

## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–80636; File No. SR–GEMX–2017–05]

### Self-Regulatory Organizations; Nasdaq GEMX, LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Schedule of Fees to Amend Pricing Related to Options Overlying NDX and MNX

May 10, 2017.

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> notice is hereby given that on April 25, 2017, Nasdaq GEMX, LLC (“GEMX” 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 amend the Exchange’s Schedule of Fees to amend pricing related to options overlying NDX<sup>3</sup> and MNX,<sup>4</sup> as described further below. While changes to the Schedule of Fees pursuant to this proposal are effective upon filing, the Exchange has designated these changes to be operative on May 1, 2017.

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 amend the Exchange’s Schedule of Fees to make changes to pricing related to NDX and MNX. The proposed changes are discussed in the following sections.

##### Fees and Rebates in NDX

The Exchange proposes to amend its Schedule of Fees to make pricing changes related to NDX. The Exchange notes that NDX is transitioning to be exclusively listed on the Exchange and its affiliated markets in 2017.<sup>5</sup> In light of this transition, the Exchange seeks to amend its NDX pricing structure.

Today, as set forth in Section I of the Schedule of Fees, the Exchange provides volume-based maker rebates to Market Maker<sup>6</sup> and Priority Customer<sup>7</sup> orders in Non-Penny Symbols<sup>8</sup> in four tiers based on a member’s average daily volume (“ADV”) in the following categories: (1) Total Affiliated Member ADV,<sup>9</sup> and (2) Priority Customer Maker ADV,<sup>10</sup> as shown in the table below.<sup>11</sup> In addition, the Exchange charges volume-based taker fees to market

<sup>5</sup> The Exchange and its affiliates will exclusively list NDX in the near future upon expiration of open expiries in this product on other markets.

<sup>6</sup> The term Market Maker refers to “Competitive Market Makers” and “Primary Market Makers” collectively. Market Maker orders sent to the Exchange by an Electronic Access Member (“EAM”) are assessed fees and rebates at the same level as Market Maker orders.

<sup>7</sup> A “Priority Customer” is a person or entity that is not a broker/dealer in securities, and does not place more than 390 orders in listed options per day on average during a calendar month for its own beneficial account(s), as defined in GEMX Rule 100(a)(37A).

<sup>8</sup> “Non-Penny Symbols” are options overlying all symbols excluding Penny Symbols. NDX is a Non-Penny Symbol.

<sup>9</sup> The Total Affiliated Member ADV category includes all volume in all symbols and order types, including both maker and taker volume and volume executed in the PIM, Facilitation, Solicitation, and QCC mechanisms.

<sup>10</sup> The Priority Customer Maker ADV category includes all Priority Customer volume that adds liquidity in all symbols.

<sup>11</sup> All eligible volume from affiliated Members will be aggregated in determining applicable tiers, provided there is at least 75% common ownership between the Members as reflected on each Member’s Form BD, Schedule A. The highest tier threshold attained above applies retroactively in a given month to all eligible traded contracts and applies to all eligible market participants. Any day that the market is not open for the entire trading day or the Exchange instructs members in writing to route their orders to other markets may be excluded from the ADV calculation; provided that the Exchange will only remove the day for members that would have a lower ADV with the day included.

participants based on achieving these volume thresholds.

TABLE 1

Tier	Total affiliated member ADV	Priority customer maker ADV
Tier 1 ...	0–99,999 .....	0–19,999.
Tier 2 ...	100,000– 224,999.	20,000–99,999.
Tier 3 ...	225,000– 349,999.	100,000– 149,999.
Tier 4 ...	350,000 or more.	150,000 or more.

