

integration of the relevant CBOE rules into C2's rules. The Exchange has agreed to provide written notice to its members whenever CBOE proposes a change to a CBOE rule that the Exchange has incorporated by reference.<sup>12</sup>

The Exchange believes this exemption is necessary and appropriate to maintain consistency between C2 rules and the relevant CBOE rules, thus helping to ensure identical regulation of C2 Permit Holders that are also CBOE Trading Permit Holders<sup>13</sup> with respect to the incorporated provisions as well as helping to ensure that C2-only Permit Holders are subject to consistent regulation as CBOE Trading Permit Holders.<sup>14</sup> The Exchange believes that, without such an exemption, such Permit Holders could be subject to two different standards.<sup>15</sup>

The Commission has issued exemptions similar to the Exchange's request.<sup>16</sup> In granting one such exemption in 2010, the Commission repeated a prior, 2004 Commission statement that it would consider similar future exemption requests from other self-regulatory organizations ("SROs"), provided that:

- An SRO wishing to incorporate rules of another SRO by reference has submitted a written request for an order exempting it from the requirement in Section 19(b) of the Exchange Act to file proposed rule changes relating to the

rules incorporated by reference, has identified the applicable originating SRO(s), together with the rules it wants to incorporate by reference, and otherwise has complied with the procedural requirements set forth in the Commission's release governing procedures for requesting exemptive orders pursuant to Rule 0-12 under the Exchange Act;<sup>17</sup>

- The incorporating SRO has requested incorporation of categories of rules (rather than individual rules within a category) that are not trading rules (e.g., the SRO has requested incorporation of rules such as margin, suitability, or arbitration); and

- The incorporating SRO has reasonable procedures in place to provide written notice to its members each time a change is proposed to the incorporated rules of another SRO.<sup>18</sup>

The Commission believes that the Exchange has satisfied each of these conditions. The Commission also believes that granting the Exchange an exemption from the rule filing requirements under Section 19(b) of the Exchange Act will promote efficient use of Commission and Exchange resources by avoiding duplicative rule filings based on simultaneous changes to identical rule text sought by more than one SRO.<sup>19</sup> The Commission therefore finds it appropriate in the public interest and consistent with the protection of investors to exempt the Exchange from the rule filing requirements under Section 19(b) of the Exchange Act with respect to the above-described rules it has incorporated by reference. This exemption is conditioned upon the Exchange promptly providing written notice to its members whenever CBOE changes a rule that the Exchange has incorporated by reference.

Accordingly, *it is ordered*, pursuant to Section 36 of the Exchange Act,<sup>20</sup> that the Exchange is exempt from the rule filing requirements of Section 19(b) of the Exchange Act solely with respect to changes to the rules identified in its request that incorporate by reference

certain CBOE rules that are the result of changes to such CBOE rules, provided that the Exchange promptly provides written notice to its members whenever CBOE proposes to change a rule that the Exchange has incorporated by reference.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>21</sup>

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

[FR Doc. 2017-06571 Filed 4-3-17; 8:45 am]

BILLING CODE 8011-01-P

## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-80329; File No. SR-NYSEArca-2017-17]

### Self-Regulatory Organizations; NYSE Arca, Inc.; Order Approving Proposed Rule Change To Amend Rule 6.37B Regarding Market Maker Quotations, Including To Adopt a Market Maker Light Only Quotation

March 29, 2017.

#### I. Introduction

On February 10, 2017, NYSE Arca, Inc. (the "Exchange") filed with the Securities and Exchange Commission ("Commission") pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act")<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> a proposed rule change to amend Rule 6.37B regarding Market Maker Quotations, including to adopt a Market Maker Light Only Quotation. The proposed rule change was published for comment in the **Federal Register** on February 27, 2017.<sup>3</sup> The Commission received no comment letters on the proposed rule change. This order approves the proposed rule change.

#### II. Description of the Proposed Rule Change

The Exchange proposes to amend Rule 6.37B(a), which provides that a Market Maker may enter quotes in the option issues included in its appointment, to define a Market Maker "quote," add a new quote type, and specify how such quotes would be processed when a series is open for trading.

