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 such 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–BYX–2016–01, and should be submitted on or before February 17, 2016.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.[22]

Brent J. Fields,

Secretary.

[FR Doc. 2016–01664 Filed 1–26–16; 8:45 am]

BILLING CODE 8011–01–P

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–76956; File No. SR–NASDAQ–2016–005]

Self-Regulatory Organizations; The Nasdaq Stock Market LLC; Notice of Filing of Proposed Rule Change To Adopt a Limit Order Protection and a Market Order Protection

January 21, 2016.

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 January 12, 2016, The Nasdaq Stock Market LLC (''Nasdaq'' or the ''Exchange'') filed with the Securities and Exchange Commission (the ''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 Nasdaq's Rule 4757, entitled ''Book Processing'' to adopt a Limit Order Protection or ''LOP'' and a Market Order Protection for members accessing the Nasdaq Market Center.

The text of the proposed rule change is available on the Exchange's Web site at *http://nasdaq.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

The Exchange proposes to adopt two new mechanisms to protect against erroneous orders which are entered into the Nasdaq Market Center. Specifically, these features address risks to market participants of human error in entering Orders at unintended prices. LOP and the Market Order Protection would prevent certain Orders from executing or being placed on the Order Book at prices outside pre-set standard limits. The System would not accept such Orders, rather than executing them automatically. The proposed LOP and Market Order Protection features are similar to risk features which exist today on the NASDAQ Options Market LLC (''NOM'')[3] and are available for Options Participants.

Background

Today, the National Market System Plan to Address Extraordinary Market Volatility (the ''Plan'')[4] provides a limit up-limit down (''LULD'') mechanism designed to prevent trades in NMS securities from occurring outside of specified price bands. The bands are set at a percentage level above and below the average transaction price of the security over the immediately preceding five-minute period, and are calculated on a continuous basis during regular trading hours.[5] Rule 4120, entitled ''Limit Up-Limit Down Plan and Trading Halts,'' describes this process for the Nasdaq Market Center.

The Exchange proposes to adopt two new features, LOP for Limit Orders and Market Order Protection for Market Orders, which would cancel these Orders back to the member when the order exceeds certain defined logic. These two new features would be in addition to the LULD protections, which exist today.[6] Each mechanism is explained further below.

LOP

The Exchange proposes to adopt a new LOP feature on the Nasdaq Market Center to prevent certain Limit Orders at prices outside of pre-set standard limits (''LOP Limit Table'') from being accepted by the System. LOP shall apply to all Quotes and Orders,[7] including any modified Orders.[8] LOP would not apply to Market Orders. LOP would be operational each trading day, except during opening and closing crosses, initial public offerings and trading halts.[9] Since Nasdaq Rules provided controls for the opening, closing and initial public offering processes within the Rulebook, the proposed protections are rendered ineffective for those processes.[10]

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[22] 17 CFR 200.30–3(a)(12).

[1] 15 U.S.C. 78s(b)(1).

[2] 17 CFR 240.19b–4.

[3] *See* NOM Rules at Chapter VI, Section 6(c) and Section 18.

[4] *See* Securities Exchange Act Release No. 67091 (May 31, 2012), 77 FR 33498 (June 6, 2012) (File No. 4–631) (Order Approving, on a Pilot Basis, the National Market System Plan To Address Extraordinary Market Volatility). *See also* Rule 608 of Regulation NMS under the Act.

[5] If the National Best Offer (''NBO'') equals the lower price band without crossing the NBBO, or National Best Bid (''NBB'') equals the upper price band without crossing the NBBO, then the stock will enter a limit state quotation period of 15 seconds during which no new reference prices or price bands will be calculated. A stock will exit the limit state when the entire size of all quotations are executed or cancelled. If the limit state exists and trading continues to occur at the price band, or no trading occurs within the price band, for more than 15 seconds, then a five minute trading pause will be enacted.

