

compliance with Rule 611. The estimated cost for an in-house attorney is \$396 per hour and the estimated cost for an assistant compliance director in the securities industry is \$349 per hour. Therefore the estimated total cost of compliance for the annual hour burden is as follows:  $[(2 \text{ legal hours} \times 12 \text{ months} \times \$396) \times 304] + [(3 \text{ compliance hours} \times 12 \text{ months} \times \$349) \times 304] = \$6,708,672.^2$

Written comments are invited on: (a) Whether the proposed collection of information is necessary for the proper performance of the functions of the Commission, including whether the information shall have practical utility; (b) the accuracy of the Commission's estimates of the burden of the proposed collection of information; (c) ways to enhance the quality, utility, and clarity of the information to be collected; and (d) ways to minimize the burden of the collection of information on respondents, including through the use of automated collection techniques or other forms of information technology. Consideration will be given to comments and suggestions submitted in writing within 60 days of this publication.

An agency may not conduct or sponsor, and a person is not required to respond to, a collection of information under the PRA unless it displays a currently valid OMB control number.

Please direct your written comments to: Thomas Bayer, Director/Chief Information Officer, Securities and Exchange Commission, c/o Remi Pavlik-Simon, 100 F Street NE., Washington, DC 20549, or send an email to: [PRA\\_Mailbox@sec.gov](mailto:PRA_Mailbox@sec.gov).

Dated: May 8, 2017.

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

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-80613; File No. SR-ISE-2017-37]

### Self-Regulatory Organizations; Nasdaq ISE, LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change Relating to Complex Order Quoting

May 5, 2017.

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 April 26, 2017, Nasdaq ISE, 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 designate that a symbol will not be eligible for Market Maker quotes in the complex order book after the symbol migrates to Nasdaq INET technology. In addition, that symbol will trade in price/time priority.

The text of the proposed rule change is available on the Exchange's Web site at [www.ise.com](http://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

Today, ISE permits Market Makers to enter quotes on certain symbols for complex strategies on the complex order book in their appointed options classes. Market Maker quotes for complex strategies are not automatically executed against bids and offers on the Exchange for the individual legs nor can they be marked for price improvement.<sup>3</sup> Market Makers are not required to enter quotes on the Exchange's complex order book. Quotes for complex orders are not subject to any quotation requirements that are applicable to Market Maker quotes in the regular market for individual options series or classes, nor is any volume executed in complex orders taken into consideration when determining whether Market Makers are meeting quotation obligations applicable to market maker quotes in the regular market for individual options series.

The Exchange proposes to designate that a symbol will not be eligible for Market Maker quotes in the complex order book after the symbol migrates to the INET platform. Specifically, the Exchange filed a proposal to begin the system migration to Nasdaq INET in Q2 of 2017.<sup>4</sup> The migration to INET will be on a symbol by symbol basis as specified by the Exchange in a notice to Members.<sup>5</sup> The Exchange is proposing to implement this rule change on the INET platform as the symbols migrate to that platform. Once a symbol moves to INET no complex quoting<sup>6</sup> will be available for that symbol and the symbol will be allocated in price/time priority.

INET is the proprietary core technology utilized across Nasdaq's global markets and utilized on The NASDAQ Options Market LLC ("NOM"), NASDAQ PHLX LLC ("Phlx") and NASDAQ BX, Inc. ("BX") (collectively, "Nasdaq Exchanges"). The migration of ISE to the Nasdaq INET architecture would result in higher performance, scalability, and more robust architecture. With this system

<sup>3</sup> See Supplementary Material .03 to Rule 722.

<sup>4</sup> See Securities Exchange Act Release No. 80432 (April 11, 2017), 82 FR 18191 (April 17, 2017) (SR-ISE-2017-03) (Order Approving Proposed Rule Change, as Modified by Amendment No. 1, to Amend Various Rules in Connection with a System Migration to Nasdaq INET Technology).

<sup>5</sup> The Exchange will issue an Options Trader Alert prior to the migration and will specify the dates that symbols will migrate to the INET platform.