Specifically, the Exchange provides a maker rebate to Market Maker orders in Non-Penny Symbols that is \$0.40 per contract in Tier 1, \$0.42 per contract in Tier 2, \$0.50 per contract in Tier 3, and \$0.75 per contract in Tier 4. The Exchange also provides a maker rebate to Priority Customer orders in Non-Penny Symbols that is \$0.75 per contract in Tier 1 (or \$0.76 per contract for members that execute a Priority Customer Maker ADV of 5,000 to 19,999 contracts in a given month), \$0.80 per contract in Tier 2, \$0.85 per contract in Tier 3, and \$1.05 per contract in Tier 4. Additionally, the Exchange provides a maker rebate to Non-Nasdaq GEMX Market Maker,<sup>12</sup> Firm Proprietary<sup>13</sup>/ Broker-Dealer,<sup>14</sup> and Professional Customer<sup>15</sup> orders in Non-Penny Symbols that is \$0.25 per contract.<sup>16</sup>

The Exchange also charges volume-based taker fees in Non-Penny Symbols to market participants based on achieving the volume thresholds in the table above. Currently, the Exchange charges a taker fee for Non-Priority Customer<sup>17</sup> orders in Non-Penny Symbols that is \$0.89 per contract, regardless of the tier achieved.<sup>18</sup> The Exchange also charges a taker fee for

<sup>12</sup> A “Non-Nasdaq GEMX Market Maker” is a market maker as defined in Section 3(a)(38) of the Securities Exchange Act of 1934, as amended, registered in the same options class on another options exchange.

<sup>13</sup> A “Firm Proprietary” order is an order submitted by a member for its own proprietary account.

<sup>14</sup> A “Broker-Dealer” order is an order submitted by a member for a broker-dealer account that is not its own proprietary account.

<sup>15</sup> A “Professional Customer” is a person or entity that is not a broker/dealer and is not a Priority Customer.

<sup>16</sup> The maker rebates for these market participants are not volume-based.

<sup>17</sup> Non-Priority Customer includes Market Maker, Non-Nasdaq GEMX Market Maker, Firm Proprietary, Broker-Dealer, and Professional Customer.

<sup>18</sup> Non-Priority Customer orders are also charged the taker fee for trades executed during the opening rotation. Priority Customer orders executed during the opening rotation receive the applicable maker rebate based on the tier achieved.

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

<sup>2</sup> 17 CFR 240.19b–4.

<sup>3</sup> NDX represents options on the Nasdaq 100 Index traded under the symbol NDX (“NDX”).

<sup>4</sup> MNX represents options on one-tenth the value of the Nasdaq 100 Index traded under the symbol MNX (“MNX”).

Priority Customer orders that is \$0.82 per contract for Tier 1 and \$0.81 per contract for Tiers 2 through 4.

In addition, different taker fees are charged for trades executed against a Priority Customer in Non-Penny Symbols. In particular, Non-Priority Customer orders are charged a taker fee of \$1.10 per contract for trades executed against a Priority Customer. Priority Customer orders are charged a taker fee of \$0.85 per contract for trades executed against a Priority Customer. Orders in Non-Penny Symbols that do not trade against a Priority Customer are currently charged at the rates described in the paragraph above and as set forth in the Non-Penny Symbols table in Section I of the Schedule of Fees.

The Exchange also currently assesses different fees for regular Non-Penny Symbol orders executed in the Exchange's crossing mechanisms, as set forth in Schedule I of the Schedule of Fees (such orders, "Auction Orders"). Specifically, the Exchange charges a fee for Non-Priority Customer Crossing Orders<sup>19</sup> (excluding PIM orders) in Non-Penny Symbols. This fee is currently \$0.20 per contract for Non-Priority Customer orders on both the originating and contra side of a Crossing Order. The Exchange does not assess a fee for Priority Customer Crossing Orders (excluding PIM orders) in Non-Penny Symbols. The Exchange also charges a separate fee for Crossing Orders in Non-Penny Symbols for PIM orders only. This fee is currently \$0.05 per contract for all Non-Priority Customer orders executed in the PIM, and also for Priority Customer orders on the contra-side of a PIM auction. There is no fee for Priority Customer orders on the agency side of a PIM auction. Lastly, for Responses to Crossing Orders<sup>20</sup> (excluding PIM orders) in Non-Penny Symbols, the Exchange charges a fee of \$0.89 per contract for Non-Priority Customers orders and a fee of \$0.82 per contract for Priority Customer orders. For all Responses to Crossing Orders executed in the PIM, the Exchange charges a \$0.05 per contract fee for all market participant types.

