

operative prior to 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 and Rule 19b-4(f)(6) thereunder.⁹

A proposed rule change filed pursuant to Rule 19b-4(f)(6) under the Act¹⁰ normally does not become operative for 30 days after the date of its filing. However, Rule 19b-4(f)(6)(iii)¹¹ permits the Commission to designate a shorter time if such action is consistent with the protection of investors and the public interest. The Exchange has asked the Commission to waive the 30-day operative delay so that the proposal may become operative immediately upon filing. According to the Exchange, the proposal would delete an obsolete rule that corresponded to rules that have been deleted by the Affiliated Exchanges. The Commission believes that waiving the 30-day operative delay is consistent with the protection of investors and the public interest. Therefore, the Commission hereby waives the 30-day operative delay and designates the proposed rule change to be operative upon filing with the Commission.¹²

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:

⁹ 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.

¹⁰ 17 CFR 240.19b-4(f)(6).

¹¹ 17 CFR 240.19b-4(f)(6)(iii).

¹² For purposes only of waiving the 30-day operative delay, the Commission has considered the proposed rule's impact on efficiency, competition, and capital formation. See 15 U.S.C. 78c(f).

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-NYSEArca-2016-154 on the subject line.

Paper Comments

- Send paper comments in triplicate to Brent J. Fields, Secretary, Securities and Exchange Commission, 100 F Street NE., Washington, DC 20549-1090.

All submissions should refer to File Number SR-NYSEArca-2016-154. 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-2016-154 and should be submitted on or before December 30, 2016.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.¹³

Eduardo A. Aleman,
Assistant Secretary.

[FR Doc. 2016-29464 Filed 12-8-16; 8:45 am]

BILLING CODE 8011-01-P

¹³ 17 CFR 200.30-3(a)(12).

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-79465; File No. SR-BX-2016-063]

Self-Regulatory Organizations; NASDAQ BX, Inc.; Notice of Filing of Proposed Rule Change To Amend the PRISM Price Improvement Auction in BX Chapter VI, Section 9 and To Make Pilot Program Permanent

December 5, 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 November 21, 2016, NASDAQ BX, Inc. ("BX" 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 BX rules at Chapter VI, Section 9, concerning a price-improvement mechanism known as "PRISM." Parts of PRISM are currently operating on a pilot basis ("Pilot"), which was approved by the Commission in 2015,³ and which is set to expire on January 18, 2017.⁴ In this proposal, the Exchange proposes to make the Pilot permanent, and also proposes to change the requirements for providing price improvement for PRISM Orders of less than 50 option contracts.

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

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ See Securities Exchange Release No. 76301 (October 29, 2015), 80 FR 68347 (November 4, 2015) (SR-BX-2015-032) ("PRISM Approval Order").

⁴ See Securities Exchange Act Release No. 78249 (July 7, 2016), 81 FR 45334 (July 13, 2016) (SR-BX-2016-038).

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 purpose of this proposed rule change is to make permanent certain pilots within Chapter VI, Section 9, entitled "Price Improvement Auction ("PRISM"). In addition, BX proposes to modify the requirements for PRISM auctions involving less than 50 contracts where the National Best Bid and Offer ("NBBO") is only \$0.01 wide.

Background

The Exchange adopted PRISM in November 2015 as a price-improvement mechanism on the Exchange.⁵ This mechanism permits a Participant (an "Initiating Participant") to electronically submit for execution an order it represents as agent on behalf of a Public Customer,⁶ Professional customer, broker dealer, or any other entity ("PRISM Order") against principal interest or against any other order it represents as agent (an "Initiating Order"), provided it submits the PRISM Order for electronic execution into the PRISM Auction ("Auction") pursuant to the Chapter VI, Section 9.⁷ All options traded on the Exchange are eligible for PRISM.

Pilot Program

Three components of PRISM were approved by the Commission on a pilot basis: (1) The early conclusion of the PRISM Auction;⁸ (2) the provision that an unrelated market or marketable limit order (against the BX BBO) on the

opposite side of the market from the PRISM Order received during the Auction will not cause the Auction to end early and will execute against interest outside of the Auction;⁹ and (3) no minimum size requirement of orders. The provisions were approved for a pilot period that currently expires on January 18, 2017 ("Pilot").¹⁰ The Exchange now seeks to have the Pilot approved on a permanent basis. In addition, the Exchange proposes to modify the scope of PRISM so that PRISM Orders for less than 50 option contracts will be required to receive price improvement of at least one minimum price improvement increment over the NBBO if the NBBO is only \$0.01 wide. For orders of 50 contracts or more, or if the difference in the NBBO is greater than \$0.01, the requirements for price improvement remain the same.

