competitive response to analogous programs offered by other options exchanges. The Exchange believes this proposed rule change is necessary to permit fair competition among the options exchanges.

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

The Exchange has not solicited, and does not intend to solicit, comments on this proposed rule change. The Exchange has not received any written comments from members or other interested parties.

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

Because the foregoing proposed rule change does not: (A) Significantly affect the protection of investors or the public interest; (B) impose any significant burden on competition; and (C) by its terms, become operative for 30 days from the date on which it was filed or such shorter time as the Commission may designate it has become effective pursuant to Section 19(b)(3)(A) of the Act and paragraph (f)(6) of Rule 19b–4 thereunder, the Exchange has designated this rule filing as non-controversial. The Exchange has given the Commission written notice of its intent to file the proposed rule change, along with a brief description and 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.

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: (1) Necessary or appropriate in the public interest; (2) for the protection of investors; or (3) 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 proposal 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 No. SR–BatsBZX–2016–84 on the subject line.

Paper Comments

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

All submissions should refer to File No. SR–BatsBZX–2016–84. 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 such filing will also be available for inspection and copying at the principal office of the Exchange. All comments received will be posted without change; the Commission does not edit personal identifying information from submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File No. SR–BatsBZX–2016–84 and should be submitted on or before January 5, 2017.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.10

Eduardo A. Aleman,
Assistant Secretary.

[FR Doc. 2016–30095 Filed 12–14–16; 8:45 am]

BILLING CODE 8011–01–P

SECURITIES AND EXCHANGE COMMISSION


Self-Regulatory Organizations; Chicago Board Options Exchange, Incorporated; Notice of Filing of Amendment No. 1 and Order Granting Accelerated Approval of a Proposed Rule Change, as Modified by Amendment No. 1, Relating To Opening and Closing Rotations Under the HOSS System

December 9, 2016.

I. Introduction

On October 7, 2016, Chicago Board Options Exchange, Incorporated (“CBOE” or “Exchange”) filed with the Securities and Exchange Commission (“Commission”), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)1 and Rule 19b–4 thereunder,2 a proposed rule change to amend its rules relating to the opening of series for trading on the Exchange. The Commission published the proposed rule change for comment in the Federal Register on October 27, 2016.3 On November 18, 2016, the Exchange filed Amendment No. 1 to the proposed rule change.4 The Commission received no comments on the proposal. This order provides notice of filing of Amendment No. 1 and approves the proposed rule change, as modified by Amendment No. 1, on an accelerated basis.

II. Description of the Proposed Rule Change

CBOE proposes to amend its rules relating to the opening of series for trading on the Exchange. Rule 6.2B describes the process (referred to as “HOSS”) that the Exchange’s Hybrid Trading System (the “System”) uses to open series on the Exchange each trading day. The Exchange may also use HOSS for closing series or opening

4 In Amendment No. 1, the Exchange updated a cross-reference to Rule 6.2B in Rule 6.13. To promote transparency of its proposed amendment, when CBOE filed Amendment No. 1 with the Commission, it also submitted Amendment No. 1 as a comment letter to the file, which the Commission posted on its Web site and placed in the public comment file for SR–CBOE–2016–071 (available at https://www.sec.gov/_comments/sr-cboe-2016-071/cboe2016071.shtml). The Exchange also posted a copy of its Amendment No. 1 on its Web site (http://www.cboe.com/aboutcboe/legal/submittedsecfilings.aspx), when it filed it with the Commission.
series after a trading halt. The Exchange is proposing various changes to reorganize and simplify the rule and to more accurately reflect current System functionality.\(^5\)

According to the Exchange, HOSS generally processes the opening of each series in four stages: \(^6\)

1. **Pre-Opening Period**: During the pre-opening period, the System accepts orders and quotes and disseminates messages that contain information based on resting orders and quotes in the book, which may include the expected opening price ("EOP"), expected opening size ("EOS"), any reason why a series may not open, and imbalance information, including the size and side of an imbalance (collectively, "expected opening information" or "EOIs").

2. **Initiation of the Opening Rotation**: The System then initiates the opening rotation procedure and distributes a "Rotation Notice" to market participants.

3. **Opening Rotation Period**: During the opening rotation period, the System matches and executes orders and quotes against each other to establish an opening Exchange best bid and offer ("BBO") and trade price for each series while continuing to disseminate EOIs.

4. **Opening of Trading**: The System then opens series for trading, subject to the satisfaction of certain conditions.

According to CBOE, the proposed rule change is designed to more clearly organize Rule 6.2B in this sequential order and makes the additional specific changes discussed in more detail below.