In light of NDX's transition to becoming exclusively listed, the Exchange seeks to amend its pricing

<sup>19</sup> A "Crossing Order" is an order executed in the Exchange's Facilitation Mechanism, Solicited Order Mechanism, Price Improvement Mechanism ("PIM") or submitted as a Qualified Contingent Cross order. For purposes of this Fee Schedule, orders executed in the Block Order Mechanism are also considered Crossing Orders.

<sup>20</sup> "Responses to Crossing Order" is any contra-side interest (*i.e.*, orders & quotes) submitted after the commencement of an auction in the Exchange's Facilitation Mechanism, Solicited Order Mechanism, Block Order Mechanism or PIM.

structure. Specifically, the Exchange seeks to eliminate the current pricing structure for NDX by excluding this index option from the fees and rebates applicable to all Non-Penny Symbol orders, and instead adopt standard transaction fees as set forth in a new table in Section I of the Schedule of Fees.<sup>21</sup> The Exchange also seeks to eliminate the maker rebates for all market participant orders in NDX.<sup>22</sup> As such, all Non-Priority Customer orders<sup>23</sup> in NDX (including Non-Priority Customer Auction Orders) will be assessed a transaction fee of \$0.75, which will be uniform for these market participants, regardless of the tier achieved.<sup>24</sup> All Priority Customer orders in NDX (including Priority Customer Auction Orders) will not be assessed fees in any of the volume-based tiers.<sup>25</sup>

#### Non-Priority Customer License Surcharge for NDX and MNX

Currently, a number of index options are traded on the Exchange pursuant to license agreements for which the Exchange charges license surcharges. As set forth in Section II.B of the Schedule of Fees, the Exchange currently charges a \$0.22 per contract license surcharge for all orders in NDX and MNX other than Priority Customer orders. For NDX

<sup>21</sup> The Exchange will therefore add note 6 in Section I of the Schedule of Fees to provide that the fees set forth in the new pricing table for index options will apply only to NDX. Furthermore, note 6 will state that these fees are assessed to all executions in NDX to clarify that the proposing pricing also applies to Auction Orders in NDX.

<sup>22</sup> Orders in NDX will continue, however, to count toward volume-based tiers under the proposed pricing structure. As such, maker rebates will no longer be paid on NDX contracts, but NDX contracts will count toward the volume requirement to qualify for a rebate tier. For example, a Market Maker that executes a Total Affiliated Member ADV of 350,000 contracts in a given month would normally qualify for the maker rebate of \$0.75 per contract in Tier 4. With the proposed changes, that Market Maker would not be paid a maker rebate for trades in NDX, but its executions in NDX would still count towards the monthly volume calculation (*i.e.*, to reach the Total Affiliated Member ADV Tier 4 threshold of 350,000 contracts).

<sup>23</sup> Market Maker orders in NDX sent to the Exchange by an EAM will continue to be assessed fees at the same level as Market Maker orders in NDX.

<sup>24</sup> The Exchange will therefore add note 10 in Section I of the Schedule of Fees to provide that this fee will not be subject to tier discounts. Orders in NDX, however, will still count toward volume-based tiers. For example, a Market Maker that executes a Total Affiliated Member ADV of 350,000 contracts in a given month would normally be charged a taker fee of \$0.89 per contract for orders in Non-Penny Symbols. With the proposed changes, that Market Maker would pay a fee of \$0.75 for trades in NDX, regardless of the tier achieved. That Market Maker's executions in NDX, however, would still be counted towards the monthly volume calculation (*i.e.*, to reach the Total Affiliated Member ADV Tier 4 threshold of 350,000 contracts). See also note 22 above.