[6] While LULD bands are in place from 9:30 to 4:00 p.m. E.T. each trading day, these new protections will be in place for each trading session.

[7] An Intermarket Sweep or ISO Order, which is an Order that is immediately executable within the Nasdaq Market Center against Orders against which they are marketable, is subject to LOP. *See* NASDAQ Rule 4702.

[8] If an Order is modified, LOP will review the order anew and, if LOP is triggered, such modification will not take effect and the original order will not be accepted.

[9] LOP has the ability to suspend by symbol or system wide. The Exchange would notify market participants of any suspension that may be in place via an alert.

[10] The Nasdaq Rulebook provides specific rules for certain auction mechanisms, such as the opening, closing and initial public offering process. The mechanisms contain their own protections with respect to the entry of Orders within those mechanisms. The addition of the proposed

Members will be subject to certain parameters when submitting Orders into the Order Book.

The Exchange proposes to not accept incoming Limit Orders that exceed the LOP Reference Threshold. The LOP Limit Table contains upper limits and lower limits, for a particular security, across all trading sessions. For example, today, if the NBO is at $50 and a Limit Buy Order was entered into the System at $500, the Limit Buy Order would execute at $50 and then would continue to be executed at other applicable price levels within the Order Book until the Limit Buy Order was canceled or halted. The Exchange proposes LOP to avoid a series of improperly priced aggressive orders transacting in the Order Book.

With respect to Market Maker Peg Orders,[11] the applicable limits shall be two times greater than the limits stated in the LOP Limit Table. A Market Maker Peg Order is a passive Order type which will not otherwise remove liquidity from the Order Book. This Order type was designed to assist Market Makers with meeting their quoting obligations which may require quoting at levels that are not standardized with LULD guidelines. Market Makers have a diverse business model as compared with other market participants. Widening the applicable limits for these market participants serves to promote market making. The Exchange believes that because Market Makers have other risk protections in place to prevent them from quoting outside of their financial means, the risk level for erroneous trades is not the same as with other market participants. Market Makers have more sophisticated infrastructures than other market participants and are able to manage their risk, particularly with quoting, utilizing other tools which may not be available to other market participants.

The Exchange will send an Equity Trader Alert in advance of implementation with the initial LOP Limit Table and, thereafter, to modify the LOP Limit Table. The initial LOP Limit Table utilizes the same limits as LULD to compare against the LOP Reference Threshold. The Exchange believes that utilizing the same tiers and bands will seek to provide additional market protection to Nasdaq members that submit erroneous trades, prior to reaching LULD limits. The initial LOP table is below.

Securities	Time period	Price band percentage
Tier 1 and Tier 2 NMS Securities Reference Price > $3.00.	Market Hours, excluding Open/Close (9:45 a.m. to 3:35 p.m.).	5% (Tier 1) & 10% (Tier 2).
Tier 1 and Tier 2 NMS Securities Reference Price equal to $0.75 to and including $3.00.	Market Hours, excluding Open/Close (9:45 a.m. to 3:35 p.m.).	20%.
Tier 1 & 2 NMS Securities Reference Price Less than $0.75.	Market Hours, excluding Open/Close (9:45 a.m. to 3:35 p.m.).	The lesser of $0.15 or 75%.
Tier 1 and Tier 2 NMS Securities Reference Price > $3.00.	During Market Open/Close 4:00 a.m. and 9:45 a.m. 3:35 p.m. and 8:00 p.m.	10% & 20% Note: Band % is doubled during these times.
Tier 1 and Tier 2 NMS Securities Reference Price equal to $0.75 to and including $3.00.	During Market Open/Close 4:00 a.m. and 9:45 a.m. 3:35 p.m. and 8:00 p.m. Same as above.	40% Note: Band % is doubled during these times.
Tier 1 and Tier 2 NMS Securities Reference Price less than $0.75.	During Market Open/Close 4:00 a.m. and 9:45 a.m. 3:35 p.m. and 8:00 p.m.	Lesser of $0.30 or 150% (upper band only) Note: Band % is doubled during these times.