First, the Exchange proposes to define a Market Maker quote to provide that "[t]he term 'quote' or 'quotation' means a bid or offer entered by a Market Maker

<sup>12</sup> The Exchange will provide this notice by posting on its Web site, at the same location as it posts its own rule filings as required by Rule 19b-4(l), a link to the location on CBOE's Web site where the proposed rule change is posted. *Id.*

<sup>13</sup> "Trading Permit Holder" means "any individual, corporation, partnership, limited liability company or other entity authorized by the Rules that holds a Trading Permit. . . . A Trading Permit Holder is a 'member' solely for purposes of the [Exchange] Act." See CBOE Rule 1.1 (citing Section 1.1 of CBOE Bylaws).

<sup>14</sup> C2 Letter, *supra* note 8.

<sup>15</sup> *Id.*

<sup>16</sup> See, e.g., Securities Exchange Act Release Nos. 72650 (July 22, 2014), 79 FR 44075 (July 29, 2014) (order granting exemptive requests from NASDAQ OMX BX, Inc. and the NASDAQ Stock Market LLC relating to rules of NASDAQ OMX PHLX LLC incorporated by reference); 67256 (June 26, 2012), 77 FR 39277, 39286 (July 2, 2012) (order approving SR-BX-2012-030 and granting exemptive request relating to rules incorporated by reference by the BX Options rules); 61534 (February 18, 2010), 75 FR 8760 (February 25, 2010) (order granting BATS Exchange, Inc.'s exemptive request relating to rules incorporated by reference by the BATS Exchange Options Market rules) ("BATS Options Market Order"); 67256 (June 26, 2012), 77 FR 39277, 39286 (July 2, 2012) (order approving SR-BX-2012-030 and granting exemptive request relating to rules incorporated by reference by the BX Options rules); and 57478 (March 12, 2008), 73 FR 14521, 14539-40 (March 18, 2008) (order approving SR-NASDAQ-2007-004 and SR-NASDAQ-2007-080, and granting exemptive request relating to rules incorporated by reference by The NASDAQ Options Market).

<sup>17</sup> See 17 CFR 240.0-12 and Securities Exchange Act Release No. 39624 (February 5, 1998), 63 FR 8101 (February 18, 1998) ("Commission Procedures for Filing Applications for Orders for Exemptive Relief Pursuant to Section 36 of the Exchange Act; Final Rule").

<sup>18</sup> See BATS Options Market Order, *supra* note 15 (citing Securities Exchange Act Release No. 49260 (February 17, 2004), 69 FR 8500 (February 24, 2004) (order granting exemptive request relating to rules incorporated by reference by several SROs) ("2004 Order").

<sup>19</sup> See BATS Options Market Order, *supra* note 15, 75 FR at 8761; see also 2004 Order, *supra* note 17, 69 FR at 8502.

<sup>20</sup> 15 U.S.C. 78mm.

<sup>21</sup> 17 CFR 200.30-3(a)(76).

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

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

<sup>3</sup> See Securities Exchange Act Release No. 80072 (February 21, 2017), 82 FR 11964 ("Notice").

that updates the Market Maker's previous bid or offer, if any."<sup>4</sup>

Second, the Exchange proposes to add a Market Maker Light Only Quotation ("MMLO") to provide Market Makers the option to designate incoming quotes to trade solely with displayed interest on the Consolidated Book.<sup>5</sup> This proposed change would allow Market Makers to designate quotes as MMLO to prevent such quotes from trading with undisplayed liquidity upon arrival. Once an MMLO is added to the Consolidated Book, the MMLO designation would no longer apply and any unexecuted portion could trade with displayed and undisplayed interest.