<sup>25</sup> See notes 22 and 24 above.

only, the Exchange is proposing to amend Section II.B of the Schedule of Fees to increase the Non-Priority Customer License Surcharge from \$0.22 to \$0.25 per contract ("NDX Surcharge"), and to relocate the NDX Surcharge to note 9 in Section I of the Schedule of Fees, instead of stating the pricing within the current table in Section II.B of the Schedule of Fees. The proposed increase to \$0.25 per contract will align the Exchange's NDX Surcharge with those of its affiliated markets, International Securities Exchange, LLC ("ISE") and NASDAQ PHLX LLC ("Phlx").<sup>26</sup>

As it relates to MNX, the Exchange seeks to eliminate the \$0.22 Non-Priority Customer License Surcharge ("MNX Surcharge"), and proposes to remove any references to MNX currently in Section II.B of the Schedule of Fees.

## 2. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act,<sup>27</sup> in general, and furthers the objectives of Sections 6(b)(4) and 6(b)(5) of the Act,<sup>28</sup> in particular, in that it provides for the equitable allocation of reasonable dues, fees, and other charges among members and issuers and other persons using any facility, and is not designed to permit unfair discrimination between customers, issuers, brokers, or dealers.

The Commission and the courts have repeatedly expressed their preference for competition over regulatory intervention in determining prices, products, and services in the securities markets. In Regulation NMS, while adopting a series of steps to improve the current market model, the Commission highlighted the importance of market forces in determining prices and SRO revenues and, also, recognized that current regulation of the market system "has been remarkably successful in promoting market competition in its broader forms that are most important to investors and listed companies."<sup>29</sup>

Likewise, in *NetCoalition v. Securities and Exchange Commission*<sup>30</sup> ("NetCoalition") the D.C. Circuit upheld the Commission's use of a market-based approach in evaluating the fairness of market data fees against a challenge claiming that Congress mandated a cost-

<sup>26</sup> See ISE's Schedule of Fees, Section IV.B. See also Phlx's Pricing Schedule, Section II.

<sup>27</sup> 15 U.S.C. 78f(b).

<sup>28</sup> 15 U.S.C. 78f(b)(4) and (5).

<sup>29</sup> Securities Exchange Act Release No. 51808 (June 9, 2005), 70 FR 37496, 37499 (June 29, 2005) ("Regulation NMS Adopting Release").

<sup>30</sup> *NetCoalition v. SEC*, 615 F.3d 525 (D.C. Cir. 2010).

based approach.<sup>31</sup> As the court emphasized, the Commission “intended in Regulation NMS that ‘market forces, rather than regulatory requirements’ play a role in determining the market data . . . to be made available to investors and at what cost.”<sup>32</sup>

Further, “[n]o one disputes that competition for order flow is ‘fierce.’ . . . As the SEC explained, ‘[i]n the U.S. national market system, buyers and sellers of securities, and the broker-dealers that act as their order-routing agents, have a wide range of choices of where to route orders for execution’; [and] ‘no exchange can afford to take its market share percentages for granted’ because ‘no exchange possesses a monopoly, regulatory or otherwise, in the execution of order flow from broker dealers’ . . . .”<sup>33</sup> Although the court and the SEC were discussing the cash equities markets, the Exchange believes that these views apply with equal force to the options markets.

#### Fees and Rebates in NDX

The Exchange believes that the proposed pricing changes for NDX are reasonable, equitable and not unfairly discriminatory as NDX transitions to an exclusively-listed product. Similar to other proprietary products, the Exchange seeks to recoup the operational costs for listing proprietary products.<sup>34</sup> Also, pricing by symbol is a common practice on many U.S. options exchanges as a means to incentivize order flow to be sent to an exchange for execution in particular products. Other options exchanges price by symbol.<sup>35</sup> Further, the Exchange notes that with its products, market participants are offered an opportunity to either transact options overlying NDX or separately execute options overlying PowerShares QQQ Trust (“QQQ”).<sup>36</sup> Offering products such as QQQ provides market participants with a variety of choices in selecting the product they desire to utilize to transact NDX.<sup>37</sup> When

exchanges are able to recoup costs associated with offering proprietary products, it incentivizes growth and competition for the innovation of additional products.