LOP will cause Limit Orders to not be accepted if the price of the Limit Order is greater than the LOP Reference Threshold for a buy Limit Order. Limit Orders will also not be accepted if the price of the Limit Order is less than the LOP Reference Threshold for a sell Limit Order.

The Exchange believes that doubling the band percentage for pre-open and post-close sessions is reasonable due to the volatility which may occur in the market during those trading sessions. The LULD Plan also doubles the percentages for pre-open and post-close thereby aligning this protection with the LULD Plan.[12]

The LOP Reference Price shall be the current consolidated national Best Bid or Best Offer (consolidated NBBO), the Bid for sell orders and the Offer for buy orders. If there is no consolidated NBBO for a security, or if there is a one-sided market, the last regular way consolidated sale, adjusted for corporate actions, if any, will be the LOP Reference Price. If there is no last regular way consolidated sale on that trade date, then the prior day's adjusted close will be the LOP Reference Price.

The LOP Reference Threshold for buy orders will be the LOP Reference Price (offer) plus the applicable percentage specified in the LOP Limit Table. The LOP Reference Threshold for sell orders will be the LOP Reference Price (bid) minus the applicable percentage specified in the LOP Limit Table.

Market Order Protection

With respect to Market Orders, these Orders will not be accepted if the security is in an LULD Straddle State.[13] If the offer is in a Straddle State then all buy Market Orders will not be accepted. If the bid is in a Straddle State than all

protections does not add value in the Exchange's analysis of those structures.

[11] A ''Market Maker Peg Order'' is an Order Type designed to allow a Market Maker to maintain a continuous two-sided quotation at a displayed price that is compliant with the quotation requirements for Market Makers set forth in Rule 4613(a)(2). The displayed price of the Market Maker Peg Order is set with reference to a ''Reference Price'' in order to keep the displayed price of the Market Maker Peg Order within a bounded price range. A Market Maker Peg Order may be entered through RASH, FIX or QIX only. A Market Maker Peg Order must be entered with a limit price beyond which the Order may not be priced. The Reference Price for a Market Maker Peg Order to buy (sell) is the then-current National Best Bid (National Best Offer) (including Nasdaq), or if no such National Best Bid or National Best Offer, the most recent reported last-sale eligible trade from the responsible single plan processor for that day, or if none, the previous closing price of the security as adjusted to reflect any corporate actions (*e.g.,* dividends or stock splits) in the security. *See* Nasdaq Rule 4702(b)(7).

[12] The LULD Plan provides that between 9:30 a.m. and 9:45 a.m. ET, and 3:35 p.m. and 4:00 p.m. ET, or in the case of an early scheduled close, during the last 25 minutes of trading before the early scheduled close, the Price Bands shall be calculated by applying double the Percentage Parameters set forth in Appendix A. *See* Rule 608 of Regulation NMS under the Act.

[13] The LULD Plan defines a Straddle State as when the National Best Bid (Offer) is below (above) the Lower (Upper) Price Band and the NMS Stock is not in a Limit State. For example, assume the Lower Price Band for an NMS Stock is $9.50 and the Upper Price Band is $10.50, such NMS stock would be in a Straddle State if the National Best Bid were below $9.50, and therefore non-executable, and the National Best Offer were above $9.50 (including a National Best Offer that could be above $10.50). If an NMS Stock is in a Straddle State and trading in that stock deviates from normal trading characteristics, the Primary Listing Exchange may declare a Trading Pause for that NMS Stock. *See* Section VII(A)(2) of the Plan.

sell market orders will not be accepted. The Exchange believes that this Market Order Protection feature will prevent Participants from executing Market Orders that stray widely from the LULD defined reference price.