During the pilot period the Exchange has been required to submit, and has been submitting, certain data periodically as required by the Commission, to provide supporting evidence that, among other things, there is meaningful competition for all size orders, there is significant price improvement available through PRISM, and that there is an active and liquid market functioning on the Exchange outside of the Auction mechanism. Specifically, the Exchange has submitted the following data as specified in its approval order:¹¹

- (1) The number of contracts (of orders of 50 contracts or greater) entered into the PRISM;
- (2) The number of contracts (of orders of fewer than 50 contracts) entered into the PRISM;
- (3) The number of orders of 50 contracts or greater entered into the PRISM; and
- (4) The number of orders of fewer than 50 contracts entered into the PRISM.

Price Improvement for Orders Under 50 Contracts

Currently, a PRISM Auction may be initiated if one of the following conditions are met. If the PRISM Order is for the account of a Public Customer, the Initiating Participant must stop the entire PRISM Order at a price that is equal to or better than the National Best Bid/Offer ("NBBO") on the opposite side of the market from the PRISM Order, provided that such price must be at least one minimum trading increment specified in Chapter VI, Section 5 better than any limit order on the limit order

book on the same side of the market as the PRISM Order.¹² If the PRISM Order is for the account of a broker dealer or any other person or entity that is not a Public Customer, the Initiating Participant must stop the entire PRISM Order at a price that is the better of: (i) the BX BBO price improved by at least the Minimum Increment on the same side of the market as the PRISM Order, or (ii) the PRISM Order's limit price (if the order is a limit order), provided in either case that such price is at or better than the NBBO.¹³

BX proposes to amend the PRISM auction to require at least \$0.01 price improvement for a PRISM Order if that order is for less than 50 contracts and if the difference between the NBBO is \$0.01. Accordingly, BX is proposing to amend the Auction Eligibility Requirements to require that, if the PRISM Order is for less than 50 option contracts, and if the difference between the NBBO is \$0.01, the Initiating Participant must stop the entire PRISM Order at one minimum price improvement increment better than the NBBO on the opposite side of the market from the PRISM Order, and better than any limit order on the limit order book on the same side of the market as the PRISM Order. This requirement will apply regardless of whether the PRISM Order is for the account of a Public Customer, or where the PRISM Order is for the account of a broker dealer or any other person or entity that is not a Public Customer.

The Exchange will retain the current requirements for auction eligibility where the PRISM Order is for the account of a Public Customer and such order is for 50 option contracts or more, or if the difference between the NBBO is greater than \$0.01. The Exchange will also retain the current requirements for auction eligibility where the PRISM Order is for the account of a broker dealer or any other person or entity that is not a Public Customer and such order is for 50 option contracts or more, or if the difference between the NBBO is greater than \$0.01. Accordingly, the Exchange is amending the Auction Eligibility Requirements to state that, if the PRISM Order is for the account of a Public Customer and such order is for 50 option contracts or more or if the difference between the NBBO is greater than \$0.01, the Initiating Participant must stop the entire PRISM Order at a price that is equal to or better than the National Best Bid/Offer ("NBBO") on the opposite side of the market from the PRISM Order, provided that such price

⁵ See PRISM Approval Order, *supra* note 3.

⁶ A Public Customer order does not include a Professional order, and therefore a Professional would not be entitled to Public Customer priority as described herein. A Public Customer means a person that is not a broker or dealer in securities. See BX Options Rules at Chapter I, Section 1(a)(50). A Public Customer order does not include a Professional order for purposes of BX Rule at Chapter VI, Section 10(1)(C)(1)(a), which governs allocation priority. A "Professional" means any person or entity that (i) is not a broker or dealer in securities, and (ii) places more than 390 orders in listed options per day on average during a calendar month for its own beneficial account(s). A Participant or a Public Customer may, without limitation, be a Professional. All Professional orders shall be appropriately marked by Participants. See BX Rules at Chapter I, Section 1(a)(49).