As proposed, the Exchange seeks to eliminate the existing fee and rebate structure for NDX orders, and instead adopt standard transaction fees for all such orders. Specifically, the proposed pricing changes for NDX will result in a flat fee of \$0.75 per contract for all Non-Priority Customer NDX orders (including Non-Priority Customer Auction Orders), and no fees for any Priority Customer NDX orders (including Priority Customer Auction Orders). The Exchange believes that it is reasonable to eliminate the maker rebates for all market participant orders in NDX because it is similar to other exchanges, which do not provide rebates for certain proprietary products. On Phlx, no rebates are paid on NDX contracts.<sup>38</sup> Additionally, C2 Options Exchange, Inc. (“C2”) does not provide any rebates for RUT, which is another broad-based index option and similar proprietary product.<sup>39</sup> Furthermore, the Exchange believes that it is reasonable to eliminate the maker rebate for Priority Customer orders in NDX because even after the elimination of the rebate, Priority Customer orders (including Priority Customer Auction Orders) in NDX will not be assessed any fees under the proposed pricing structure.

Further, the Exchange’s proposal to eliminate the maker rebates for all market participant orders in NDX is an equitable allocation and is not unfairly discriminatory because the Exchange will eliminate the rebate for all similarly-situated market participant types. As noted above, the Exchange believes it is equitable and not unfairly discriminatory to eliminate the rebate for Priority Customer orders as well because these orders (including Priority Customer Auction Orders) will no longer be assessed any fees under the proposed pricing structure.

The proposed pricing changes for NDX will result in a uniform fee of \$0.75 per contract for all Non-Priority Customer orders (including Non-Priority Customer Auction Orders), and no fees for all Priority Customer orders (including Priority Customer Auction Orders). While the proposed \$0.75 transaction fee for all Non-Priority Customer NDX orders is higher than the

current fees assessed to all Non-Priority Customer Crossing Orders and PIM orders in Non-Penny Symbols (including NDX), the Exchange believes that the proposed pricing for NDX is reasonable because the increased fees in those categories are offset by decreased fees proposed in other categories. In particular, the proposed \$0.75 fee is lower than the existing taker fees and existing fees for Responses to Crossing Orders (excluding PIM), in both cases currently assessed to all market participant orders in Non-Penny Symbols (including NDX). Additionally, as it relates to all Non-Priority Customers other than Market Makers, the increased fee amounts for Non-Priority Customer Crossing Orders and PIM orders in NDX are reasonable because the total fee of \$1.00 per contract under the Exchange’s proposal is comparable to the total amounts charged for similar proprietary products on other exchanges. For example, C2 charges all market participants other than public customers and C2 market makers a \$0.55 transaction fee and a \$0.45 index license surcharge fee in RUT, for a total of \$1.00.<sup>40</sup>

Furthermore, the proposed uniform \$0.75 per contract fee for Non-Priority Customer orders in NDX is reasonable because it is in line with Phlx’s \$0.75 per contract options transaction charge in NDX assessed to all electronic market participant orders other than customer orders.<sup>41</sup> Finally, the Exchange will not charge a transaction fee for any regular Priority Customer orders in NDX, which also is in line with Phlx, where customers are not charged an options transaction charge in NDX.<sup>42</sup>

The Exchange’s proposed \$0.75 per contract fee for all Non-Priority Customer orders in NDX is also equitable and not unfairly discriminatory because the Exchange will uniformly assess a \$0.75 per contract fee for all such market participant orders. The Exchange believes it is equitable and not unfairly discriminatory to assess this fee on all participants except Priority Customers because the Exchange seeks to encourage Priority Customer order flow and the liquidity such order flow brings to the marketplace, which in turn benefits all market participants.