Finally, the Exchange proposes to modify the processing of Market Maker quotations, including MMLOs, in a manner that aligns with the Options Order Protection And Locked/Crossed Market Plan ("Plan"), to which the Exchange is a party.<sup>6</sup> Specifically, as proposed, an incoming quotation would only trade against contra-side interest in the Consolidated Book at prices that would not trade through interest on

another Market Center.<sup>7</sup> Any untraded size of an incoming quote would be added to the Consolidated Book, unless it locks or crosses interest on another Market Center or if the quote is an MMLO and locks or crosses undisplayed interest.<sup>8</sup> The proposed rule would further state that when such quantity of an incoming quote is cancelled (as opposed to being rejected outright), the Exchange would also cancel the Market Maker's current quote on the opposite side of the market. According to the Exchange, this would allow the Market Maker to refresh both its bid and offer simultaneously, as both sides of the Market Maker's quote residing on the Consolidated Book would be cancelled.<sup>9</sup> Additionally, the Exchange would reject an incoming quotation if it locks or crosses interest on another Market Center and if it cannot trade with interest in the Consolidated Book at prices that do not trade through another Market Center.<sup>10</sup> The Exchange also proposes to reject an incoming MMLO if it locks or crosses undisplayed interest and cannot trade with displayed interest in the Consolidated Book at prices that do not trade through another Market Center.<sup>11</sup> The proposed rule would further state that when an incoming quote is rejected outright (as opposed to being cancelled after a partial fill), the Exchange would also cancel the Market Maker's current quote on the same side of the market.<sup>12</sup> According to the Exchange, this treatment recognizes that the Market Maker unsuccessfully attempted to update its bid or offer price, and the cancellation would allow the Market Maker to refresh that side of its quote.<sup>13</sup> The Exchange also proposes to specify that, when a series is open for trading, a quote will trade only against interest in the Consolidated Book and will not route.<sup>14</sup>

According to the Exchange, the implementation of the proposed rule change will be no later than 30 days after its approval, and will be announced by Trader Update.<sup>15</sup>

### 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<sup>16</sup> and the rules and regulations thereunder applicable to a national securities exchange.<sup>17</sup> In particular, the Commission finds that the proposed rule change is consistent with Section 6(b)(5) of the Act,<sup>18</sup> which requires, among other things, that the rules of a national securities exchange be 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 and that the rules not be designed to permit unfair discrimination between customers, issuers, brokers, or dealers.

The Exchange noted that its proposal to add the definition of Market Maker quotes will provide additional clarity and transparency to Exchange rules.<sup>19</sup> The Exchange further stated that it is difficult for Market Makers to account for undisplayed liquidity in their quoting models. The Exchange believes that its proposal to adopt the MMLO functionality would therefore provide Market Makers with increased control over their exposure, and thus may encourage more aggressive liquidity provision, resulting in more trading opportunities and tighter spreads.<sup>20</sup> According to the Exchange, this would improve overall market quality and improve competition on the Exchange to the benefit of all market participants.<sup>21</sup> Finally, the Exchange stated that its proposal to amend the treatment of Market Maker quotations would assist Market Makers in maintaining a fair and orderly market, would encourage increased liquidity provision on the Exchange, and is consistent with Exchange's obligations under the Plan in that it avoids trading through better prices on other exchanges and is designed to avoid locking and crossing

<sup>4</sup> See proposed Rule 6.37B(a)(1). The Exchange notes that its proposed definition is identical or substantially similar to related definitions on other options exchanges. See, e.g., International Securities Exchange, LLC Rule 100(a)(42); BOX Options Exchange LLC Rule 100(a)(55). The Exchange also proposes to modify the current definition of "Quote with Size" to include a cross reference to the proposed definition of "quotation." See proposed Rule 6.1(b)(33).

<sup>5</sup> See proposed Rule 6.37B(a)(2). The Exchange noted that this proposed functionality for Market Maker quotations is comparable to functionality Market Makers may currently employ for orders. See Notice, *supra* note 3, at 11964–65, 11964 n.9. See also Rule 6.62(v) (defining Post No Preference Light Orders as non-routable orders that are only eligible to execute against displayed liquidity). The Exchange further noted that it previously offered, and later eliminated, a Post No Preference Light Only Quotation ("PNPLO"), which, like the MMLO, allowed Market Makers to designate certain quotations to only interact with displayed liquidity. See Notice, *supra* note 3, at 11965 n.10. See also Securities Exchange Act Release Nos. 67252 (June 25, 2012), 77 FR 38879 (June 29, 2012) (SR–NYSEArca–2012–05) (order approving adoption of PNPLO for Penny Pilot issues only); 68339 (December 3, 2012), 77 FR 73109 (December 7, 2012) (SR–NYSEArca–2012–130) (extending the PNPLO to non-Penny Pilot issues); 69641 (May 28, 2013), 78 FR 33134 (June 3, 2013) (SR–NYSEArca–2013–51) (eliminating reference to the PNPLO).

