchange would determine the opening price upon dissemination of an NBBO from OPRA, an in particular specifies the circumstances in which "at or nearest to the midpoint" pricing is utilized during the Auction Process. Furthermore, the Commission believes it is appropriate to have these changes incorporated into the rules of the Exchange concurrently with the changes discussed in the original filing.

Accordingly, the Commission finds good cause, pursuant to Section 19(b)(2) of the Exchange Act,<sup>33</sup> to approve the proposed rule change, as modified by Amendment No. 1 on an accelerated basis.

#### VI. Conclusion

IT IS THEREFORE ORDERED, pursuant to Section 19(b)(2) of the Exchange Act,<sup>34</sup> that the proposed rule change (SR-NYSEARCA-2016-49), as modified by Amendment No. 1 thereto, be, and it hereby is, approved on an accelerated basis.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>35</sup>

**Robert W. Errett,**

*Deputy Secretary.*

[FR Doc. 2016-16715 Filed 7-14-16; 8:45 am]

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-78281; File No. SR-FINRA-2016-025]

### Self-Regulatory Organizations; Financial Industry Regulatory Authority, Inc.; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change Relating to the Fee for the Regulatory Element of Continuing Education

July 11, 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 July 1, 2016, Financial Industry Regulatory Authority, Inc. ("FINRA") filed with the Securities and Exchange Commission ("SEC" or "Commission") the proposed rule change as described in Items I, II, and III below, which Items have been prepared by FINRA. FINRA has designated the proposed rule change as "establishing or changing a due, fee or other charge" under Section 19(b)(3)(A)(ii) of the Act<sup>3</sup> and Rule 19b-4(f)(2) thereunder,<sup>4</sup> which renders the proposal effective upon receipt of this filing by the Commission. 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 the Substance of the Proposed Rule Change

FINRA is proposing to amend Section 4 of Schedule A to the FINRA By-Laws to address the transition of the Regulatory Element of Continuing Education ("CE") to the FINRA CE Online System®.

The text of the proposed rule change is available on FINRA's Web site at <http://www.finra.org>, at the principal office of FINRA and at the Commission's Public Reference Room.

<sup>35</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>3</sup> 15 U.S.C. 78s(b)(3)(A)(ii).

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

<sup>32</sup> See, e.g., Securities Exchange Act Release No. 71651 (March 5, 2014), 79 FR 13693 (March 11, 2014) (SR-BATS-2014-003).

<sup>33</sup> 15 U.S.C. 78s(b)(2).

<sup>34</sup> 15 U.S.C. 78s(b)(2).