

would, and the Commission believes that Sponsoring Members are fully aware of this outcome and are capable of addressing it by passing on any risk and cost to their Sponsored Members. The Commission also believes that benefits from the expansion would not necessarily fall solely to bank Netting Members, but, as FICC explains,<sup>46</sup> to all GSD members, where such members are counterparties to Sponsoring Members with new Sponsored Member Trades.

In addition, the Commission believes that the proposal's expansion of the Sponsored Membership program would make the risk-reducing benefits of central clearing available to a wider range of entity types. In turn, increased trading activity through the expanded Sponsored Membership program would likely (1) lower the risk of diminished liquidity in the U.S. repo market caused by a large scale exit of participants from the market in a stress scenario (through FICC's guaranty of completion of settlement for a greater number of eligible transactions); (2) protect against fire sale risk (through FICC's ability to centralize and control the liquidation of a greater portion of a failed counterparty's portfolio); and (3) decrease settlement and operational risk (by making a greater number of transactions eligible to be netted and subject to guaranteed settlement, novation, and independent risk management through FICC).

Therefore, the Commission believes that by removing the RIC requirement and adjusting the QIB requirement, the Proposed Rule Change would remove an impediment to and help perfect the mechanism of a national system for the prompt and accurate clearance and settlement of securities transactions, consistent with Section 17A(b)(3)(F) of the Act, cited above.

Section 17A(b)(3)(F) of the Act requires, in part, that the Rules also be designed to, in general, to protect investors and the public interest.<sup>47</sup> As described above, the proposal would expand the types of entities eligible to participate in the Sponsored Membership program as Sponsored Members. As discussed above, Ronin argues that such expansion would increase concentration, settlement, and leverage risks.<sup>48</sup> The Commission does not find that the proposed expansion would increase such risks. First, Sponsoring Members are bank Netting Members that are subject to extensive risk management practices and

oversight by their prudential regulators and FICC, which helps mitigate risk posed by such entities, including the addition of new Sponsored Members. Second, by expanding the types of entities that are eligible to participate and thereby benefit from FICC's guaranteed settlement, novation, and independent risk management, the proposal would help mitigate the risk of a large scale exit by such firms from the U.S. repo market in a stress scenario and, thus, lower the risk of a liquidity drain in such a scenario. Third, by providing central clearing to a greater number of Sponsored Member Trades, the proposal would enable FICC to centralize and control the liquidation of a greater number of such positions in the event of a Sponsored Member or Sponsoring Member's default. Doing so would help protect against the risk that an uncoordinated liquidation of the positions by multiple counterparties to the defaulting member would cause a fire sale of positions that negatively impacts the counterparties, FICC, and potentially the broader financial system. Therefore, the Commission believes that the proposed changes related to the proposed expansion of Sponsored Membership eligibility would help protect investors and the public interest, in accordance with Section 17A(b)(3)(F) of the Act.<sup>49</sup>

Section 17A(b)(3)(F) of the Act requires, in part, that the Rules also be designed to promote the prompt and accurate clearance and settlement of securities transactions.<sup>50</sup> In addition to the proposed changes related specifically to the proposed expansion of entity types eligible to be Sponsored Members, the Proposed Rule Change also would make a number of changes to the Rules that relate to Sponsored Membership in general, as described above. These changes are designed to provide specificity, clarity, and additional transparency to the Rules by (i) removing ambiguities in definitions and other Rule provisions to provide greater clarity regarding how such definitions and provisions apply to the Sponsored Membership program; (ii) updating Rule provisions to correct outdated terminology; and (iii) correcting typographical errors and out-of-date cross-references. Collectively, these changes would ensure that the relevant Rules remain transparent, accurate, and clear, which would enable all stakeholders to better understand their rights and obligations in connection with the Sponsored Membership program. Therefore, the

Commission believes these changes would promote the prompt and accurate clearance and settlement of securities transactions by FICC, consistent with Section 17A(b)(3)(F) of the Act.<sup>51</sup>

## V. Conclusion

On the basis of the foregoing, the Commission finds that the Proposed Rule Change is consistent with the requirements of the Act and in particular with the requirements of Section 17A of the Act<sup>52</sup> and the rules and regulations promulgated thereunder.

*It Is Therefore Ordered*, pursuant to Section 19(b)(2) of the Act<sup>53</sup> that proposed rule change SR-FICC-2017-003, as modified by Amendment No. 1, be, and hereby is, *Approved*.<sup>54</sup>

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>55</sup>

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

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-80566; File No. SR-ICEEU-2017-003]

### Self-Regulatory Organizations; ICE Clear Europe Limited; Notice of Designation of Longer Period for Commission Action on Proposed Rule Change, Security-Based Swap Submission, or Advance Notice Relating to the CDS End-of-Day Price Discovery Policy

May 1, 2017.

On March 10, 2017, ICE Clear Europe Limited ("ICE Clear Europe") 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 (SR-ICEEU-2017-003) to amend ICE Clear Europe's CDS End-of-Day Price Discovery Policy to implement a new price submission process for Clearing Members. The proposed rule change was published for comment in the **Federal Register** on March 23,

<sup>51</sup> *Id.*

<sup>52</sup> 15 U.S.C. 78q-1.

<sup>53</sup> 15 U.S.C. 78s(b)(2).

<sup>54</sup> In approving the proposed rule change, the Commission considered the proposals' impact on efficiency, competition, and capital formation. 15 U.S.C. 78c(f).

<sup>55</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>46</sup> FICC Letter at 3-4.

<sup>47</sup> 15 U.S.C. 78q-1(b)(3)(F).

<sup>48</sup> Ronin Letter I at 1-6; *see also* Ronin Letter II at 2.