<sup>40</sup> See C2’s Fees Schedule, Section 1C. As it relates to the market participants noted above, C2 applies the \$0.55 transaction fee to all executions in RUT other than trades on the open.

<sup>41</sup> See Phlx’s Pricing Schedule, Section II.

<sup>42</sup> *Id.*

<sup>31</sup> See *NetCoalition*, at 534–535.

<sup>32</sup> *Id.* at 537.

<sup>33</sup> *Id.* at 539 (quoting Securities Exchange Act Release No. 59039 (December 2, 2008), 73 FR 74770, 74782–83 (December 9, 2008) (SR–NYSEArca–2006–21)).

<sup>34</sup> By way of example, in analyzing an obvious error, the Exchange would have additional data points available in establishing a theoretical price for a multiply listed option as compared to a proprietary product, which requires additional analysis and administrative time to comply with Exchange rules to resolve an obvious error.

<sup>35</sup> See pricing for Russell 2000 Index (“RUT”) on Chicago Board Options Exchange, Incorporated’s (“CBOE”) Fees Schedule.

<sup>36</sup> QQQ is an exchange-traded fund based on the Nasdaq-100 Index®.

<sup>37</sup> By comparison, a market participant may trade options overlying RUT or separately the market

participant has the choice of trading iShares Russell 2000 Index Fund (“IWM”) Exchange-Traded Fund Shares options, which are also multiply listed.

<sup>38</sup> See Phlx’s Pricing Schedule, Section B.

<sup>39</sup> See pricing for RUT on C2’s Fees Schedule.

### Non-Priority Customer License Surcharge for NDX and MNX

The Exchange believes that its proposal to increase the NDX Surcharge from \$0.22 to \$0.25 is reasonable because it is in line with the options surcharge of \$0.25 for NDX transactions on ISE and Phlx, and is in fact lower than the \$0.45 C2 Options Exchange surcharge applicable to non-public customer transactions in RUT.<sup>43</sup>

The Exchange believes that its proposal to increase the NDX Surcharge is an equitable allocation and is not unfairly discriminatory because the Exchange will apply the increase to all similarly-situated members. The Exchange believes it is equitable and not unfairly discriminatory to assess this increased surcharge on all participants except Priority Customers because the Exchange seeks to encourage Priority Customer order flow and the liquidity such order flow brings to the marketplace, which in turn benefits all market participants.

Furthermore, the Exchange believes that its proposal to remove any references to MNX in Section II.B of the Schedule of Fees is reasonable because the Exchange seeks to eliminate the \$0.22 MNX Surcharge. The Exchange's proposal to remove references to the MNX Surcharge is also equitable and not unfairly discriminatory because the Exchange will eliminate the surcharge for all similarly-situated members.

### B. Self-Regulatory Organization's Statement on Burden on Competition

The Exchange does not believe that the proposed rule change will impose any burden on inter-market or intra-market competition that is not necessary or appropriate in furtherance of the purposes of the Act. In terms of inter-market competition, the Exchange notes that it operates in a highly competitive market in which market participants can readily favor competing venues if they deem fee levels at a particular venue to be excessive, or rebate opportunities available at other venues to be more favorable. In such an environment, the Exchange must continually adjust its fees to remain competitive with other exchanges and with alternative trading systems that have been exempted from compliance with the statutory standards applicable to exchanges. Because competitors are free to modify their own fees in response, and because market participants may readily adjust their order routing practices, the Exchange believes that the degree to which fee changes in this market may impose any

burden on competition is extremely limited.

