4. Applicants state that the facility does not raise the concerns underlying section 12(d)(1) of the Act given that the Funds are part of the same group of investment companies and there will be no duplicative costs or fees to the Funds. Applicants also assert that the proposed transactions do not raise the concerns underlying sections 17(a)(1), 17(a)(3), 17(d) and 21(b) of the Act as the Funds would not engage in lending transactions that unfairly benefit insiders or are detrimental to the Funds. Applicants state that the facility will offer both reduced borrowing costs and enhanced returns on loaned funds to all participating Funds and each Fund would have an equal opportunity to borrow and lend on equal terms based on an interest rate formula that is objective and verifiable. With respect to the relief from section 17(a)(2) of the Act, applicants note that any collateral pledged to secure an interfund loan would be subject to the same conditions imposed by any other lender to a Fund that imposes conditions on the quality of or access to collateral for a borrowing (if the lender is another Fund) or the same or better conditions (in any other circumstance). 

5. Applicants also believe that the limited relief from section 18(f)(1) of the Act that is necessary to implement the facility (because the lending Funds are not banks) is appropriate in light of the conditions and safeguards described in the application and because the open-end Funds would remain subject to the requirement of section 18(f)(1) that all borrowings of the open-end Fund, including combined interfund loans and bank borrowings, have at least 300% asset coverage.

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. Section 12(d)(1)(f) of the Act provides that the Commission may exempt any person, security, or transaction, or any class or classes of persons, securities, or transactions, from any provision of section 12(d)(1) if the exemption is consistent with the public interest and the protection of investors. Section 17(b) of the Act authorizes the Commission to grant an order permitting a transaction otherwise prohibited by section 17(a) if it finds that (a) the terms of the proposed transaction are fair and reasonable and do not involve overreaching on the part of any person concerned; (b) the proposed transaction is consistent with the policies of each registered investment company involved; and (c) the proposed transaction is consistent with the general purposes of the Act. Rule 17d–1(b) under the Act provides that in passing upon an application filed under the rule, the Commission will consider whether the participation of the registered investment company in a joint enterprise, joint arrangement or profit sharing plan on the basis proposed is consistent with the provisions, policies and purposes of the Act and the extent to which such participation is on a basis different from or less advantageous than that of the other participants.

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

Eduardo A. Aleman, Assistant Secretary.

[FR Doc. 2017–17540 Filed 8–18–17; 8:45 am]

BILLING CODE 8011–01–P

SECURITIES AND EXCHANGE COMMISSION


Self-Regulatory Organizations; Nasdaq ISE, LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Amend Supplementary Material .14 of Rule 504, Entitled “Series of Options Contracts Open for Trading”


Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”),1 and Rule 19b–4 thereunder,2 notice is hereby given that on August 10, 2017, Nasdaq ISE, LLC (“ISE” or “Exchange”) filed with the Securities and Exchange Commission (“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 a proposal to amend Supplementary Material .14 of Rule 504, entitled “Series of Options Contracts Open for Trading.”

The text of the proposed rule change is set forth below. Proposed new language is italicized; deleted text is in brackets.

* * * * *

Rule 504. Series of Options Contracts Open for Trading

(a)–(h) No change.

Supplementary Material to Rule 504

.01–.13 No change.

.14 Notwithstanding any other provision regarding the interval of strike prices of series of options on Exchange-Traded Fund Shares in this rule, the interval of strike prices on SPDR S&P 500 ETF (“SPY”), iShares Core S&P 500 ETF (“IVV”), and the SPDR Dow Jones Industrial Average ETF (“DIA”) options will be $1 or greater.

* * * * *

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 Exchange proposes to amend Rule 504 by modifying the strike setting regime for the iShares Core S&P 500 ETF (“IVV”) options. Specifically, the Exchange proposes to modify the interval setting regime for IVV options to allow $1 strike price intervals above $200.

The Exchange believes that the proposed rule change would make IVV options easier for investors and traders to use and more tailored to their investment needs. Additionally, the interval setting regime the Exchange proposes to apply to IVV options is currently applied to options on units of

4 Applicants state that the obligation to repay an interfund loan could be deemed to constitute a security for the purposes of sections 17(a)(1) and 12(d)(1) of the Act.

5 Applicants state that any pledge of securities to secure an interfund loan could constitute a purchase of securities for purposes of section 17(a)(2) of the Act.


the Standard & Poor’s Depository Receipts Trust ("SPY"), which is an exchange-traded fund ("ETF") that is identical in all material respects to the IVV ETF.

The SPY and IVV ETFs are identical in all material respects. The SPY and IVV ETFs are designed to roughly track the performance of the S&P 500 Index with the price of SPY and IVV designed to roughly approximate 1/10th of the price of the S&P 500 Index.

Accordingly, SPY and IVV strike prices—having a multiplier of $100—reflect a value roughly equal to 1/10th of the value of the S&P 500 Index. For example, if the S&P 500 Index is at 1972.56, SPY and IVV options might have a value of approximately 197.26 with a notional value of $19,726. In general, SPY and IVV options provide retail investors and traders with the benefit of trading the broad market in a manageably sized contract. As options with an ETF underlying, SPY and IVV options are listed in the same manner as equity options under the Rules.