The Exchange also notes that both LOP and Market Order Protection will be applicable to all protocols.[14] Both the LOP and Market Order Protection features will be mandatory for all Nasdaq members. The Exchange proposes to implement this rule within ninety (90) days of the implementation date. The Exchange will issue an Equities Trader Alert in advance to inform market participants of such implementation date.

2. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act[15] in general, and furthers the objectives of Section 6(b)(5) of the Act[16] 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, by mitigating risks to market participants of human error in entering Orders at clearly unintended prices. Also, the Market Order Protection feature would protect Market Orders from being executed in very wide markets when those prices are compared to the reference price. The Exchange believes that the proposals are appropriate and reasonable, because they offer protections to both Limit and Market Orders which should encourage price continuity and, in turn, protect investors and the public interest by reducing executions occurring at dislocated prices.

The Exchange believes that the proposed LOP and Market Order Protection features would assist with the maintenance of fair and orderly markets by mitigating the risks associated with errors resulting in executions at prices that are away from the Best Bid or Offer and potentially erroneous. Further the proposal protects investors from potentially receiving executions away from the prevailing prices at any given time.

The Exchange believes that the LOP Limit Table is appropriate because it is based on the current LULD bands. The Exchange believes that the proposed specified percentages are appropriate because LOP and is designed to reduce the risk of, and to potentially prevent, the automatic execution of Orders at prices that may be considered clearly erroneous. The System will only execute Limit Orders priced within the LOP Limit Table or within the upper (lower) band of LULD, if the latter is more conservative.

The Exchange believes that the proposal to not accept System Orders in a Straddle State will prevent Market Orders from being entered by market participants at erroneous prices which the Exchange believes would stray widely from the LULD defined reference price.

The Exchange believes LOP and Market Order Protection will remove impediments to and perfect the mechanisms of a free and open market because these features will operate in tandem with LULD.

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 believes the LOP and Market Order Protection features will provide market participants with additional protection from anomalous executions, in addition to LULD protections. Thus, the Exchange does not believe the proposal creates any significant impact on competition. These types of risk protections are in place today for NOM Participants.[17] The Exchange believes that offering these protections to the Nasdaq Market Center will not impose any undue burden on intra-market competition, rather, it would permit equities and options members to be protected in a similar manner from erroneous executions.

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

Within 45 days of the date of publication of this notice in the **Federal Register** or within such longer period up to 90 days (i) as the Commission may designate if it finds such longer period to be appropriate and publishes its reasons for so finding or (ii) as to which the self-regulatory organization consents, the Commission will:

(A) by order approve or disapprove the proposed rule change, or

(B) institute proceedings to determine whether the proposed rule change should be 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.* Please include File Number SR–NASDAQ–2016–005 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–NASDAQ–2016–005.* 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–NASDAQ–2016–005* and should be

[14] Nasdaq maintains several communications protocols for Participants to use in entering Orders and sending other messages to the Nasdaq Market Center, such as: OUCH, RASH, QIX, FLITE and FIX.

[15] 15 U.S.C. 78f(b).

[16] 15 U.S.C. 78f(b)(5).

[17] *See* NOM Rules at Chapter VI, Section 6(c) and Section 18.

submitted on or before February 17, 2016.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.[18]

Brent J. Fields,

Secretary.

[FR Doc. 2016–01538 Filed 1–26–16; 8:45 am]

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–76950; File No. SR–NASDAQ–2016–003]

Self-Regulatory Organizations; The NASDAQ Stock Market LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Amend the Options Regulatory Fee

January 21, 2016.

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 January 8, 2016, The NASDAQ Stock Market LLC (''Nasdaq'' or ''Exchange'') 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 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 Chapter XV, entitled ''Options Pricing,'' at Section 5, entitled ''NASDAQ Options Regulatory Fee,'' which governs pricing for Exchange Participants using the NASDAQ Options Market (''NOM''), the Exchange's facility for executing and routing standardized equity and index options. The Exchange proposes to increase the current Options Regulatory Fee.