In terms of intra-market competition, the proposed changes to adopt separate pricing for orders in NDX will result in total fees for orders in NDX becoming more uniform across all classes of market participants, while still permitting Priority Customers to transact in NDX free of any transaction charge. Likewise, the increase in the NDX Surcharge will impact all Non-Priority Customers equally, and is designed to raise revenue for the Exchange without negatively impacting Priority Customers whose orders may enhance market quality for all Exchange members. Removing the maker rebate will also enhance the Exchange's ability to offer other rebates or reduced fees that could incentivize behavior that would enhance market quality on the Exchange, which would benefit all members.<sup>44</sup> Finally, the Exchange's proposal to remove any references to MNX from Section II.B of the Schedule of Fees will not have an impact on competition as it is simply designed to eliminate the MNX Surcharge for all Non-Priority Customers. Lastly, it is also important to note that notwithstanding the proposed fee changes to NDX, members may continue to separately execute options overlying PowerShares QQQ Trust ("QQQ").<sup>45</sup>

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

No written comments were either solicited or received.

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

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A)(ii) of the Act,<sup>46</sup> and Rule 19b-4(f)(2)<sup>47</sup> thereunder. 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: (i) Necessary or appropriate in the public interest; (ii) for the protection of investors; or (iii) otherwise in furtherance of the purposes of the Act.

<sup>44</sup> The Exchange offers rebates to market participants to encourage behavior on the Exchange such as adding more liquidity in a certain product.

<sup>45</sup> By comparison, a market participant may trade options overlying RUT or separately the market participant has the choice of trading iShares Russell 2000 Index Fund ("IWM") Exchange-Traded Fund Shares options, which are also multiply listed.

<sup>46</sup> 15 U.S.C. 78s(b)(3)(A)(ii).

<sup>47</sup> 17 CFR 240.19b-4(f)(2).

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 proposed rule change is consistent with the Act. Comments may be submitted by any of the following methods:

#### Electronic Comments

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>); or
- Send an email to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include File Number SR-GEMX-2017-05 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-GEMX-2017-05. 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-GEMX-2017-05 and should be submitted on or before June 6, 2017.

<sup>43</sup> See C2's Fees Schedule, Section 1D.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>48</sup>

**Eduardo A. Aleman,**

*Assistant Secretary.*

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-80642; File No. SR-NYSE-2017-19]

### Self-Regulatory Organizations; New York Stock Exchange LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Amend Rule 67 To Modify the Date of Appendix B Web Site Data Publication Pursuant to the Regulation NMS Plan To Implement a Tick Size Pilot Program

May 10, 2017.

Pursuant to Section 19(b)(1)<sup>1</sup> of the Securities Exchange Act of 1934 (the “Act”)<sup>2</sup> and Rule 19b-4 thereunder,<sup>3</sup> notice is hereby given that on April 27, 2017, New York Stock Exchange LLC (“NYSE” or the “Exchange”) filed with the Securities and Exchange Commission (the “Commission”) the proposed rule change as described in Items I, II, and III below, which Items have been prepared by the self-regulatory organization. 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 Rule 67 to modify the date of Appendix B Web site data publication pursuant to the Regulation NMS Plan to Implement a Tick Size Pilot Program (“Plan”). The proposed rule change is available on the Exchange’s Web site at [www.nyse.com](http://www.nyse.com), at the principal office of the Exchange, and at the Commission’s Public Reference Room.

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of those 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 parts of such statements.

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

##### 1. Purpose

Rule 67(b) (Compliance with Data Collection Requirements)<sup>4</sup> implements the data collection and Web site publication requirements of the Plan.<sup>5</sup> Supplementary Material .70 to Rule 67 currently provides, among other things, that the requirement that the Exchange or their DEA make certain data for the Pre-Pilot Period and Pilot Period<sup>6</sup> publicly available on the Exchange’s or DEA’s Web site pursuant to Appendix B to the Plan shall commence on April 28, 2017.<sup>7</sup> The Exchange is proposing to amend Supplementary Material .70 to Rule 67 to delay the Appendix B data Web site publication date until August 31, 2017. The Exchange is proposing to further delay the Web site publication of Appendix B data until August 31, 2017 to permit additional time to consider a methodology to mitigate concerns raised