<sup>49</sup> *Id.*

<sup>50</sup> *Id.*

2017.<sup>3</sup> The Commission received no comments regarding the proposed changes.

Section 19(b)(2) of the Act provides that within 45 days of the publication of the notice of the filing of a proposed rule change, or within such longer period up to 90 days as the Commission may designate if it finds such longer period to be appropriate and publishes its reasons for so finding, or as to which the self-regulatory organization consents, the Commission shall either approve the proposed rule change, disapprove the proposed rule change, or institute proceedings to determine whether the proposed rule change should be disapproved.<sup>4</sup> The 45th day from the publication of the Notice is May 7, 2017.

The Commission is extending the 45-day time period for Commission action on the proposed rule change. ICE Clear Europe proposes to revise its CDS End-of-Day Price Discovery Policy to implement a new Clearing Member price submission process to remove the intermediary agent through which Clearing Members currently submit required prices, and replace it with a process through which Clearing Members submit prices directly to ICE Clear Europe. The Commission finds that it is appropriate to designate a longer period within which to take action on the proposed rule change so that it has sufficient time to consider ICE Clear Europe's proposed rule change and the associated operational risks.

Accordingly, the Commission, pursuant to Section 19(b)(2) of the Act, extends the period by which the Commission shall either approve or disapprove, or institute proceedings to determine whether to disapprove, the proposed rule change (File No. SR-ICEEU-2017-003) to no later than June 21, 2017.

For the Commission by the Division of Trading and Markets, pursuant to delegated authority.<sup>5</sup>

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

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<sup>3</sup> Securities Exchange Act Release No. 34-80269 (March 17, 2017), 82 FR 14925 (March 23, 2017) (SR-ICEEU-2017-003) ("Notice").

<sup>4</sup> 15 U.S.C. 78s(b)(2).

<sup>5</sup> 17 CFR 200.30-3(a)(12).

## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-80570; File No. SR-MIAX-2017-16]

### Self-Regulatory Organizations; Miami International Securities Exchange LLC; Notice of Filing of a Proposed Rule Change To Amend MIAX Options Rule 515A, MIAX Price Improvement Mechanism ("PRIME") and PRIME Solicitation Mechanism

May 1, 2017.

Pursuant to the provisions of Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act")<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on April 25, 2017, Miami International Securities Exchange LLC ("MIAX Options" or "Exchange") filed with the Securities and Exchange Commission ("Commission") a proposed rule change as described in Items I, II, and III below, which Items have been prepared by the Exchange. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

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

The Exchange is filing a proposal to amend Exchange Rule 515A, MIAX Price Improvement Mechanism ("PRIME") and PRIME Solicitation Mechanism.

The text of the proposed rule change is available on the Exchange's Web site at <http://www.miaxoptions.com/rule-filings>, at MIAX's principal office, 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.

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

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

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

##### 1. Purpose

The Exchange proposes to amend Rule 515A, MIAX Price Improvement Mechanism ("PRIME") and PRIME Solicitation Mechanism, to amend the duration of a PRIME Auction. PRIME is a process by which a Member<sup>3</sup> may electronically submit for execution ("Auction") an order<sup>4</sup> it represents as agent ("Agency Order") against principal interest, and/or an Agency Order against solicited interest ("Solicitation Auction"). When the Exchange receives a properly designated Agency Order for auction processing, a Request for Responses ("RFR") detailing the option, side, size, and initiating price is sent to all subscribers of the Exchange's data feeds. Currently, the Auction and Solicitation Auction period lasts for 500 milliseconds, unless it is concluded early.<sup>5</sup> The Exchange proposes to amend Rule 515A(a)(2)(i)(C) so that the duration of the Auction and Solicitation Auction shall be a time period designated by the Exchange, which shall be no less than 100 milliseconds and no more than 1 second, consistent with the rule of other exchanges, such as the International Securities Exchange ("ISE"), NASDAQ BX ("BX"), NASDAQ PHLX ("PHLX"), and Chicago Board Options Exchange ("CBOE").<sup>6</sup> When approving the change

<sup>3</sup> The term "Member" means an individual or organization approved to exercise the trading rights associated with a Trading Permit. Members are deemed "members" under the Exchange Act. See Exchange Rule 100.

<sup>4</sup> The term "order" means a firm commitment to buy or sell option contracts. See Exchange Rule 100.

<sup>5</sup> A PRIME and PRIME Solicitation Auction will conclude at the sooner of (1) Upon receipt by the System of an unrelated order (in the same option as the Agency Order) on the opposite side of the market from the RFR responses, that is marketable against either the NBBO, the initiating price, or the RFR responses; (2) Upon receipt by the System of an unrelated order (in the same option as the Agency Order) on the same side of the market as the RFR responses, that is marketable against the NBBO; (3) Upon receipt by the System of an unrelated limit order (in the same option as the Agency Order) on the opposite of the market from the Agency Order that improves any RFR response; (4) Any time an RFR response matches the NBBO on the opposite side of the market from the RFR responses; (5) Any time there is a quote lock in the subject option on the Exchange pursuant to Rule 1402; or (6) Any time there is a trading halt in the option on the Exchange. See Exchange Rule 515A.

<sup>6</sup> See Securities Exchange Act Release Nos. 79733 (January 4, 2017), 82 FR 3055 (January 10, 2017) (SR-ISE-2016-26); 76301 (October 29, 2015), 80 FR 68347 (November 4, 2015) (SR-BX-2015-032); 77557 (April 7, 2016), 81 FR 21935 (April 13, 2016) (SR-PHLX-2016-40); and 80421 (April 10, 2017), 82 FR 18048 (April 14, 2017) (SR-CBOE-2017-029). The Commission notes that CBOE's proposed