**Pre-Opening Period**

Rule 6.2B(a) currently provides that the System accepts orders and quotes, for regular trading hours, for a period of time before the opening of trading in the underlying security or, in the case of index options, prior to 8:30 a.m.\(^7\) and for extended trading hours, for a period of time prior to 2:00 a.m.\(^8\) The Exchange proposes to amend Rule 6.2B(a) to provide that, for each trading session, the pre-opening period will begin no later than 15 minutes prior to the expected initiation of an opening rotation and no earlier than 2:00 a.m. for regular trading hours and no earlier than 4:00 p.m. on the previous day for extended trading hours.\(^9\)

Under the proposal, the Exchange generally will not restrict the size or origin code of orders that may be submitted during the pre-opening period. Therefore, the proposed rule change amends Rule 6.2B(a)(i) to add certainty to the rule by deleting the provision that requires the Exchange to designate—a class-by-class basis—

The Exchange comments that the pre-opening period currently begins at approximately 6:30 a.m. for regular trading hours and approximately 4:00 p.m. on the previous day for extended trading hours.\(^9\)

Under the proposed rule change, the Exchange will generally not restrict the size or origin code of orders that may be submitted during the pre-opening period. Therefore, the proposed rule change amends Rule 6.2B(a)(i) to add certainty to the rule by deleting the provision that requires the Exchange to designate—a class-by-class basis—

The Exchange notes that the pre-opening period currently begins at approximately 6:30 a.m. for regular trading hours and approximately 4:00 p.m. on the previous day for extended trading hours. See id. at 74829, n.4.

14 See Notice, supra note 3, at 74830.

15 See Notice, supra note 3, at 74829.

16 See Notice, supra note 3, at 74829, n.9 for a discussion of these changes to the pre-opening period.

The Exchange notes that the pre-opening period currently begins at approximately 6:30 a.m. for regular trading hours and approximately 4:00 p.m. on the previous day for extended trading hours. See id. at 74829, n.9.

17 The Exchange comments that the pre-opening period currently begins at approximately 6:30 a.m. for regular trading hours and approximately 4:00 p.m. on the previous day for extended trading hours. See id. at 74829, n.9.

18 The Exchange notes that the pre-opening period currently begins at approximately 6:30 a.m. for regular trading hours and approximately 4:00 p.m. on the previous day for extended trading hours. See id. at 74829, n.9.

19 The Exchange notes that the pre-opening period currently begins at approximately 6:30 a.m. for regular trading hours and approximately 4:00 p.m. on the previous day for extended trading hours. See id. at 74829, n.9.

20 The Exchange notes that the pre-opening period currently begins at approximately 6:30 a.m. for regular trading hours and approximately 4:00 p.m. on the previous day for extended trading hours. See id. at 74829, n.9.

21 The Exchange comments that the pre-opening period currently begins at approximately 6:30 a.m. for regular trading hours and approximately 4:00 p.m. on the previous day for extended trading hours. See id. at 74829, n.9.

22 The Exchange comments that the pre-opening period currently begins at approximately 6:30 a.m. for regular trading hours and approximately 4:00 p.m. on the previous day for extended trading hours. See id. at 74829, n.9.

23 The Exchange comments that the pre-opening period currently begins at approximately 6:30 a.m. for regular trading hours and approximately 4:00 p.m. on the previous day for extended trading hours. See id. at 74829, n.9.

24 The Exchange comments that the pre-opening period currently begins at approximately 6:30 a.m. for regular trading hours and approximately 4:00 p.m. on the previous day for extended trading hours. See id. at 74829, n.9.

25 The Exchange comments that the pre-opening period currently begins at approximately 6:30 a.m. for regular trading hours and approximately 4:00 p.m. on the previous day for extended trading hours. See id. at 74829, n.9.

26 The Exchange comments that the pre-opening period currently begins at approximately 6:30 a.m. for regular trading hours and approximately 4:00 p.m. on the previous day for extended trading hours. See id. at 74829, n.9.

27 The Exchange comments that the pre-opening period currently begins at approximately 6:30 a.m. for regular trading hours and approximately 4:00 p.m. on the previous day for extended trading hours. See id. at 74829, n.9.

28 The Exchange comments that the pre-opening period currently begins at approximately 6:30 a.m. for regular trading hours and approximately 4:00 p.m. on the previous day for extended trading hours. See id. at 74829, n.9.

29 The Exchange comments that the pre-opening period currently begins at approximately 6:30 a.m. for regular trading hours and approximately 4:00 p.m. on the previous day for extended trading hours. See id. at 74829, n.9.

30 The Exchange comments that the pre-opening period currently begins at approximately 6:30 a.m. for regular trading hours and approximately 4:00 p.m. on the previous day for extended trading hours. See id. at 74829, n.9.
procedure and sends a notice ("Rotation Notice") to market participants.\textsuperscript{18}

The Exchange proposes to amend Rule 6.2B(b) to provide that the System will initiate the opening rotation procedure and send out a Rotation Notice on a class-by-class basis as follows:

- For regular trading hours:
  - With respect to equity and ETF options, after the opening trade or the opening quote is disseminated in the market for the underlying security, or at 8:30 for classes determined by the Exchange (including over-the-counter equity classes); or
  - with respect to index options, at 8:30 a.m., or at the later of 8:30 a.m. and the time the Exchange receives a disseminated index value for classes determined by the Exchange; and

