investment company involved; and (c) the proposed transaction is consistent with the general purposes of the Act. Section 6(c) of the Act permits the Commission to exempt any persons or transactions from any provision of the Act if such exemption is necessary or appropriate in the public interest and consistent with the protection of investors and the purposes fairly intended by the policy and provisions of the Act.

For the Commission, by the Division of Investment Management, pursuant to delegated authority.

Eduardo A. Aleman,

Assistant Secretary.

[FR Doc. 2017–02973 Filed 2–14–17; 8:45 am]

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–80004; File No. SR–FINRA–2016–047]

Self-Regulatory Organizations; Financial Industry Regulatory Authority, Inc.; Order Granting Approval of a Proposed Rule Change To Amend FINRA Rules To Conform to the Commission's Proposed Amendment to Commission Rule 15c6–1(a) and the Industry-Led Initiative To Shorten the Standard Settlement Cycle for Most Broker-Dealer Transactions From T+3 to T+2

February 9, 2017.

I. Introduction

On December 14, 2016, Financial Industry Regulatory Authority, Inc. (''FINRA'') 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 conform its rules to an amendment proposed by the Commission to Rule 15c6–1(a) under the Act to shorten the standard settlement cycle for most broker-dealer transactions from three business days after the trade date (''T+3'') to two business days after the trade date (''T+2'').[3] The proposed rule change was published for comment in the **Federal Register** on December 28, 2016.[4] The Commission received three comment letters on the proposed rule change.[5] This order approves the proposed rule change.

II. Description of the Proposal

FINRA is proposing to amend FINRA Rules 2341 (Investment Company Securities), 11140 (Transactions in Securities ''Ex-Dividend,'' ''Ex-Rights'' or ''Ex-Warrants''), 11150 (Transactions ''Ex-Interest'' in Bonds Which Are Dealt in ''Flat''), 11210 (Sent by Each Party), 11320 (Dates of Delivery), 11620 (Computation of Interest), 11810 (Buy-In Procedures and Requirements), and 11860 (COD Orders), to conform to the Commission's proposed amendment to Rule 15c6–1(a) under the Act that would shorten the standard settlement cycle for most broker-dealer transactions from T+3 to T+2.

FINRA Rule 2341(m) requires members, including underwriters, that engage in direct retail transactions for investment company shares to transmit payments received from customers for the purchase of investment company shares to the payee by the end of the third business day after receipt of a customer's order to purchase the shares, or by the end of one business day after receipt of a customer's payment for the shares, whichever is later. FINRA is proposing to amend Rule 2341(m) to change the three-business day transmittal requirement to two business days, while retaining the one-business day alternative.

FINRA Rule 11140(b)(1) concerns the determination of normal ex-dividend and ex-warrants dates for certain types of dividends and distributions. Currently, with respect to cash dividends or distributions, or stock dividends, and the issuance or distribution of warrants, which are less than 25% of the value of the subject security, if the definitive information is received sufficiently in advance of the record date, the date designated as the ''ex-dividend date'' is the second business day preceding the record date if the record date falls on a business day, or the third business day preceding the record date if the record date falls on a day designated by FINRA's UPC Committee as a non-delivery day. Under the proposal, the ''ex-dividend date'' would be the first business day preceding the record date if the record date falls on a business day, or the second business day preceding the record date if the record date falls on a day designated by FINRA's UPC Committee as a non-delivery date.

FINRA Rule 11150(a) concerns the determination of normal ex-interest dates for certain types of transactions. Currently, all transactions, except ''cash'' transactions, in bonds or similar evidences of indebtedness which are traded ''flat'' are ''ex-interest'' on the second business day preceding the record date if the record date falls on a business day, on the third business day preceding the record date if the record date falls on a day other than a business day, and on the third business day preceding the date on which an interest payment is to be made if no record date has been fixed. Under the proposal, these transactions would be ''ex-interest'' on the first business day preceding the record date if the record date falls on a business day, on the second business day preceding the record date if the record date falls on a day other than a business day, and on the second business day preceding the date on which an interest payment is to be made if no record date has been fixed.