<sup>6</sup> See Plan, dated April 14, 2009, available at [http://www.optionsclearing.com/components/docs/clearing/services/options\\_order\\_protection\\_plan.pdf](http://www.optionsclearing.com/components/docs/clearing/services/options_order_protection_plan.pdf). See also Securities Exchange Act Release No. 60405 (July 30, 2009), 74 FR 39362 (August 6, 2009) (File No. 4–546) (order approving the Plan). The Plan establishes various obligations for participating exchanges, including that Market Makers should "reasonably avoid displaying, and shall not engage in a pattern or practice of displaying, any quotations that lock or cross" the best bid or offer on another Market Center. See Plan, *supra*, at Section 6(c).

<sup>7</sup> See proposed Rule 6.37B(a)(3)(A). See also Rule 6.1A(6) (defining Market Center as "a national securities exchange that has qualified for participation in the Options Clearing Corporation pursuant to the provisions of the rules of the Options Clearing Corporation").

<sup>8</sup> See proposed Rule 6.37B(a)(3)(B)(i).

<sup>9</sup> See Notice, *supra* note 3, at 11965.

<sup>10</sup> See proposed Rule 6.37B(a)(3)(C)(i).

<sup>11</sup> See proposed Rule 6.37B(a)(3)(C)(ii).

<sup>12</sup> See proposed Rule 6.37B(a)(3)(C).

<sup>13</sup> See Notice, *supra* note 3, at 11965.

<sup>14</sup> See proposed Rule 6.37B(a)(3)(D).

<sup>15</sup> See Notice, *supra* note 3, at 11965.

<sup>16</sup> 15 U.S.C. 78f.

<sup>17</sup> 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).

<sup>18</sup> 15 U.S.C. 78f(b)(5).

<sup>19</sup> See Notice, *supra* note 3, at 11966.

<sup>20</sup> See *id.*

<sup>21</sup> See *id.*

markets.<sup>22</sup> In particular, the Exchange noted that the proposed rules with respect to the treatment of Market Maker quotations would enable Market Makers to simultaneously update both sides of their resting quote when one side of the quote received a partial fill but was subsequently cancelled, and to leave undisturbed valid opposite-side interest where one side of a quote is rejected and not booked.<sup>23</sup> This proposal does not relieve a Market Maker of its continuous quoting, or firm quote, obligations pursuant to Rules 6.37B and 6.86, respectively. For these reasons, the Commission finds that the proposed rule change is consistent with Section 6(b)(5) of the Act and the rules and regulations thereunder applicable to a national securities exchange.

#### IV. Conclusion

*It is therefore ordered*, pursuant to Section 19(b)(2) of the Act,<sup>24</sup> that the proposed rule change (SR-NYSEArca-2017-17) be, and hereby is, approved.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>25</sup>

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

[FR Doc. 2017-06564 Filed 4-3-17; 8:45 am]

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## SECURITIES AND EXCHANGE COMMISSION

### Sunshine Act Meeting

Notice is hereby given, pursuant to the provisions of the Government in the Sunshine Act, Public Law 94-409, that the Securities and Exchange Commission will hold a closed meeting on Thursday, April 6, 2017 at 2 p.m.

Commissioners, Counsel to the Commissioners, the Secretary to the Commission, and recording secretaries will attend the closed meeting. Certain staff members who have an interest in the matters also may be present.

The General Counsel of the Commission, or her designee, has certified that, in her opinion, one or more of the exemptions set forth in 5 U.S.C. 552b(c)(3), (5), (7), 9(B) and (10) and 17 CFR 200.402(a)(3), (a)(5), (a)(7), (a)(9)(ii) and (a)(10), permit consideration of the scheduled matter at the closed meeting.