- For extended trading hours, at 2:00 a.m.\textsuperscript{19}

**Opening Rotation Period**

Rule 6.2B(c) provides that after the Rotation Notice is sent, the System enters into a rotation period, during which the opening price is established for each series. The proposed rule change reorganizes paragraph (c) to more clearly demarcate and further describe (1) when the opening rotation period begins, (2) what happens during the period, (3) the handling of EOIs during the period, and (4) when the period ends.\textsuperscript{20}

During the opening rotation period, the System establishes the opening trade price and the opening BBQ by matching and executing resting orders and quotes against each other. The proposed rule change modifies the definition of the opening trade price of a series to be the "market-clearing" price, which is the single price at which the largest number of contracts in the book can execute, leaving bids and offers that cannot trade with each other.\textsuperscript{21}

The proposed rule change also states that all orders (except complex orders and, in classes in which the Exchange has not activated HALO, all-or-none orders and orders with a stop contingency) and quotes in a series in the book prior to the opening rotation period participate in the opening rotation for a series. The Exchange notes that Contingency Orders that participate in the opening rotation may execute during the opening rotation period only if their contingencies are triggered.\textsuperscript{22}

The proposed rule change clarifies that the System will continue to disseminate EOIs (not just the EOP and EOS) during the opening rotation period, which may be disseminated at more frequent intervals closer to the opening.\textsuperscript{23} In addition, the proposed rule change updates the description of the length of the opening rotation period and adds detail to the description of how the System processes series to open following the opening rotation period. Specifically, current subparagraph (c)(ii) states that the System will process the series of a class in a random order and the series will begin opening after a period following the Rotation Notice, which period may not exceed sixty seconds and will be established on a class-by-class basis by the Exchange.\textsuperscript{24}

Proposed subparagraph (c)(iii) retains that process, but clarifies that CBOE will determine the length of and number of these intervals for all classes.\textsuperscript{25}

**Opening Quote and Trade Price**

In its filing, the Exchange represented that, pursuant to the Options Price Reporting Authority ("OPRA") Plan, once a series opens, the System disseminates all quote and trade price information to OPRA, including opening quote and trade price information.\textsuperscript{26} Accordingly, the Exchange proposes to delete text in current paragraph (d) of Rule 6.2B stating that the opening price is determined by series and that CBOE disseminates opening quote and trade information through OPRA because the Exchange already disseminates such information pursuant to the OPRA Plan, and therefore believes that this provision is unnecessarily repetitive.\textsuperscript{27} Despite the deletion of that language from the rule concerning reporting data through OPRA, the Exchange is not proposing a substantive change to reporting this information through OPRA.

**Opening Conditions**

Current Rule 6.2B(e) provides that the System will not open a series if one of a number of specified conditions is met, including the absence of a quote that complies with the bid/ask differential requirements or if the opening price would not be within an acceptable range or would leave a market order imbalance.\textsuperscript{28} The proposed rule change amends these conditions to provide that, in classes in which the Exchange has not activated HALO:

1. If there are no quotes in the series on the Exchange, the System will not open the series;

2. If the width between the Exchange’s best quote bid and best quote offer is wider than an acceptable opening price range (as determined by the Exchange on a class-by-class and premium basis) (the "Opening Exchange Prescribed Width range" or "OEPW range")\textsuperscript{29} and there are orders or quotes marketable against each other, the System will not open the series.

However, if the opening quote width is no wider than the intraday acceptable price range for the series ("IEPW range")\textsuperscript{30} and there are no orders or quotes marketable against each other, the System will open the series. If the opening quote width is wider than the IEPW range, the System will not open the series. Additionally, according to

\textsuperscript{18} See id. at 74830–31.

\textsuperscript{19} See id. at 74831 (providing detailed description of the exchange’s changes to initiating the opening rotation).

\textsuperscript{20} See proposed Rule 6.2B(c). See also Notice, supra note 3, at 74831.

\textsuperscript{21} See Notice, supra note 3, at 74831. If there are multiple prices at which the same number of contracts would clear, the System will use (a) the price at or nearest to the midpoint of the opening BBQ, or the widest offer (bid) point of the OEPW range if the midpoint is higher (lower) than that price point, in classes in which the Exchange has not activated HALO; or (b) the price at or nearest to the midpoint of the range consisting of the higher of the opening NBB and widest bid point of the OEPW range, and the lower of the opening NBO and widest offer point of the OEPW range, in classes in which the Exchange has activated HALO. See id.

\textsuperscript{22} See id. at 74831–32. Further, the Exchange notes that the proposed rule change moves the rule provision regarding the priority order of orders and quotes during this matching process from current subparagraph (c)(iv) to proposed subparagraph (c)(v)(C). The System prioritizes orders in the following order: (1) Market orders, (2) limit orders and quotes whose prices are better than the opening price, and (3) resting orders and quotes at the opening price. The proposed rule change also notes contingency orders are prioritized as set forth in Rules 6.45A and 6.45B. See id. at 74832, n.13.