FINRA Rules 11210(c) and (d) set forth ''DK'' procedures using ''Don't Know Notices'' and other forms of notices, respectively.[6] FINRA Rule 11210(c) currently provides that, when a party to a transaction sends a comparison or confirmation of a trade, but does not receive a comparison or confirmation or a signed DK from the contra-member by the close of four business days following the trade date of the transaction, the party may use the procedures set forth in the rule. FINRA proposes to shorten the ''four business days'' time period to one business day. FINRA Rule 11210(c)(2)(A) currently provides that a contra-member has four business days after the ''Don't Know Notice'' is received to either confirm or DK the transaction in accordance with FINRA Rule 11210(c)(2)(B) or (C). FINRA proposes to shorten the ''four business days'' time period to two business days.[7] FINRA Rule 11210(c)(3) currently provides that if the confirming member does not receive a response from the contra-member by the close of four business days after receipt by the confirming member the fourth copy of

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

[2] 17 CFR 240.19b–4.

[3] *See* Securities Exchange Act Release No. 78962 (Sep. 28, 2016), 81 FR 69240 (Oct. 5, 2016) (Amendment to Securities Transaction Settlement Cycle) (File No. S7–22–16) (T+2 Proposing Release'').

[4] *See* Securities Exchange Act Release No. 79648 (Dec. 21, 2016), 81 FR 95705.

[5] *See* Letters to Brent J. Fields, Secretary, Commission from Mike Nicholas, Chief Executive Officer, Bond Dealers of America (''BDA''), dated Jan. 18, 2017 (''BDA Letter''), Manisha Kimmel, Chief Regulatory Officer, Wealth Management, Thomson Reuters, dated Jan. 19, 2017, and Thomas F. Price, Managing Director, Operations, Technology & BCP, Securities Industry and Financial Markets Association (''SIFMA''), dated Jan. 19, 2017 (''SIFMA Letter '').

[6] FINRA Rule 11210 does not apply to transactions that clear through the National Securities Clearing Corporation or other clearing organizations registered under the Act. *See* FINRA Rule 11210(a)(4).

[7] FINRA also proposes to make non-substantive, formatting changes to cross-references to reflect FINRA Manual style convention.

the ''Don't Know Notice'' if delivered by messenger, or the post office receipt if delivered by mail, such shall constitute a DK and the confirming member shall have no further liability for the trade. FINRA proposes to shorten the ''four business days'' time period to two business days.

FINRA proposes similar changes to FINRA Rule 11210(d). FINRA Rule 11210(d) currently provides that, when a party to a transaction sends a comparison or confirmation of a trade, but does not receive a comparison or confirmation or a signed DK from the contra-member by the close of four business days following the date of the transaction, the party may use the procedures set forth in the rule. FINRA proposes to shorten the ''four business days'' time period to one business day. FINRA Rule 11210(d)(5) currently provides that if the confirming member does not receive a response in the form of a notice from the contra-member by the close of four business days after receipt of the confirming member's notice, such shall constitute a DK and the confirming member shall have no further liability. FINRA proposes to shorten the ''four business days'' time period to two business days.

FINRA Rule 11320 prescribes delivery dates for various types of transactions. FINRA Rule 11320(b) currently provides that in connection with a transaction ''regular way,'' delivery is made at the office of the purchaser on, but not before, the third business day following the date of the transaction. Under the proposal, delivery would be required to be made on, but not before, the second business day following the date of the transaction. FINRA Rule 11320(c) currently provides in part that, in connection with a transaction ''seller's option,'' delivery may be made by the seller on any business day after the third business day following the date of transaction and prior to the expiration of the option, provided the seller delivers at the office of the purchaser, on a business day preceding the day of delivery, written notice of intention to deliver. Under the proposal, delivery may be made by the seller on any business day after the second business day following the date of the transaction and prior to expiration of the option.