⁷ BX will only conduct an auction for Simple Orders.

⁸ See Chapter VI, Section 9(ii)(B)(4).

⁹ See Chapter VI, Section 9(ii)(D).

¹⁰ See PRISM Approval Order, *supra* note 3.

¹¹ *Id.*

¹² See Chapter VI, Section 9(i)(A).

¹³ See Chapter VI, Section 9(i)(B).

must be at least one minimum trading increment specified in Chapter VI, Section 5 (“Minimum Increment”) better than any limit order on the limit order book on the same side of the market as the PRISM Order.

Similarly, the Exchange is amending the Auction Eligibility Requirements to state that, if the PRISM Order is for the account of a broker dealer or any other person or entity that is not a Public Customer and such order is for 50 option contracts or more, or if the difference between the NBBO is greater than \$0.01, the Initiating Participant must stop the entire PRISM Order at a price that is the better of: (i) The BX BBO price improved by at least the Minimum Increment on the same side of the market as the PRISM Order, or (ii) the PRISM Order’s limit price (if the order is a limit order), provided in either case that such price is at or better than the NBBO.¹⁴

The Exchange also proposes to add language to Chapter VI, Section 9(i) to clarify that, if any of the auction eligibility criteria are not met, the PRISM Order will be rejected. The Exchange will also add language to Chapter VI, Section 9(i) to clarify the treatment of paired Public Customer-to-Public Customer orders pursuant to subparagraph (vi) as a result of these proposed changes. Specifically, Exchange will allow a PRISM Order to trade on either the bid or offer, pursuant to subparagraph (vi), if the NBBO is \$0.01 wide, provided (1) the execution price is equal to or within the NBBO, (2) there is no resting customer at the execution price, and (3) \$0.01 is the Minimum Price Variation (MPV) of the option. The Exchange also proposes to add language that it will continue to reject a PRISM Order to buy (sell) if the NBBO is only \$0.01 wide and the Agency order is stopped on the bid

¹⁴ In implementing this change, the system will reject a simple PRISM Order to buy if the NBBO is only \$0.01 wide and the Agency order is stopped on the offer provided the order is not customer to customer. The system will reject a simple PRISM Order to sell if the NBBO is only \$0.01 wide and the Agency order is stopped on the bid provided the order is not customer to customer. The system will still allow a customer to customer PRISM Order to trade on either the bid or offer, if the NBBO is \$0.01 wide, provided (1) the execution price is equal to or within the NBBO; (2) there is no resting customer at the execution price, and (3) \$0.01 is the Minimum Price Variation (MPV) of the option. The system will continue to reject a simple PRISM Order to buy if the NBBO is only \$0.01 wide and the Agency order is stopped on the bid if there is a resting order on the bid. The system will continue to reject a simple PRISM Order to sell if the NBBO is only \$0.01 wide and the Agency order is stopped on the offer if there is a resting order on the offer. The system will provide an explicit reject reason if the system rejects a PRISM Order because the NBBO is only \$0.01 wide and the PRISM order did not improve the contra side NBBO.

(offer) if there is a resting order on the bid (offer). These requirements are unchanged from the Exchange’s current handling practices of paired Public Customer-to-Public Customer PRISM Orders per subparagraph (vi), and the Exchange’s current practice of rejecting PRISM Orders to buy (sell) if the NBBO is only \$0.01 wide and the Agency order is stopped on the bid (offer) if there is a resting order on the bid (offer).

The Exchange believes that these changes to PRISM may provide additional opportunities for PRISM Orders of under 50 option contracts to receive price improvement over the NBBO where the difference in the NBBO is \$0.01 and therefore encourage the increased submission of orders of under 50 option contracts. The Exchange notes that the statistics for the current pilot, which include, among other things, price improvement for orders of less than 50 option contracts under the current auction eligibility requirements, show relatively small amounts of price improvement for such orders. BX believes that the proposed requirements will therefore increase the price improvement that orders of under 50 option contracts may receive in PRISM. The Exchange also notes that NASDAQ PHLX LLC operates a similar price improvement mechanism, Price Improvement XL, also known as PIXL, which has been operating for a longer period of time and has therefore generated more pilot data.¹⁵ Given the similarity between the two mechanisms, the Exchange expects that PRISM, if operated on a pilot basis over a longer period of time, would generate data that is comparable to PIXL.