\textsuperscript{23} See id. at 74832.

\textsuperscript{24} See id. at 74832.

\textsuperscript{25} According to the Exchange, currently, the Exchange has set the period of time that must pass before the System begins processing series to open at two seconds, and the Exchange has set the number of intervals to two and the length of the intervals to one second. As a result, the opening rotation period currently lasts two to four seconds. See Regulatory Circular RG11-072; see also Notice, supra note 3, at 74832 n.14.

\textsuperscript{26} See Notice, supra note 3, at 74832.

\textsuperscript{27} See id. at 74832.

\textsuperscript{28} See id. at 74832. The final provision of current paragraph (e) provides the following: If the first or second condition is present, the senior official in the Control Room may authorize the opening of the affected series where necessary to ensure a fair and orderly market; if the second condition is present, the System will not open the series but will send a notification to market participants indicating the reason; if the third condition is present, a notification will be sent to market participants indicating the size and direction of the market order imbalance. In this case, the System will not open the series until the condition causing the delay is satisfied, and the System will repeat this process until the series is open. The proposed rule change combines the exceptions in current paragraph (e) with the applicable opening conditions in current subparagraph (e)(i) through (e)(iv) into proposed paragraph (d)(i). See id. at n.16.

\textsuperscript{29} Current OEPW settings are set forth in Regulatory Circular RG 13–025. See Notice, supra note 3, at 74832, n.18.

\textsuperscript{30} See Rule 6.13(b)(v).
the Exchange, because all quotes entered by Market-Makers (including quotes entered during the pre-opening period and opening rotation period) must satisfy bid/ask differentials, the Exchange proposes to delete the reference to bid/ask differential requirements in this provision;

(3) if the opening trade price would be outside of the OEPW range, the System will not open the series. The Exchange states that the proposed rule change also deletes the language from the current provision regarding sending a notification when this condition is present because notifications are sent when a series does not open for any reason; or

(4) if the opening trade would leave a market order imbalance, the System will not open the series. However, if a sell market order imbalance exists, there is no bid in the series, and the best offer is $0.50 or less, the System will open the series; if there is no bid in the series and the best offer is greater than $0.50, the System will not open the series. The proposed rule change deletes the language regarding the exception for series that will open at a minimum increment. The proposed rule change also deletes the language from the current provision regarding sending a notification when this condition is present, because, as stated above, notifications go out when a series does not open for any reason.

Separately, current Interpretation and Policy .03 to Rule 6.2B describes opening conditions that apply to classes in which the Exchange has activated HALO. Among other things, the current conditions take into consideration whether the opening trade would be at a price that is not the national best bid or offer. Current Interpretation and Policy .03(b) further describes what happens when each of these conditions is present, including exposure of marketable orders at the NBBO under certain conditions. The proposed rule change would amend the opening conditions applicable to classes in which the Exchange has activated HALO to provide as follows:

(1) If there are no quotes on the Exchange or disseminated from at least one away exchange present in the series, the System will not open the series;
(2) If the width between the best quote bid and best quote offer, which may consist of Market-Makers quotes or bids and offers disseminated from an away exchange, is wider than the OEPW range and there are orders or quotes marketable against each other or that lock or cross the OEPW range, the System will not open the series.

However, if the opening trade width is no wider than the IEPW range and there are no orders or quotes marketable against each other or that lock or cross the OEPW range, the System will open the series. If the opening quote width is wider than the IEPW range, the System will not open the series. If the opening quote for a series consists solely of bids and offers disseminated from an away exchange(s), the System will open the series by matching orders and quotes to the extent they can trade and will report the opening trade, if any, at the opening trade price. The System will then expose any remaining marketable buy (sell) orders at the widest offer (bid) point of the OEPW range or NBO (NBB), whichever is lower (higher). If the best away market bid and offer are inverted by no more than the specified amount, there is a marketable order on each side of the series, and the System opens the series, the System will expose the order on the side with the larger size and route for execution the order on the side with the smaller size to an away exchange that is at the NBBO.

In addition, the proposed rule change makes other changes to current Interpretation and Policy .03, while retaining and moving around certain other provisions. Among other things, for example, because the Exchange no longer uses an allocation period, it proposes to delete the provision regarding the allocation period of the HALO openings. In addition, the proposed rule change deletes Interpretation and Policy .03(c)(i) regarding the priority of orders and quotes during the open period in which the Exchange has activated HALO.
for openings, as it is the same as the priority in proposed subparagraph (c)(i)(C).41

The Exchange also proposes to add subparagraph (d)(iii), which provides that if the System does not open a series pursuant subparagraphs (i) or (ii), notwithstanding proposed paragraph (c) (which states the opening rotation period may not last more than 60 seconds), the opening rotation period continues (including the dissemination of EOIs) until the condition causing the delay is satisfied or the Exchange otherwise determines it is necessary to open a series in accordance with proposed paragraph (e).42