FINRA Rule 11620 governs the computation of interest. FINRA Rule 11620(a) currently provides in part that, in the settlement of contracts in interest-paying securities other than for ''cash,'' there shall be added to the dollar price interest at the rate specified in the security, which shall be computed up to but not including the third business day following the date of the transaction. Under the proposal, the interest would be computed up to but not including the second business day following the date of the transaction.[8]

FINRA 11810(j)(1)(A) sets forth the circumstances under which a receiving member may deliver a Liability Notice to the delivering member as an alternative to the close-out procedures set forth in FINRA 11810(b)–(h). Currently, when the parties to a contract are not both participants in a registered clearing agency that has an automated service for notifying a failing party of the liability that will be attendant to a failure to deliver, the notice must be issued using written or comparable electronic media having immediate receipt capabilities ''no later than one business day prior to the latest time and the date of the offer or other event'' in order to obtain the protection provided by the rule. Under the proposal, the notice must be ''sent as soon as practicable but not later than two hours prior to the cutoff time set forth in the instructions on a specific offer or other event'' in order to obtain the protection provided by the rule.

FINRA Rule 11860(a) concerns various procedures regarding collect on delivery (''COD'') or payment on delivery orders. FINRA is proposing to amend Rule 11860(a)(4)(A) to provide that the time period for a customer buying COD to furnish instructions to the agent will be no later than the close of business on the first business day after the date of execution of the trade, rather than the close of business on the second business day.

FINRA represents that it will announce the effective date of the proposed rule change in an Equity Regulatory Alert, which date would correspond with the industry-led transition to a T+2 standard settlement, and the effective date of the Commission's proposed amendment to Rule 15c6–1(a) under the Act.[9]

III. Discussion and Commission's Findings

After careful review of the proposed rule change and the comments, the Commission finds that the proposal is consistent with the requirements of the Act and the rules and regulations thereunder that are applicable to a national securities association.[10] Specifically, the Commission finds that the proposed rule change is consistent with Section 15A(b)(6) of the Act,[11] which requires that the rules of a national securities association be designed, among other things, 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 to protect investors and the public interest. As noted above, the Commission received three comment letters on the proposed rule change.[12] All comment letters express support for Commission approval of the proposed rule change.[13]

The Commission notes that the proposal would amend FINRA rules to conform to the amendment that the Commission has proposed to Rule 15c6–1(a) under the Act[14] and support a move to a T+2 standard settlement cycle. In the T+2 Proposing Release the Commission stated its preliminary belief that shortening the standard settlement cycle from T+3 to T+2 will result in a reduction of credit, market, and liquidity risk,[15] and as a result a reduction in systemic risk for U.S. market participants.[16] The Commission also notes that it has not yet adopted the proposed amendment to Rule 15c6–1(a),

[8] FINRA also proposes to capitalize certain words in the title of FINRA Rule 11620(a).

[9] *See supra* note 3.

[10] In approving this proposed rule change, the Commission has considered the proposed rule's impact on efficiency, competition, and capital formation. *See* 15 U.S.C. 78c(f).

[11] 15 U.S.C. 78o–3(b)(6).

[12] *See supra* note 5.

[13] One of the commenters requests guidance from FINRA with respect to FINRA Rule 11210(c) to permit the use of electronic means to communicate DK notices. The commenter notes that, currently, FINRA Rule 11210(c)(1) requires that such notices be sent ''by certified mail, return receipt requested, or messenger.'' *See* SIFMA Letter, at 3. The Commission notes that this request is beyond the scope of the current proposed rule change. However, the Commission notes that FINRA could work with the commenter and other market participants to determine whether changes to the communication methods specified in FINRA Rule 11210(c) would be appropriate. One commenter expressed concern with how the proposed amendments to Rule 15c6–1(a) may affect Reg. T. The Commission notes that this comment pertains to the Commission's proposed rule and not directly to the proposal. *See* BDA Letter.

[14] *See supra* note 3.