No Minimum Size Requirement

Chapter VI, Section 9(vii) provides that, as part of the current Pilot, there will be no minimum size requirement for orders to be eligible for the Auction.¹⁶ The Exchange proposed the no-minimum size requirement for PRISM auctions because it believed that there is meaningful competition in PRISM auctions for all size orders, there are opportunities for significant price improvement for orders executed through PRISM, and that there is an active and liquid market functioning on

¹⁵ See Securities Exchange Act Release No. 63027 (October 1, 2010), 75 FR 62160 (October 7, 2010) (SR-Phlx-2010-108).

¹⁶ The Rule also requires the Exchange to submit certain data, periodically as required by the Commission, to provide supporting evidence that, among other things, there is meaningful competition for all size orders and that there is an active and liquid market functioning on the Exchange outside of the Auction mechanism. Any raw data which is submitted to the Commission will be provided on a confidential basis.

the Exchange outside of PRISM. The Exchange proposed to gather data over the course of the Pilot to support this position. Specifically, the Exchange proposed to gather data relating to (1) the number of contracts (of orders of 50 contracts or greater) entered into the PRISM; (2) the number of contracts (of orders of fewer than 50 contracts) entered into the PRISM; (3) the number of orders of 50 contracts or greater entered into the PRISM; and (4) the number of orders of fewer than 50 contracts entered into the PRISM.¹⁷

The Exchange believes that the data gathered since the approval of the Pilot establishes that there is liquidity and competition both within PRISM and outside of PRISM, and that there are opportunities for significant price improvement within PRISM. In the period between January and June 2016, PRISM auctions executed 1.39 million contracts, which represents 8.3% of total BX contract volume. The average daily number of contracts traded on PRISM increased from 9,045 contracts per day in January 2016 to 9,070 contracts per day in June 2016. The percent of BX volume traded in PRISM auctions increased from 6.4% in January 2016 to 7.2% in June 2016. The percent of consolidated volume traded in PRISM remained approximately 10 basis points. The mean number of unique participants in PRISM auctions was 4.8 and median was 4.0. The distribution of auctions and contracts traded by number of unique participants were similar, with a single participant in about 19% of auctions and 26% of volume.

The Exchange has also gathered information about activity in orders for less than 50 and 50 contracts or greater for PRISM auctions between January and June 2016. For auctions occurring during that period, 87.8% of auctions were for orders for less than 50 contracts, a percentage that remained stable over that time period. Auctions for orders of less than 50 contracts accounted for 30.0% of the contract volume traded in PRISM. Auctions of 50 contracts or more made up 12.2% of all PRISM auctions and accounted for 70.0% of contracts traded in PRISM.

With respect to price improvement, 60.5% of PRISM auctions between January and June 2016 executed at a price that was better than the NBBO at the time the auction began.¹⁸ The equal-

¹⁷ See Securities Exchange Act Release No. 75827 (September 3, 2015), 80 FR 54607 (September 10, 2015) (SR-BX-2015-032).

¹⁸ 29.6% of PRISM auction began when BX best bid or offer was at the NBBO. 74.5% of auctions that began when the BX BBO was at the NBBO

weighted average amount of price improvement per contract for PRISM auctions was 3.5%, with the monthly average amount of price improvement ranging from 1.9% and 5.2% between January and June 2016. For auctions of less than 50 contracts, 64.7% received price improvement, while 30.5% of auctions for 50 contracts or more received price improvement.¹⁹ The equal-weighted average price improvement was 3.7% for auctions of less than 50 contracts and 1.9% for auctions of 50 contracts or more. Average price improvement was 4.4% when BX BBO was at the NBBO and 3.1% when BX BBO was not at the NBBO.

BX believes that the data gathered during the Pilot period indicates that there is meaningful competition in PRISM auctions for all size orders, there is an active and liquid market functioning on the Exchange outside of the auction mechanism, and that there are opportunities for price improvement for orders executed through PRISM. The Exchange therefore believes that it appropriate to approve the no minimum size requirement on a permanent basis.