Hybrid 3.0 Classes

The proposed rule change moves Rule 6.2B, Interpretation and Policy .01(a), which establishes a modified opening procedure for classes that trade on the Hybrid 3.0 platform, into the body of the rule in proposed paragraph (h). Interpretation and Policy .01 generally describes the modified opening procedures for Hybrid 3.0 series that are used to calculate volatility indexes.43

The Exchange noted in its filing that current paragraph (a), however, applies to Hybrid 3.0 classes on all trading days, not just the days on which the Exchange uses the modified opening procedures.44 The proposed rule change therefore moves this provision to proposed paragraph (h) within the body of the rule, rather than the Interpretation and Policy.45

The introduction to proposed paragraph (h) states that all the provisions set forth in Rule 6.2B apply to the opening of Hybrid 3.0 series except as follows in subparagraphs (i) and (ii). Proposed paragraph (h)(i) provides that only the LMM or DPM with an appointment or allocation, respectively, to the class or series may enter quotes prior to the opening of trading, subject to the obligation set forth in Rule 8.15 or 8.85, respectively. Proposed paragraph (h)(ii) states that during the pre-opening period, the System will accept all order types eligible for entry from public customers (consistent with current paragraph (a) in Interpretation and Policy .01), but adds that the System only accepts opening rotation orders from non-public customers.46

Modified Opening Procedures on Volatility Index Settlement Dates

The proposed rule change amends the modified opening procedures for classes and series used to calculate volatility indexes on the exercise and final settlement dates. Current Interpretation and Policy .01(b) requires the DPM or LMM to enter opening quotes in all series in a Hybrid 3.0 class during a modified opening procedure. The proposed rule change deletes this obligation. As the opening quotation obligations in Rules 8.15 and 8.85, as applicable, would apply to LMMs and DPMs, respectively, in Hybrid 3.0 classes on volatility settlement days.47

Current Rule 6.2B, Interpretation and Policy .01(c) describes a modified opening procedure that applies to series in Hybrid 3.0 classes that are used to calculate a volatility index on expiration and final settlement dates for those indexes.48 The introductory paragraph of current paragraph (c) states that to facilitate the calculation of exercise or final settlement values for options or futures contracts on volatility indexes, the Exchange will utilize a modified HOSS opening procedure for any Hybrid 3.0 series with respect to which a volatility index is calculated. This modified opening procedure will be utilized only on the expiration and final settlement dates of the options or futures contracts on the applicable volatility index for each expiration. The Exchange states that the proposed introductory paragraph to Interpretation and Policy .01 simplifies these two sentences, which CBOE believes are redundant, and states that on the dates on which the exercise and final settlement values are calculated for options49 or (security) futures contracts on a volatility index (i.e., expiration and final settlement dates), the Exchange will utilize the modified opening procedure described in that Interpretation and Policy for all series used to calculate the exercise/final settlement value of the volatility index for expiring options and (security) futures contracts (i.e., constituent options).49

Current Interpretation and Policy .01(c)(i) states that all orders, other than spread or non-OPG contingency orders, will be eligible to be placed on the electronic book for those option contract expirations whose prices are used to derive the volatility indexes on which options and futures are traded, for the purpose of permitting those orders to participate in the opening price calculation for the applicable series. Since the Exchange permits the same order types during the modified opening procedure as it does during the standard procedure, the proposed rule change deletes this paragraph.50

Exchange Determinations

Current Rule 6.2B provides in various places, including paragraphs (b)(ii), (e) and (f) and Interpretations and Policies .01 and .08, that Exchange Floor Officials may determine whether to modify the opening procedures when they deem necessary. The Exchange proposes to delete paragraphs (e) and (f) and combine them into current paragraph (f) and proposed paragraph (e). Additionally, the Exchange proposes to amend proposed paragraph (e) to state that senior Help Desk personnel make these determinations.51

41 See id.

42 Current Rule 6.2B(h) and proposed Rule 6.2B(g) provide that the opening procedures described in the rule may also be used after the close of a trading session for series that open pursuant to HOSS. The proposed rule change makes non-substantive changes to proposed paragraph (g) to more clearly and simply state the potential applicability of the opening procedures to a closing rotation for series that open pursuant to HOSS and to include additional detail regarding the notification to Trading Permit Holders regarding the decision to conduct a closing rotation. The proposed rule change also amends the name of Rule 6.2B to indicate that the procedures may also be used for closing rotations. See id. at 74835, n.28.

43 The only series trading on Hybrid 3.0 are SPX index options. See, e.g., CBOE FAQs, available at: https://www.cboe.org/publish/mmfq/mmfq.pdf.42 "All options classes are Hybrid classes, except SPX, which contains both Hybrid series (SPX Weeklys under trading symbol SPXW) and Hybrid 3.0 series (all other SPX classes under trading symbol SPX)."