[15] Credit risk refers to the risk that the credit quality of one party to a transaction will deteriorate to the extent that it is unable to fulfill its obligations to its counterparty on settlement date. Market risk refers to the risk that the value of securities bought and sold will change between trade execution and settlement such that the completion of the trade would result in a financial loss. Liquidity risk describes the risk that an entity will be unable to meet financial obligations on time due to an inability to deliver funds or securities in the form required though it may possess sufficient financial resources in other forms. *See* T+2 Proposing Release, *supra* note 3, 81 FR at 69241 n. 3.

[16] *See id.*, 81 FR at 69241.

and that FINRA has, accordingly, not proposed to make its amended rules effective at present. Instead, FINRA has proposed to announce the effective date of the proposed rule change in an Equity Regulatory Alert. The Commission expects that the effective date of the proposed rule change would correspond with the compliance date of any amendment to Rule 15c6–1(a) under the Act that is adopted by the Commission. The Commission notes that, in October 2014, Depository Trust and Clearing Corporation (''DTCC''), in collaboration with the Investment Company Institute, SIFMA, and other market participants, formed an Industry Steering Group (''ISC'') and an industry working group to facilitate the transition to a T+2 settlement cycle for U.S. trades in equities, corporate and municipal bonds, and unit investment trusts.[17] The ISC has identified September 5, 2017, as the target date for the transition to a T+2 settlement cycle to occur.[18]

For the reasons noted above, the Commission finds that the proposal is consistent with the requirements of the Act and would foster cooperation and coordination with persons engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in securities, remove impediments to and perfect the mechanism of a free and open market and a national market system, and protect investors and the public interest.

IV. Conclusion

It is therefore ordered, pursuant to Section 19(b)(2) of the Act,[19] that the proposed rule change (SR–FINRA–2016–047), be and hereby is, approved.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.[20]

Eduardo A. Aleman,

Assistant Secretary.

[FR Doc. 2017–02998 Filed 2–14–17; 8:45 am]

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[17] *See* Press Release, DTCC, Industry Steering Committee and Working Group Formed to Drive Implementation of T+2 in the U.S. (Oct. 2014), *http://www.dtcc.com/news/2014/october/16/ust2.aspx.*

[18] *See* Press Release, ISC, US T+2 ISC Recommends Move to Shorter Settlement Cycle On September 5, 2017 (Mar. 7, 2016), *http://www.ust2.com/pdfs/T2-ISC-recommends-shorter-settlement-030716.pdf.*

[19] 15 U.S.C. 78s(b)(2).

[20] 17 CFR 200.30–3(a)(12).

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–79994; File No. SR–ISE–2016–27]

Self-Regulatory Organizations; International Securities Exchange, LLC; Order Granting Approval of Proposed Rule Change, as Modified by Amendment No. 1 Thereto, To Amend the Exchange's Rules Regarding Routing of Orders, Cancellation of Orders, and Handling of Error Positions, and Permit Nasdaq Execution Services, LLC To Become an Affiliated Member of the Exchange To Perform Certain Routing and Other Functions

February 9, 2017.

I. Introduction

On December 9, 2016, the International Securities Exchange, LLC (''ISE'' 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 related to the routing of orders, cancellation of orders, and handling of error positions. The proposed rule change would also permit Nasdaq Execution Services, LLC (''NES'') to become an affiliated Member [3] of the Exchange to perform certain routing and other functions. On December 20, 2016, the Exchange filed Amendment No. 1 to the proposed rule change, which amended and replaced the original filing in its entirety. The proposed rule change, as modified by Amendment No. 1, was published for comment in the **Federal Register** on December 29, 2016.[4] The Commission received no comments on the proposed rule change. This order grants approval of the proposed rule change, as modified by Amendment No. 1.