<sup>4</sup> See Securities Exchange Act Release No. 77468 (March 29, 2016), 81 FR 19269 (April 4, 2016) (Immediate Effectiveness of Proposed Rule Change Adopting Requirements for the Collection and Transmission of Data Pursuant to Appendices B and C of Regulation NMS Plan to Implement a Tick Size Pilot Program) (SR-NYSE-2016-27); see also Securities Exchange Act Release No. 78813 (September 12, 2016), 81 FR 63825 (September 16, 2016) (Immediate Effectiveness of Proposed Rule Change to Amend Rule 67 to Modify Certain Data Collection Requirements of the Regulation NMS Plan to Implement a Tick Size Pilot Program) (SR-NYSE-2016-63); see also Letter from John C. Roeser, Associate Director, Division of Trading and Markets, Commission, to Sherry Sandler, Associate General Counsel, NYSE, dated April 4, 2016.

<sup>5</sup> The Participants filed the Plan to comply with an order issued by the Commission on June 24, 2014. See Letter from Brendon J. Weiss, Vice President, Intercontinental Exchange, Inc., to Secretary, Commission, dated August 25, 2014 (“SRO Tick Size Plan Proposal”). See Securities Exchange Act Release No. 72460 (June 24, 2014), 79 FR 36840 (June 30, 2014); see also Securities Exchange Act Release No. 74892 (May 6, 2015), 80 FR 27513 (May 13, 2015).

<sup>6</sup> Unless otherwise defined herein, capitalized terms have the meaning ascribed to them in the Plan.

<sup>7</sup> See Supplementary Material .70 to Rule 67. See also Securities Exchange Act Release No. 80172 (March 8, 2017), 82 FR 13685 (March 14, 2017). See also Letter from David S. Shillman, Associate Director, Division of Trading and Markets, Commission, to Robert L.D. Colby, Executive Vice President and Chief Legal Officer, Financial Industry Regulatory Authority, Inc. (“FINRA”), dated February 28, 2017.

in connection with the publication of Appendix B data.<sup>8</sup>

Pursuant to this proposed amendment, the Exchange would publish the required Appendix B data for the Pre-Pilot Period through April 30, 2017, by August 31, 2017. Thereafter, Appendix B data for a given month would be published within 120 calendar days following month end.<sup>9</sup> Thus, for example, Appendix B data for May 2017 would be made available on the Exchange’s or DEA’s Web site by September 28, 2017, and data for the month of June 2017 would be made available on the Exchange’s or DEA’s Web site by October 28, 2017.

As noted in Item 2 of this filing, the Exchange has filed the proposed rule change for immediate effectiveness and has requested that the Commission waive the 30-day operative delay. If the Commission waives the 30-day operative delay, the operative date of the proposed rule change will be the date of filing.

##### 2. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act,<sup>10</sup> in general, and furthers the objectives of Section 6(b)(5) of the Act,<sup>11</sup> in particular, in that it is designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, 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.

The Plan is designed to allow the Commission, market participants, and the public to study and assess the impact of increment conventions on the liquidity and trading of the common stock of small-capitalization companies. The Exchange believes that this proposal is consistent with the Act because it is in furtherance of the objectives of Section VII(A) of the Plan in that it is designed to provide the Exchange with additional time to consider a methodology to mitigate concerns raised in connection with the publication of Appendix B data.

<sup>8</sup> On March 3, 2017, FINRA filed a proposed rule change to implement an anonymous, grouped masking methodology for Appendix B.I, B.II. and B.IV. data. The comment period ended on April 5, 2017, and the Commission received three comment letters. See Securities Exchange Act Release No. 80193 (March 9, 2017) 82 FR 13901 (March 15, 2017).

<sup>9</sup> FINRA also submitted an exemptive request, on behalf of all Participants, to the SEC in connection with the instant filing.

<sup>10</sup> 15 U.S.C. 78f(b).

<sup>11</sup> 15 U.S.C. 78f(b)(5).

<sup>48</sup> 17 CFR 200.30-3(a)(12).

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

<sup>2</sup> 15 U.S.C. 78a.

<sup>3</sup> 17 CFR 240.19b-4.