Commissioner Stein, as duty officer, voted to consider the items listed for the closed meeting in closed session.

The subject matter of the closed meeting will be:

- Institution and settlement of injunctive actions;
- Institution and settlement of administrative proceedings; and
- Other matters relating to enforcement proceedings.

At times, changes in Commission priorities require alterations in the scheduling of meeting items.

For further information and to ascertain what, if any, matters have been added, deleted or postponed; please contact Brent J. Fields from the Office of the Secretary at (202) 551-5400.

Dated: March 30, 2017.

**Brent J. Fields,**  
*Secretary.*

[FR Doc. 2017-06691 Filed 3-31-17; 11:15 am]

BILLING CODE 8011-01-P

## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-80325; File No. SR-ISE-2017-25]

### Self-Regulatory Organizations; International Securities Exchange, LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Rename the Exchange as Nasdaq ISE, LLC

March 29, 2017.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the "Act"),<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on March 17, 2017, the International Securities Exchange, LLC ("ISE" or "Exchange") filed with the Securities and Exchange Commission ("SEC" or "Commission") the proposed rule change as described in Items I and II below, which Items have been prepared by the Exchange. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

#### I. Self-Regulatory Organization's Statement of the Terms of Substance of the Proposed Rule Change

The Exchange proposes to amend its Second Amended and Restated Constitution, Third Amended and Restated LLC Agreement, Rule Book and Fee Schedule to rename itself Nasdaq ISE, LLC. In addition this rule change proposes to amend references to the names of certain affiliated markets within the ISE Rulebook.<sup>3</sup>

The text of the proposed rule change is available on the Exchange's Web site at [www.ise.com](http://www.ise.com), at the principal office of the Exchange, and at the Commission's Public Reference Room.

#### II. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, the Exchange included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. The Exchange has prepared summaries, set forth in sections A, B, and C below, of the most significant aspects of such statements.

##### A. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

###### 1. Purpose

The purpose of the proposed rule change is to rename the Exchange to reflect its new placement within the Nasdaq, Inc. corporate structure in connection with the March 9, 2016 acquisition by Nasdaq of the capital stock of U.S. Exchange Holdings, and the thereby indirectly acquiring all of the interests of the International Securities Exchange, LLC, ISE Gemini, LLC and ISE Mercury, LLC.<sup>4</sup>

Specifically, all references in the Exchange's Second Amended and Restated Constitution and Third Amended and Restated Limited Liability Company Agreement, Rule Book and Fee Schedule to "International Securities Exchange, LLC," "ISE, LLC," or "ISE" shall be amended to "Nasdaq ISE, LLC" or "Nasdaq ISE." Moreover, consistent with changes already filed for ISE Gemini, LLC, the rule change proposes to amend references to "ISE Gemini" to "Nasdaq GEMX," and references to "ISE Mercury" and "Mercury" to "Nasdaq MRX."<sup>5</sup> The Exchange also proposes minor grammatical changes which are necessary as a result of the name change, *i.e.*, amending "a" to "an." The

<sup>4</sup> See Securities Exchange Act Release No. 78119 (June 27, 2016), 81 FR 41611 (SR-ISE-2016-11; SR-ISE Gemini-2016-05; SR-ISE Mercury-2016-10) (Order Granting Accelerated Approval of Proposed Rule Changes, Each as Modified by Amendment No. 1 Thereto, Relating to a Corporate Transaction in Which Nasdaq, Inc. Will Become the Indirect Parent of ISE, ISE Gemini, and ISE Mercury).

<sup>5</sup> See Securities Exchange Act Release No. 80248 (March 15, 2017) (SR-ISE Gemini-2017-13). See also SR-ISE Mercury-2017-05.

<sup>22</sup> See *id.*

<sup>23</sup> See *id.*

<sup>24</sup> 15 U.S.C. 78s(b)(2).

<sup>25</sup> 17 CFR 200.30-3(a)(12).

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

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

<sup>3</sup> The affiliated markets are ISE Gemini, LLC and ISE Mercury, LLC.