<sup>6</sup> The Exchange notes that Phlx does not offer complex order quoting functionality.

<sup>2</sup> The total cost of compliance for the annual hour burden has been revised to reflect updated estimated cost figures for an in-house attorney and an assistant compliance director. These figures are from SIFMA's *Management & Professional Earnings in the Securities Industry 2017*, modified by Commission staff to account for an 1800-hour work-year and multiplied by 5.35 to account for bonuses, firm size, employee benefits, and overhead.

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

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

migration, the Exchange intends to adopt certain trading functionality currently utilized at Nasdaq Exchanges.<sup>7</sup>

The Exchange is staging the re-platform to provide maximum benefit to its Members while also ensuring a successful rollout. As symbols migrate to the INET functionality, the symbols that are currently enabled for Market Maker Quotes will become ineligible for complex quoting. This will provide the Exchange additional time to test and implement this functionality on the INET platform. The Exchange will issue an Options Trader Alert to all Members notifying them that complex order quoting functionality will no longer be available after a symbol migrates to INET.<sup>8</sup>

Within a year from the date of filing this rule change, the Exchange will offer complex quoting functionality on the ISE INET platform. Thereafter, Exchange may offer the complex quoting from time to time with notice to members. At the time the Exchange designates a symbol as available for complex quoting, it will also designate the allocation methodology for that symbol pursuant to ISE Rule 722(b)(3)(i).

## 2. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act,<sup>9</sup> in general, and furthers the objectives of Section 6(b)(5) of the Act,<sup>10</sup> in particular, in that it is designed to promote just and equitable principles of trade, 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 because the Exchange desires to rollout the complex order quoting functionality at a later date to allow additional time to rebuild this technology on the new platform.

Not offering the Market Maker quotes in the complex order book with the symbol migration to INET, will allow the Exchange additional time to test and implement this functionality. The Exchange will provide Members with ample notice of the turn-off of this functionality in an Options Trader Alert. The Exchange will continue to provide notification to Members to ensure clarity about the availability of this functionality with the symbol migration.

The Exchange is proposing to implement this rule change on the INET

platform as the symbols migrate to that platform. Once a symbol moves to INET, no complex quoting<sup>11</sup> will be available for that symbol and the Exchange will specify that the allocation methodology for that symbol will be price/time. Within a year from the date of filing this rule change, the Exchange will offer complex quoting functionality on the ISE INET platform. Thereafter, the Exchange may offer the complex quoting for specified symbols from time to time with notice to members. At the time the Exchange designates a symbol as available for complex quoting, it will also designate the allocation methodology for that symbols pursuant to ISE Rule 722(b)(3)(i).

Even though the complex quoting functionality will not be available, Market Makers will still be able to submit complex orders. The Exchange does not anticipate any significant impact with respect to execution quality. The Exchange notes that Phlx does not offer complex order quoting functionality.<sup>12</sup>

## 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. The Exchange does not believe that the proposed rule change will impact the intense competition that exists in the options market. Members will be able to continue to submit complex orders on ISE; however Market Maker quotes in the complex order book will not be available after a symbol migrates to INET. The Exchange does not believe that the proposed rule change will impose any burden on intra-market competition because all Members uniformly will not be able to submit Market Maker quotes in the complex order book.

The Exchange is proposing to implement this rule change on the INET platform as the symbols migrate to that platform. Once a symbol moves to INET, no complex quoting<sup>13</sup> will be available for that symbol and the Exchange will specify the allocation methodology for that symbol as price/time. Within a year from the date of filing this rule change, the Exchange will offer complex quoting functionality on the ISE INET platform. Thereafter, the Exchange may offer the complex quoting for specified symbols

from time to time with notice to members. At the time the Exchange designates a symbol as available for complex quoting, it will also designate the allocation methodology for that symbol pursuant to ISE Rule 722(b)(3)(i).

## 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

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 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)(iii) of the Act<sup>14</sup> and subparagraph (f)(6) of Rule 19b-4 thereunder.<sup>15</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: (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.