Early Conclusion of the PRISM Auction

Chapter VI, Section 9(ii)(B)(4) provides that the PRISM Auction shall conclude at the earlier of (1) the end of the Auction period; (2) any time the BX BBO crosses the PRISM Order stop price on the same side of the market as the PRISM Order; or (3) any time there is a trading halt on the Exchange in the affected series.²⁰ The latter two conditions are operating as part of the current Pilot.

As with the no minimum size requirement, the Exchange has gathered data on these latter two conditions. Between January and June 2016, one

received price improvement. 54.6% of auctions that began when the BX BBO was not at the NBBO received price improvement.

¹⁹ 56.5% of contracts in auctions for less than 50 contracts received price improvement, while 25.8% of contracts in auctions of for 50 contracts or more received price improvement.

²⁰ If the situations described in either of the two latter conditions occur, the entire PRISM Order will be executed at: (1) In the case of the BX BBO crossing the PRISM Order stop price, the best response price(s) or, if the stop price is the best price in the Auction, at the stop price, unless the best response price is equal to or better than the price of a limit order resting on the Order Book on the same side of the market as the PRISM Order, in which case the PRISM Order will be executed against that response, but at a price that is at least the Minimum Increment better than the price of such limit order at the time of the conclusion of the Auction; or (2) in the case of a trading halt on the Exchange in the affected series, the stop price, in which case the PRISM Order will be executed solely against the Initiating Order. Any unexecuted PAN responses will be cancelled.

auction terminated early because the BX BBO crossed the PRISM Order stop price. No auctions terminated early because of halts. The number of auctions that terminated early was less than 1/100th of 1% of all PRISM auctions over the period. The auctions that terminated early were less than 1/100th of 1% of contracts traded in PRISM auctions.

The Exchange believes that it is appropriate to terminate an auction when either of these conditions occur.²¹ Based on the data gathered during the pilot, the Exchange does not anticipate that either of these conditions will occur with significant frequency, or will otherwise disrupt the functioning of PRISM auctions. The Exchange therefore believes it is appropriate to approve this aspect of the Pilot on a permanent basis.

Unrelated Market or Marketable Limit Order

Chapter VI, Section 9(ii)(D) provides that an unrelated market or marketable limit order (against the BX BBO) on the opposite side of the market from the PRISM Order received during the Auction will not cause the Auction to end early and will execute against interest outside of the Auction. If contracts remain from such unrelated order at the time the auction ends, they will be considered for participation in the order allocation process described elsewhere in the Rule.

This provision is based on a similar provision in the Price Improvement XL (“PIXL”) mechanism on NASDAQ PHLX LLC (“Phlx”).²² In approving this feature on PIXL, also on a pilot basis, the Commission found that “allowing the PIXL auction to continue for the full auction period despite receipt of unrelated orders outside the Auction would allow the auction to run its full course and, in so doing, will provide a full opportunity for price improvement to the PIXL Order. Further, the unrelated order would be available to participate in the PIXL order allocation.”²³ Given that this provision is based on the corresponding PIXL provision, the Exchange believes that a similar rationale applies here. The Exchange also does not believe that this provision has had a significant impact on either the unrelated order or the

²¹ The Exchange notes that trading on the Exchange in any option contract will be halted whenever trading in the underlying security has been paused or halted by the primary listing market. See BX Rules at Chapter V, Section 3.

²² See Phlx Rule 1080(n)(ii)(D).

²³ See Securities Exchange Act Release No. 63027 (October 1, 2010), 75 FR 62160 (October 7, 2010) (SR-PHLX-2010-108).

PRISM auction process. The Exchange therefore believes it is appropriate to approve this aspect of the Pilot on a permanent basis.

2. Statutory Basis

The Exchange believes that the proposed rule change is consistent with the provisions of Section 6 of the Act,²⁴ in general and with Section 6(b)(5) of the Act,²⁵ in that it is designed to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in regulating, clearing, settling, processing information with respect to, and 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 is not designed to permit unfair discrimination between customers, issuers, brokers, or dealers, or to regulate by virtue of any authority conferred by the Act matters not related to the purposes of the Act or the administration of the Exchange.

The Exchange believes that the proposed rule change is also consistent with Section 6(b)(8) of the Act²⁶ in that it does not impose any burden on competition not necessary or appropriate in furtherance of the purposes of the Act.