44 See Notice, supra note 3, at 74835–36.

45 See id. at 74836. Pursuant to Rule 7.4(a), public customer orders are eligible for entry into the electronic book. While non-public customers may submit orders in Hybrid classes for entry into the book, the Exchange may determine on a class-by-class basis that non-public customers may also submit orders in Hybrid 3.0 classes for entry into the book: currently, the Exchange has determined not to permit this. See id. at 74836, n.31.

46 See id. at 74836.

47 Interpretation and Policy .08 has a substantially similar procedure for series in Hybrid classes that are used to calculate volatility indexes on settlement dates. As discussed below, the proposed rule change deletes Interpretation and Policy .08 and applies Interpretation and Policy .01 to all classes. All proposed changes to Interpretation and Policy .01 described in this section of the rule filing will thus apply to the modified opening procedure for both Hybrid and Hybrid 3.0 classes. See id. at 74836, n.34.

48 The proposed rule references Rules 24.9(a)(5) and (6) (which references are also included in current Rule 6.2B, Interpretation and Policy .08), which describe the method of determining the day on which the exercise settlement value will be calculated for volatility indexes with a 30-day volatility period and VIX, respectively. See id. at 74836, n.35.

49 See id. at 74836.

50 See Notice, supra note 3, at 74836–37. The Exchange requires, and will continue to require, LMMs (or DPMs) in Hybrid 3.0 classes to enter opening quotes in series that may be used to calculate the exercise and final settlement values of options or futures on the volatility index on expiration and final settlement dates. Additionally, LMMs and DPMs must enter quotes within a certain timeframe on all trading days. See id. at 74832.

51 Current paragraph (b)(ii) references the Exchange Control Room. The Control Room is now
rule change lists examples of actions Senior Help Desk personnel may take in the interests of commencing or maintaining a fair and orderly market, in the event of unusual market conditions, or in the public interest, including delaying or compelling the opening of any series in any options class, modifying timers or settings described in Rule 6.2B, and not using the modified opening procedure set forth in proposed Interpretation and Policy .01. The proposed rule change adds that the Exchange will make and maintain, and the Exchange will document all determinations to deviate from the standard manner of the opening procedure, and periodically review these determinations.\(^52\)

In addition, there are various provisions throughout Rule 6.2B that allow the Exchange to make certain determinations on a class-by-class basis. However, pursuant to Rule 8.14, Interpretation and Policy .01,\(^53\) the Exchange may authorize groups of series of a class to trade on different trading platforms, and thus the Exchange would make determinations for each group rather than the class as a whole. Proposed Interpretation and Policy .05 provides that, for these groups, the Exchange may make determinations pursuant to Rule 6.2B and the Interpretations and Policies thereunder on a group-by-group basis that would otherwise be made on a class-by-class basis. The proposed rule change also adds to proposed Interpretation and Policy .05 that it will announce via Regulatory Circular with appropriate advance notice any determinations it makes under Rule 6.2B, to ensure Trading Permit Holders are aware of these determinations and have sufficient time to make any necessary changes in response to the determinations.\(^54\)

**Obsolete and Duplicate Language**

The proposed rule change proposes to delete certain provisions because it believes the language is obsolete or duplicative. Those changes include the following:

- **Current Rule 6.2B(b)(ii)** describes how a DPM or LMM, as applicable, takes part in determining the cause of a delay in the opening of an underlying security, and that the Exchange may consider such information when deciding whether to open a series despite the delay in the opening of the underlying. According to CBOE, the CBOE Help Desk generally is aware of delayed openings in the underlying securities and thus this provision is no longer necessary. Additionally, the Exchange’s Help Desk would have the ability to compel the opening of a series pursuant to proposed Rule 6.2B(f) and therefore proposes to delete this provision.\(^55\)

  - The Exchange also proposes to delete current Interpretation and Policy .01(c)(v), which states the HOSS system will automatically generate cancels immediately prior to the opening of the applicable index option series for broker-dealer, Market-Maker, away market-maker, and specialist (i.e., non-public customer) orders that remain on the book following the modified HOSS opening procedures. Since the System will cancel opening rotation orders that do not execute during the opening rotation of a series, the Exchange believes this provision is redundant. Further, the Exchange proposes to delete current Interpretation and Policy .01(c)(vi) regarding publication of an imbalance of contracts, as this is covered by proposed Rule 6.2B(d)(iii) regarding dissemination of expected opening messages if a series does not open.