The Exchange believes that the proposed rule change is consistent with Sections 6(b)(5) and 6(b) of the Act, in particular, the requirements of Section 6(b)(5) of the Act. Specifically, the Exchange believes the proposed rule change, like the other strike price programs currently offered by the Exchange, will benefit investors by providing investors the flexibility to more closely tailor their investment and hedging decisions using IVV options. By allowing series of IVV options to be listed in $1 intervals between strike prices over $200, the proposal will moderately augment the potential total number of options series available on the Exchange. However, the Exchange believes it and the Options Price Reporting Authority ("OPRA") have the necessary systems capacity to handle any potential additional traffic associated with this proposed rule change. The Exchange also believes that members will not have a capacity issue due to the proposed rule change.

In addition, the Exchange represents that it does not believe that this expansion will cause fragmentation of liquidity. In addition, the interval setting regime the Exchange proposes to apply to IVV options is currently applied to options on SPY, which is an ETF that is identical in all material respects to the IVV ETF.

2. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act, in general, and furthers the objectives of Section 6(b)(5) of the Act, in particular, the requirements of Section 6(b) of the Act. Specifically, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5) requirements that the rules of an 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 dealing, 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. Additionally, the Exchange believes the proposed rule change is consistent with...
the Section 6(b)(5) requirement that the rules of an exchange not be designed to permit unfair discrimination between customers, issuers, brokers, or dealers. In particular, the proposed rule change will allow investors to more easily use IVV options. Moreover, the proposed rule change would allow investors to better trade and hedge positions in IVV options where the strike price is greater than $200, and ensure that IVV options investors are not at a disadvantage simply because of the strike price.

The Exchange also believes the proposed rule change is consistent with Section 6(b)(1) of the Act, which provides that the Exchange be organized and have the capacity to be able to carry out the purposes of the Act and the rules and regulations thereunder, and the rules of the Exchange. The rule change proposal allows the Exchange to respond to customer demand to allow IVV options to trade in $1 intervals above a $200 strike price. The Exchange does not believe that the proposed rule would create additional capacity issues or affect market functionality.

As noted above, IVV options currently trade in wider $5 intervals above a $200 strike price, whereas these options at or below a $200 strike price trade in $1 intervals. This creates a situation where contracts on IVV options effectively may not be able to execute certain strategies such as, for example, rolling to a higher strike price, simply because of the arbitrary $200 strike price above which IVV options intervals increase by 500%. This proposal remedies the situation by establishing an exception to the current interval regime for IVV options to allow such options to trade in $1 or greater intervals at all strike prices.

The Exchange believes that the proposed rule change, like other strike price programs currently offered by the Exchange, will benefit investors by giving them increased flexibility to more closely tailor their investment and hedging decisions. Moreover, the proposed rule change is consistent with a prior rule change.  

With regard to the impact of this proposal on system capacity, the Exchange believes it and OPRA have the necessary systems capacity to handle any potential additional traffic associated with this proposed rule change. The Exchange believes that its members will not have a capacity issue as a result of this proposal.

In addition, the interval setting regime the Exchange proposes to apply to IVV options is currently applied to options on SPY.9 which is an ETF that is identical in all material respects to the IVV ETF.

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 competition nor necessary or appropriate in furtherance of the purposes of the Act. Rather, the Exchange believes that the proposed rule change will result in additional investment options and opportunities to achieve the investment and trading objectives of market participants seeking efficient trading and hedging vehicles, to the benefit of investors, market participants, and the marketplace in general. Specifically, the Exchange believes that IVV options investors and traders will significantly benefit from the availability of finer strike price intervals above a $200 price point. In addition, the interval setting regime the Exchange proposes to apply to IVV options is currently applied to options on SPY,10 which is an ETF that is identical in all material respects to the IVV ETF. Thus, applying the same interval setting regime to SPY and IVV options will help level the playing field for options on similar, competing ETFs.

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

Because the foregoing proposed rule change does not: (i) Significantly affect the protection of investors or the public interest; (ii) impose any significant burden on competition; and (iii) become operative for 30 days from the date on which it was filed, or such shorter time as the Commission may designate, it has become effective pursuant to Section 19(b)(3)(A)(iii) of the Act 11 and subparagraph (f)(6) of Rule 19b–4 thereunder.12

1 A proposed rule change filed pursuant to Rule 19b–4(f)(6) under the Act 13 normally does not become operative for 30 days after the date of its filing. However, Rule 19b–4(f)(6)(iii) permits the Commission to designate a shorter time if such action is consistent with the protection of investors and the public interest. The Exchange has asked the Commission to waive the 30-day operative delay because this proposal permits listing IVV options in a manner permitted by the Chicago Board Options Exchange, Incorporated,13 and will provide investors with an alternative venue for trading IVV options. The Commission also notes that the proposed rule change is consistent with the strike price intervals in IVV options that is permitted on other exchanges and thus raises no new novel or substantive issues.14 Accordingly, the Commission hereby waives the operative delay and designates the proposed rule change as effective upon filing.15

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. If the Commission takes such action, the Commission shall institute proceedings to determine whether the proposed rule change 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

- As designated by the Commission. The Exchange has satisfied this requirement.