## 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-ISE-2017-37 on the subject line.

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

<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>7</sup> See note 4 above.

<sup>8</sup> Even though the complex quoting functionality will not be available, Market Makers will still be able to submit complex orders.

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

<sup>10</sup> 15 U.S.C. 78f(b)(5).

<sup>11</sup> The Exchange notes that Phlx does not offer complex order quoting functionality.

<sup>12</sup> See Phlx Rule 1098.

<sup>13</sup> The Exchange notes that Phlx does not offer complex order quoting functionality.

### 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-2017-37. 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-2017-37 and should be submitted on or before June 1, 2017.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>16</sup>

**Eduardo A. Aleman,**

*Assistant Secretary.*

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### SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-80612; File No. SR-BatsBYX-2017-07]

#### Self-Regulatory Organizations; Bats BYX Exchange, Inc.; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to Rule 11.15 of Bats BYX Exchange, Inc. To Authorize the Exchange To Share a User's Risk Settings With the Clearing Member That Clears Transactions on Behalf of the User

May 5, 2017.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the "Act"),<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on April 24, 2017, Bats BYX Exchange, Inc. (the "Exchange" or "BYX") 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 Exchange. The Exchange has designated this proposal as a "non-controversial" proposed rule change pursuant to Section 19(b)(3)(A) of the Act<sup>3</sup> and Rule 19b-4(f)(6) thereunder,<sup>4</sup> which renders it effective upon filing with 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 Substance of the Proposed Rule Change

The Exchange filed a proposal to amend Rule 11.15 to authorize the Exchange to share a User's<sup>5</sup> risk settings with the Clearing Member that clears transactions on behalf of the User.

The text of the proposed rule change is available at the Exchange's Web site at [www.batstrading.com](http://www.batstrading.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 parts 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 is proposing to update Rule 11.15, Clearance and Settlement; Anonymity, to authorize the Exchange to share any of the User's risk settings with the Clearing Member that clears transactions on behalf of the User, and to capitalize the term "Clearing Member".

Current Exchange Rule 11.15 requires that all transactions passing through the facilities of the Exchange shall be cleared and settled through a Qualified Clearing Agency<sup>6</sup> using a continuous net settlement system. This requirement may be satisfied by direct participation, use of direct clearing services, or by entry into a correspondent clearing arrangement with another Member that clears trades through a Qualified Clearing Agency ("Clearing Member"). Rule 11.15 provides that if a Member clears transactions through another Member that is a Clearing Member,<sup>7</sup> such Clearing Member shall affirm to the Exchange in writing, through letter of authorization, letter of guarantee or other agreement acceptable to the Exchange, its agreement to assume responsibility for clearing and settling any and all trades executed by the Member designating it as its clearing firm. The rules of any such clearing agency shall govern with respect to the clearance and settlement of any transactions executed by the Member on the Exchange.

Thus, while not all Members are Clearing Members, all Members are required to either clear their own transactions or to have in place a relationship with a Clearing Member's that has agreed to clear transactions on their behalf (or on behalf of any Sponsored Participants<sup>8</sup> for which the

<sup>6</sup> Qualified Clearing Agency is defined as "a clearing agency registered with the Commission pursuant to Section 17A of the Act that is deemed qualified by the Exchange." See Exchange Rule 1.5(u).

<sup>7</sup> The Exchange notes that it also proposes to amend Rule 11.15(a) to capitalize the term "Clearing Member" to ensure consistency within Exchange Rules.

<sup>8</sup> A Sponsored Participant is defined as "a person which has entered into a sponsorship arrangement with a Sponsoring Member pursuant to Rule 11.3." See Exchange Rule 1.5(x).

<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).

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

<sup>5</sup> A User is defined as "any Member or Sponsored Participant who is authorized to obtain access to the System pursuant to Rule 11.3." See Exchange Rule 1.5(cc).

<sup>16</sup> 17 CFR 200.30-3(a)(12).