  - The proposed rule change deletes Interpretation and Policy .08. The modern opening procedures described in Interpretations and Policies .01 and .08 are nearly identical for Hybrid and Hybrid 3.0 classes. Therefore, the proposed rule change applies Interpretation and Policy .01 (as amended by this proposed rule change) to all classes.\(^56\)

**Non-Substantive Changes**

The proposed rule change, as modified by Amendment No. 1, makes numerous non-substantive and clerical changes throughout Rule 6.2B and in Rules 6.1A(e)(iii)(C), 6.13(b)(v)(B)(V), 6.53(f), 8.15(b)(v), 8.85(a)(x), and 17.50(g)(14), including adding or amending headings and defined terms, updating cross-references, adding introductory and clarifying language, using consistent language and punctuation, and replacing terms such as “option series” with series.\(^57\)

The proposed rule change also amends current Rule 6.2B(g) and proposed Rule 6.2B(f) to clarify that the procedure described in Rule 6.2B may be used to reopen a series, in addition to a class, after a trading halt to address a potential situation in which only certain series are subjected to halt. The proposed rule change also adds detail regarding notice of use of this opening procedure following a trading halt and clarifies that the procedure would be the same, though depending on facts and circumstances, there may be no pre-opening period or a shorter pre-opening period. Proposed paragraph (f) further states the Exchange will announce the reopening of a class or series after a trading halt as soon as practicable via verbal message to the trading floor and electronic message to Trading Permit Holders that request to receive such messages.\(^58\)

The Exchange also proposes to amend Interpretation and Policy .04, which states the Exchange may determine on a class-by-class basis which electronic algorithm from Rule 6.45A or 6.45B, as applicable, applies to the class during rotations. The proposed rule change makes the electronic algorithm that applies to a class intraday the default algorithm during rotations, but leaves the Exchange flexibility to apply a different algorithm to a class during rotations if it deems necessary or appropriate.\(^59\)

**III. Discussion and Commission Findings**

After careful review, the Commission finds that the proposed rule change is consistent with the requirements of Section 6 of the Act,\(^60\) and the rules and regulations thereunder applicable to a national securities exchange.\(^61\) In particular, the Commission finds that the proposed rule change is consistent with Section 6(b)(5) of the Act,\(^62\) which requires, among other things, that a national securities exchange have rules 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 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.

In particular, the proposed rule change reorganizes and attempts to clarify the description of the opening (and sometimes closing) procedures, deletes text that the Exchange believes is either obsolete or unnecessary, removes certain discretion for the Exchange to make determinations under the rule on a class-by-class basis where CBOE no longer needs that discretion, and is intended to promote greater consistency across Rule 6.2B. The Commission notes that these changes may offer market participants a better understanding of how the Exchange’s opening (and sometimes closing) procedures operate. To the extent the changes achieve that goal, they may promote transparency, reduce the potential for investor confusion, and assist market participants in deciding whether to participate in CBOE’s trading rotations and, if they do participate, have confidence and certainty as to how their orders will be processed by the CBOE System.

The Commission believes that the proposed rule change is designed to promote just and equitable principles of trade by seeking to ensure that series open in a fair and orderly manner with sufficient liquidity and opportunities for execution at prices that are determined by market forces. In particular, the Exchange notes that the proposed rule change is designed to ensure that market participants are aware of the circumstances under which the System may not open a series. Further, although the proposed rule change deletes the obligation for LMMs in Hybrid 3.0 classes to enter opening orders and quotes on volatility settlement dates, the Exchange has represented that it does not believe that this change will impact the balance of LMM obligations and benefits, as this obligation has been applied only to a brief period of time on a limited number of days. In addition, LMMs in Hybrid 3.0 must enter opening quotes in accordance with the obligation in Rule 8.15, including in series of classes that may be used to calculate the exercise and final settlement values of options or futures on the volatility index on settlement dates. The Exchange believes that the standard opening quoting obligation, in addition to other general obligations applicable to LMMs, provides sufficient liquidity in these series on the volatility settlement days. Thus, CBOE does not believe it is necessary to impose additional opening quoting obligations on LMMs on those days.

Further, the proposed change more clearly specifies the situations in which the modified opening procedures replace the opening procedures on settlement dates for certain series. The proposed rule change also sets out the circumstances when the Exchange may exercise discretion and strives to narrow that discretion within certain established parameters. The proposed rule change further requires the Exchange to document and periodically review Exchange decisions made under the rule, including any deviations from the standard opening procedures, and specifies that only senior Exchange officials can make those determinations and must do so in limited specified circumstances with specific regard to the public interest. In this manner, Exchange determinations made under the rule should be transparent and made with due regard to the Exchange’s obligations under the Act.

For the foregoing reasons, the Commission finds that the proposed rule change, as modified by Amendment No. 1, is consistent with Section 6(b)(5) of the Act and the rules and regulations thereunder applicable to a national securities exchange.

IV. Solicitation of Comments on Amendment No. 1 to the Proposed Rule Change

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 Act. Comments may be submitted by any of the following methods:

- Use the Commission’s Internet comment form (http://www.sec.gov/rules/sro.shtml);
- Send an email to rule-comments@sec.gov. Please include File Number SR–CBOE–2016–071 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–CBOE–2016–071. 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–CBOE–2016–071, and should be submitted on or before January 5, 2017.