16 See NASDAQ PHXL LLC Rule 1012.05(a)[iv][v][vi]; The Nasdaq Options Market LLC Rules, Chapter IV, Section 6, Supplementary Material .01(c); Miami International Securities Exchange, LLC Rule 404, Interpretations and Policies 10.
17 For purposes only of waiving the 30-day operative delay, the Commission has also considered the proposal rule’s impact on efficiency, competition, and capital formation. See 15 U.S.C. 78c(f).

9 See Supplementary Material .14 to Rule 504.
10 Id.
12 17 CFR 240.19b–4(f)(6). In addition, Rule 19b–4(f)(6) requires a self-regulatory organization to give the Commission written notice of its intent to file the proposed rule change, along with a brief description and text of the proposed rule change, at least five business days prior to the date of filing of the proposed rule change, or such shorter time as designated by the Commission. The Exchange has satisfied this requirement.
16 See NASDAQ PHXL LLC Rule 1012.05(a)[iv][v][vi]; The Nasdaq Options Market LLC Rules, Chapter IV, Section 6, Supplementary Material .01(c); Miami International Securities Exchange, LLC Rule 404, Interpretations and Policies 10.
17 For purposes only of waiving the 30-day operative delay, the Commission has also considered the proposal rule’s impact on efficiency, competition, and capital formation. See 15 U.S.C. 78c(f).
SECURITIES AND EXCHANGE COMMISSION


Self-Regulatory Organizations; NASDAQ PHLX LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Amend Rule 925 To Create a Limited Exception to the Exchange’s Procedures To Designate an Inactive Nominee as an Effective Permit Holder Intra-Day and Make a Non-Substantive Change to the Pricing Schedule


Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”),1 and Rule 19b–4 thereunder,2 notice is hereby given that on August 7, 2017 NASDAQ PHLX LLC (“Phlx” or “Exchange”) filed with the Securities and Exchange Commission (“SEC” or “Commission”) the proposed rule change as described in Items I, II, and III, below, which 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 (i) amend Rule 925 to create a limited exception to the Exchange’s existing procedures to designate an Inactive Nominee as an effective permit holder and (ii) make a non-substantive change to its Pricing Schedule related to the fees assessed to Inactive Nominees.

The text of the proposed rule change is available on the Exchange’s Web site at http://nasdaophlx.cchwallstreet.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 (i) amend Rule 925 to create a limited exception to the Exchange’s existing procedures to designate an Inactive Nominee as an effective permit holder and (ii) make a non-substantive change to its Pricing Schedule related to the fees assessed to Inactive Nominees.

Rule 925

Today, the Exchange allows members on the Exchange’s trading floor to designate an “Inactive Nominee” pursuant to Rule 925. Rule 925(i) requires, among other criteria, that an individual must be approved as eligible to hold a permit in accordance with the Exchange’s By-Laws and Rules in order to be eligible for Inactive Nominee status. Additionally, the member organization with whom an Inactive Nominee is affiliated must pay an Inactive Nominee Fee for the privilege of maintaining the Inactive Nominee status.3 Furthermore, the Rule stipulates that an Inactive Nominee does not have any rights or privileges of a permit holder unless and until the Inactive Nominee becomes an effective permit holder and all applicable Exchange fees are paid.

When a member organization desires to designate an Inactive Nominee as an effective permit holder, Rule 925(ii)(a) states that the member organization is required to notify the Exchange’s

3 The term “inactive nominee” shall mean a natural person associated with and designated as such by a member organization and who has been approved for such status and is registered as such with the Membership Department. An inactive nominee shall have no rights or privileges under a permit unless and until said inactive nominee becomes admitted as a member of the Exchange pursuant to the By-Laws and Rules of the Exchange. An inactive nominee merely stands ready to exercise rights under a permit upon notice by the member organization to the Membership Department on an expedited basis. See Rule 1(l).

4 The Exchange currently charges an Inactive Nominee Fee of $600 for a six month period, which will be assessed to the member organization at a rate of $100 per month for the applicable six month period unless the member organization provides proper notice of its intent to terminate an inactive nominee prior to the first day of the next billing month. An inactive nominee’s status expires after six months unless it has been reaffirmed in writing by the member organization or sooner terminated. A member organization will be assessed the Inactive Nominee Fee every time the status is reaffirmed. See the Exchange’s Pricing Schedule at: http://nasdaophlx.cchwallstreet.com/NASDAQPHLXTools/PlatformViewer.asp?selectednode=chp_1_4_10&manuals=%2Fen
dnx%2Fphlx%2Fphlx%2Fphlx-ruleshed%2F.