Specifically, the Exchange believes that PRISM, including the rules to which the Pilot applies, results in increased liquidity available at improved prices, with competitive final pricing out of the Initiating Participant’s complete control. The Exchange believes that PRISM promotes and fosters competition and affords the opportunity for price improvement to more options contracts. The Exchange believes that the changes to the PRISM Auction requiring price improvement of at least one minimum price improvement increment over the NBBO for PRISM Orders of less than 50 option contracts where the difference in the NBBO is \$0.01 will provide further price improvement for those PRISM Orders. The Exchange notes that statistics for the current pilot, which include, among other things, price improvement for orders of less than 50 option contracts under the current auction eligibility requirements, show relatively small amounts of price improvement for such orders. The Exchange believes that the proposed requirements will therefore increase the price improvement that orders of under

²⁴ 15 U.S.C. 78f.

²⁵ 15 U.S.C. 78f(b)(5).

²⁶ 15 U.S.C. 78f(b)(8).

50 option contracts may receive in PRISM.

The Exchange believes that approving the Pilot on a permanent basis is also consistent with the Act. With respect to the no minimum size requirement, the Exchange believes that the data gathered during the Pilot period indicates that there is meaningful competition in PRISM auctions for all size orders, there is an active and liquid market functioning on the Exchange outside of the auction mechanism, and that there are opportunities for significant price improvement for orders executed through PRISM.

With respect to the early termination of a PRISM Auction, the Exchange believes that it is appropriate to terminate an auction any time the BX BBO crosses the PRISM Order stop price on the same side of the market as the PRISM Order, or any time there is a trading halt on the Exchange in the affected series. Based on the data gathered during the pilot, the Exchange does not anticipate that either of these conditions will occur with significant frequency, or will otherwise disrupt the functioning of PRISM auctions.

With respect to the requirement that an unrelated market or marketable limit order (against the BX BBO) on the opposite side of the market from the PRISM Order received during the Auction will not cause the Auction to end early and will execute against interest outside of the Auction, the Exchange does not believe that this provision has had a significant impact on either the unrelated order or the PRISM auction process. The Exchange also believes that allowing the PRISM Auction to continue in this scenario will allow the auction to run its full course and, in so doing, will provide a full opportunity for price improvement to the PRISM Order. The Exchange also notes that the unrelated order would be available to participate in the PRISM order allocation.

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 proposal will apply to all Exchange members, and participation in the PRISM Auction process is completely voluntary. Based on the data collected by the Exchange during the Pilot, the Exchange believes that there is meaningful competition in PRISM auctions for all size orders, there are opportunities for significant price improvement for orders executed through PRISM, and that there is an

active and liquid market functioning on the Exchange outside of PRISM. The Exchange believes that requiring increased price improvement for PRISM Orders may encourage competition by attracting additional orders to participate in PRISM. The Exchange believes that approving the Pilot on a permanent basis will not significantly impact competition, as the Exchange is proposing no other change to the Pilot beyond implementing it on a permanent basis.

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 (i) as the Commission may designate up to 90 days of such date if it finds such longer period to be appropriate and publishes its reasons for so finding or (ii) as to which the Exchange consents, the Commission shall: (a) By order approve or disapprove such 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-BX-2016-063 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-BX-2016-063. 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-BX-2016-063 and should be submitted on or before December 30, 2016.

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

Eduardo A. Aleman,
Assistant Secretary.

[FR Doc. 2016-29463 Filed 12-8-16; 8:45 am]

BILLING CODE 8011-01-P

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-79469; File No. SR-NYSEArca-2016-155]

Self-Regulatory Organizations; NYSE Arca, Inc.; Notice of Filing and Immediate Effectiveness of Proposed Rule Change Amending Rule 6.40 To Expand the Risk Limitation Mechanism to All Orders, Including Complex Orders

December 5, 2016.

Pursuant to Section 19(b)(1)¹ of the Securities Exchange Act of 1934 ("Act")² and Rule 19b-4 thereunder,³ notice is hereby given that on November 25, 2016, NYSE Arca, Inc. ("NYSE Arca" or the "Exchange") 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 Commission is

²⁷ 17 CFR 200.30-3(a)(12).

¹ 15 U.S.C. 78s(b)(1).

² 15 U.S.C. 78a.

³ 17 CFR 240.19b-4.