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 thirtieth day after the date of publication of notice of the amended proposal in the Federal Register. In Amendment No. 1, CBOE updated a cross-reference to Rule 6.2B in Rule 6.13. This change is consistent with the proposal as initially filed, and corrects...
a now-obsolete rule reference. The change does not introduce material, new, or novel concepts. Accordingly, the Commission finds good cause, pursuant to Section 19(b)(2) of the Act, 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 Act, that the proposed rule change (SR–CBOE–2016–071), as modified by Amendment No. 1, be, and hereby is, approved on an accelerated basis.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.7

Eduardo A. Aleman, Assistant Secretary.

[FR Doc. 2016–30082 Filed 12–14–16; 8:45 am]
BILLING CODE 8011–01–P

DEPARTMENT OF STATE

[Public Notice: 9818]

Modification of Iran, North Korea, and Syria Nonproliferation Act Measures Against a Russian Entity

SUMMARY: A decision has been made, pursuant to the Iran, North Korea, and Syria Nonproliferation Act, to modify nonproliferation measures pursuant to this Act on a Russian foreign person.

DATES: Effective Date: December 15, 2016.

FOR FURTHER INFORMATION CONTACT: Jeffrey G. McCoy, Office of Euro-Atlantic Security Affairs, Bureau of Arms Control, Verification and Compliance, Department of State, Telephone (202) 647–4940.

SUPPLEMENTARY INFORMATION: On September 2, 2015, the United States Government published a notice announcing the imposition of measures including the following against Rosoboronexport (ROE) (Russia) and any successor, sub-unit, or subsidiary thereof: “No department or agency of the United States Government may procure or enter into any contract for the procurement of any goods, technology, or services from Rosoboronexport (ROE) (Russia) and any successor, sub-unit, or subsidiary thereof, except to the extent that the Secretary of State otherwise may determine.” (See 81 FR 43696, Public Notice 9624).

The United States Government has decided to modify the measures described above against ROE and any successor, sub-unit, or subsidiary thereof as follows: The measures described above shall not apply to United States Government procurement of goods, technology, and services for the purchase, maintenance or sustainment of the Digital Electro Optical Sensor OSDCAM4060, to improve the U.S. ability to monitor and verify Russia’s Open Skies Treaty compliance.

Such subcontracts include the purchase of spare parts, supplies, and related services.

This modification does not apply to any other measures imposed pursuant to the INKSNA and announced in Public Notice 9251 published on September 2, 2015 (80 FR 53222) or Public Notice 9624 published on July 5, 2016 (81 FR 43696).

Frank Rose, Assistant Secretary, Bureau of Arms Control, Verification and Compliance, Department of State.

[FR Doc. 2016–30158 Filed 12–14–16; 8:45 am]
BILLING CODE 4710–35–P

DEPARTMENT OF TRANSPORTATION

Federal Railroad Administration

[Docket Number FRA–2016–0118]

Petition for Waiver of Compliance

In accordance with part 211 of Title 49 Code of Federal Regulations (CFR), this document provides the public notice that by a document dated November 14, 2016, The Beltway Railway of Chicago (BRC) has petitioned the Federal Railroad Administration (FRA) for a waiver of compliance from certain provisions of the Federal railroad safety regulations contained at 49 CFR part 236. FRA assigned the petition Docket Number FRA–2016–0118. BRC seeks relief from the requirements of 49 CFR 236.109 Time releases, timing relays and timing devices. BRC requests relief from § 236.109 as it applies to variable timers within the program logic of the operating software of microprocessor-based equipment.

BRC states that timing devices contained within microprocessor-based equipment are typically non-variable and are within the program logic of the operating software. BRC notes, however, that some microprocessor-based equipment have variable timers. BRC is requesting relief from the requirement of checking the actual time interval of microprocessor-based variable timers. Such variable timers will use verification of the CRC/Check Sum/UCN of the existing location specific application logic to the previously tested version. A copy of the petition, as well as any written communications concerning the petition, is available for review online at www.regulations.gov and in person at the Department of Transportation’s (DOT) Docket Operations Facility, 1200 New Jersey Avenue SE., W12–140, Washington, DC 20590. The Docket Operations Facility is open from 9 a.m. to 5 p.m., Monday through Friday, except Federal Holidays.

Interested parties are invited to participate in these proceedings by submitting written views, data, or comments. FRA does not anticipate scheduling a public hearing in connection with these proceedings since the facts do not appear to warrant a hearing. If any interested party desires an opportunity for oral comment, they should notify FRA, in writing, before the end of the comment period and specify the basis for their request.

All communications concerning these proceedings should identify the appropriate docket number and may be submitted by any of the following methods:

• Web site: http://www.regulations.gov. Follow the online instructions for submitting comments.

• Fax: 202–493–2251.

• Mail: Docket Operations Facility, US Department of Transportation, 1200 New Jersey Avenue SE., W12–140, Washington, DC 20590.

• Hand Delivery: 1200 New Jersey Avenue SE., Room W12–140, Washington, DC 20590, between 9 a.m. and 5 p.m., Monday through Friday, except Federal Holidays.

Communications received by January 30, 2017 will be considered by FRA before final action is taken. Comments