II. Background

On June 21, 2016, the Commission approved a proposed rule change relating to a corporate transaction in which Nasdaq, Inc. would become the ultimate parent of ISE, ISE Gemini, LLC (''ISE Gemini''), and ISE Mercury, LLC (''ISE Mercury'' and, together with ISE and ISE Gemini, the ''ISE Exchanges'').[5] The transaction closed on June 30, 2016.[6] Nasdaq, Inc. is also the ultimate parent of NASDAQ BX, Inc. (''BX''), The NASDAQ Stock Market LLC (''Nasdaq''), and NASDAQ PHLX LLC (''Phlx'' and, together with Nasdaq and BX, the ''Nasdaq Exchanges'').[7] Nasdaq, Inc. is also the ultimate parent of NES,[8] a broker-dealer that is a member, and affiliate, of each of the Nasdaq Exchanges.[9] As a result of this transaction, the ISE Exchanges and the Nasdaq Exchanges became affiliates,[10] and NES became an affiliate of the ISE Exchanges.[11]

The Exchange has now proposed a rule change to amend its rules relating to order routing, cancellation of orders, and handling of error positions, and to permit NES to become a Member of the Exchange to perform certain routing and other functions. ISE's proposed rules are similar to rules of Phlx,[12] as well as the other Nasdaq Exchanges.[13] Specifically, and as described in more detail below, the Exchange proposed to: (1) Route outbound orders in options listed and open for trading on the Exchange's system to away markets through NES, either directly or through a third-party routing broker-dealer; (2) permit the Exchange to receive inbound orders in options routed through NES from the Affiliated Exchanges, pursuant to

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

[2] 17 CFR 240.19b–4.

[3] A ''Member'' is an organization that has been approved to exercise certain trading rights on the Exchange. *See* ISE Rule 100(a)(23).

[4] *See* Securities Exchange Act Release No. 79665 (December 22, 2016), 81 FR 96092 (''ISE Notice'').

[5] *See* Securities Exchange Act Release No. 78119 (June 21, 2016), 81 FR 41611 (June 27, 2016) (SR–ISE–2016–11; SR–ISE Gemini–2016–05; SR–ISE Mercury–2016–10) (order approving Nasdaq, Inc.'s acquisition of ISE, ISE Gemini, and ISE Mercury) (''Nasdaq Acquisition Order'').

[6] *See http://ir.nasdaq.com/releasedetail.cfm?releaseid=977785* (Nasdaq press release announcing completion of its acquisition).

[7] *See* Nasdaq Acquisition Order, *supra* note 5, at 41611.

[8] *See* Securities Exchange Act Release No. 69233 (March 25, 2013), 78 FR 19352 (March 29, 2013) (SR–NASDAQ–2013–028) (order approving a proposed rule change to make permanent a pilot program to permit Nasdaq to accept inbound orders routed by NES from the BX Equities market and PSX) at 19352 n.6 and accompanying text (''BX Equity Routing Approval''). *See also* ISE Notice, *supra* note 4, at 96093.

[9] *See* Securities Exchange Act Release Nos. 79661 (December 22, 2016), 81 FR 96100 (December 29, 2016) (SR–BX–2016–068) at 96100; 79662 (December 22, 2016), 81 FR 96087 (December 29, 2016) (SR–NASDAQ–2016–169) at 96087; and 79660 (December 22, 2016), 81 FR 96060 (December 29, 2016) (SR–Phlx–2016–120) at 96061. *See also* ISE Notice, *supra* note 4, at 96093.

[10] *See* Nasdaq Acquisition Order, *supra* note 5, at 41611 n.8. The Nasdaq Exchanges, together with ISE Gemini and ISE Mercury, are referred to herein as ISE's ''Affiliated Exchanges.''

[11] *See generally* ISE Notice, *supra* note 4, at 96093 (discussing that NES is a broker-dealer owned and operated by Nasdaq, Inc. and affiliated with ISE and the Affiliated Exchanges).

[12] *See* ISE Notice, *supra* note 4, at 96093, 96094–96096. *See also* Phlx Rules 985(c)(2), 1080(m)(ii), (iii), and (v).

[13] *See* Nasdaq Rule 2160(c) and Nasdaq Options Rules, Chapter VI, Section 11(d)–(g); and BX Rule 2140(c) and BX Options Rules, Chapter VI, Section 11(d)–(g).