While changes to the Pricing Schedule pursuant to this proposal are effective upon filing, the Exchange has designated these changes to be operative on February 1, 2016.

The text of the proposed rule change is available on the Exchange's Web site at *http://nasdaq.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

The Exchange proposes to (1) increase the ORF from $0.0015 to $0.0019 as of February 1, 2016 to balance the Exchange's regulatory revenue against the anticipated costs; and (2) remove the requirement that the ORF may only be modified semi-annually.

Background

The ORF is assessed to each Participant for all options transactions executed or cleared by the Participant that are cleared at The Options Clearing Corporation (''OCC'') in the Customer range (*i.e.,* that clear in the Customer account of the Participant's clearing firm at OCC). The Exchange monitors the amount of revenue collected from the ORF to ensure that it, in combination with other regulatory fees and fines, does not exceed regulatory costs. The ORF is imposed upon all transactions executed by a Participant, even if such transactions do not take place on the Exchange.[3] The ORF also includes options transactions that are not executed by a Participant but are ultimately cleared by a Participant.[4] The ORF is not charged for Participant proprietary options transactions because Participants incur the costs of owning memberships and through their membership are charged transaction fees, dues and other fees that are not applicable to non-members. The dues and fees paid by Participants go into the general funds of the Exchange, a portion of which is used to help pay the costs of regulation. The ORF is collected indirectly from Participants through their clearing firms by OCC on behalf of the Exchange.

The ORF is designed to recover a portion of the costs to the Exchange of the supervision and regulation of its Participants, including performing routine surveillances, investigations, examinations, financial monitoring, and policy, rulemaking, interpretive, and enforcement activities. The Exchange believes that revenue generated from the ORF, when combined with all of the Exchange's other regulatory fees, will cover a material portion, but not all, of the Exchange's regulatory costs. The Exchange will continue to monitor the amount of revenue collected from the ORF to ensure that it, in combination with its other regulatory fees and fines, does not exceed regulatory costs. If the Exchange determines regulatory revenues exceed regulatory costs, the Exchange will adjust the ORF by submitting a fee change filing to the Commission.

ORF Adjustments

The Exchange proposes to increase the ORF from $0.0015 to $0.0019 as of February 1, 2016 in order to balance the Exchange's regulatory revenue against the anticipated costs. The Exchange regularly reviews its ORF to ensure that the ORF, in combination with its other regulatory fees and fines, does not exceed regulatory costs. The Exchange believes this adjustment will permit the Exchange to cover a material portion of its regulatory costs, while not exceeding regulatory costs.

Semi-Annual Changes to ORF

Currently, the ORF specifies the Exchange may only increase or decrease the ORF semi-annually, and any such fee change will be effective on the first business day of February or August.[5] The Exchange is proposing to eliminate this requirement because the Exchange believes it requires the flexibility to amend its ORF to meet its regulatory requirements and adjust its ORF to account for the regulatory revenue that it receives and the costs that it incurs, as needed. While the Exchange is eliminating the requirement to adjust only semi-annually, it will continue to submit a rule proposal with the Commission for each modification to the ORF and notify participants via an Options Trader Alert of any anticipated

[18] 17 CFR 200.30–3(a)(12).

[1] 15 U.S.C. 78s(b)(1).

[2] 17 CFR 240.19b–4.

[3] The ORF applies to all ''C'' account origin code orders executed by a Participant on the Exchange.

[4] In the case where one Participant both executes a transaction and clears the transaction, the ORF is assessed to the Participant only once on the execution. In the case where one Participant executes a transaction and a different Participant clears the transaction, the ORF is assessed only to the Participant who executes the transaction and is not assessed to the Participant who clears the transaction. In the case where a non-member executes a transaction and a Participant clears the transaction, the ORF is assessed to the Participant who clears the transaction.

[5] *See* NOM Rules at Chapter XV, Section 5.