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

Written comments were neither solicited nor 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 after the date of the filing, or such shorter time as the Commission may designate, it has become effective pursuant to 19(b)(3)(A) of the Act and Rule 19b–4(f)(6) thereunder.

A proposed rule change filed under Rule 19b–4(f)(6) normally does not become operative prior to 30 days after the date of the filing. However, pursuant to Rule 19b–4(f)(6)(iii), the Commission may 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 so that the proposal may become operative immediately upon filing. The Commission believes that waiving the 30-day operative delay is consistent with the protection of investors and the public interest because doing so will allow the Pilot Program to continue without interruption in a manner that is consistent with the Commission’s prior approval of the extension and expansion of the Pilot Program and will allow the Exchange and the Commission additional time to analyze the impact of the Pilot Program. Accordingly, the Commission designates the proposed rule change as operative upon filing with the Commission.

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 necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act. If the Commission takes such action, the Commission shall institute proceedings under Section 19(b)(2)(B) of the Act 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);
- Send an email to rule-comments@sec.gov. Please include File Number SR–PEARL–2016–01 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–PEARL–2016–01. 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 and communications relating 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 20549–1090, 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–PEARL–2016–01 and should be submitted on or before February 9, 2017.

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

Eduardo A. Aleman,
Assistant Secretary.

[FR Doc. 2017–01150 Filed 1–18–17; 8:45 am]
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SECURITIES AND EXCHANGE COMMISSION


Self-Regulatory Organizations; The NASDAQ Stock Market LLC; Notice of Filing of Amendment No. 2 and Order Granting Accelerated Approval of a Proposed Rule Change, as Modified by Amendment No. 2, Relating to Continued Listing Requirements for Exchange-Traded Products

January 12, 2017.

I. Introduction

On September 30, 2016, The NASDAQ Stock Market LLC (“Exchange” or “Nasdaq”) filed with the Securities and Exchange Commission (“Commission”), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)1 and Rule 19b–4 thereunder,2 a proposed rule change related to continued listing requirements and delisting procedures for exchange-traded products listed pursuant to the Nasdaq Rule 5700 Series. The proposed rule change was published for comment in the Federal Register on October 17, 2016.3 On November 25, 2016, the Commission designated a longer period within which to approve the proposed rule change, disapprove the proposed rule change, or institute proceedings to determine whether to approve or disapprove the proposed rule change.4 On January 9, 2017, the Exchange filed Amendment No. 1 to the proposed rule change. On January 11, 2017, the Exchange filed Amendment No. 2 to the proposed rule change, which amended and replaced the original proposal as modified by 20

Amendment No. 1. The Commission received no comment letters on the proposed rule change. The Commission is publishing this notice to solicit comments on Amendment No. 2 from interested persons, and is approving the proposed rule change, as modified by Amendment No. 2, on an accelerated basis.

II. Description of the Proposed Rule Change, as Modified by Amendment No. 2

The Exchange proposes to amend the Rule 5700 Series to specify continued listing requirements for products listed under those rules, which include products listed pursuant to Rule 19b–4(e) under the Act (“generically-listed products”) and products listed pursuant to proposed rule changes filed with the Commission (“non-generically-listed products”).

The Exchange also proposes to amend the Rule 5700 Series to specify issuer notification requirements related to failures to comply with continued listing requirements. Specifically, the Exchange proposes to add Rule 5701(d) to require an issuer with securities listed under the Rule 5700 Series to promptly notify the Exchange of any non-compliance with the requirements of the Rule 5700 Series. In addition, with respect to non-generically-listed products, the Exchange proposes to require an issuer to notify the Exchange of its failure to comply with any continued listing requirements that were specified in the proposals to list those products. As proposed, the Exchange would initiate delisting proceedings for a product listed under the Rule 5700 Series if any of its continued listing requirements (including those set forth in a Nasdaq Rule and those set forth in an applicable proposed rule change) are not continuously maintained.

The Exchange also proposes to amend Rule 5810 to specify the delisting procedures for products listed under the Rule 5700 Series. Under proposed Rule 5810(c)(2)(A), unless the issuer is currently under review by an Adjudicatory Body for a Staff Delisting Determination, the Listing Qualifications Department may accept and review a plan to regain compliance when an issuer fails to meet a continued listing requirement contained in the Rule 5700 Series. The issuer would be required to submit its compliance plan within 45 calendar days of the Exchange staff’s notification of deficiencies, and certain issuers would be required to pay a compliance plan review fee.

Finally, the Exchange proposes to make conforming and technical changes throughout the Rule 5700 Series to maintain consistency in its rules. For example, the Exchange proposes to consistently use the language “initiate delisting proceedings under the Rule 5800 Series” when describing the delisting process for a product that fails to meet a continued listing requirement; consistently state in the Portfolio Depository Receipts and Index Fund Shares rules that, if the index that underlies a series of Portfolio Depository Receipts or Index Fund Shares is maintained by a broker-dealer or fund advisor, the index shall be calculated by a third party who is not a broker-dealer or fund advisor; and consistently reflect that delisting “following the initial 12-month period following commencement of trading on Nasdaq” only applies to the record/beneficial holder, number of shares issued and outstanding, and the market value of shares issued and outstanding requirements. The Exchange proposes to implement the rule changes by August 1, 2017.

III. Discussion and Commission Findings

The Commission finds that the proposed rule change, as modified by Amendment No. 2, is consistent with the requirements of the Act and the rules and regulations thereunder applicable to a national securities exchange. In particular, the Commission finds that the proposed rule change is consistent with Section 6(b)(5) of the Act, 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 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 Commission does not believe that the proposal raises unique or novel regulatory issues. As the Commission previously stated, the development, implementation, and enforcement of standards governing the initial and continued listing of securities on an exchange are activities of critical importance to financial markets and the investing public. Once a security has been approved for initial listing, continued listing criteria allow an exchange to monitor the status and trading characteristics of that issue to ensure that it continues to meet the exchange’s standards for market depth and liquidity so that fair and orderly markets can be maintained.

Currently, certain rules within the Rule 5700 Series impose specific listing requirements on an initial basis, without...
imposing ongoing listing requirements that are intended to achieve the same goals as these initial listing requirements. To fill this gap, the proposal would specify that certain listing requirements within the Rule 5700 Series apply both on an initial and ongoing basis, rather than only at a single point in time (i.e., at the time of initial listing). Also, with respect to non-generically listed products, the Exchange proposes to amend the Rule 5700 Series to provide that any of the statements or representations in a proposed rule change regarding: (i) The description of the index, holdings, or reference asset (as applicable to a specific product); (ii) limitations on index composition, holdings, or reference assets (as applicable to a specific product); (iii) dissemination and availability of index, reference asset, or intraday indicative values (as applicable to a specific product); or (iv) the applicability of Exchange rules and surveillance procedures, constitute continued listing requirements.

Because the proposal specifies continued listing requirements for products listed pursuant to the Rule 5700 Series, the Commission believes the proposal is designed to achieve on a continuing basis the goals of the listing requirements, including ensuring that the Exchange lists products that are not susceptible to manipulation and maintaining fair and orderly markets for the listed products. In particular, the Commission believes that the proposal is designed to ensure that stocks with a substantial market capitalization and trading volume account for a substantial portion of the weight of an index or portfolio underlying a listed product; provide transparency regarding the components of an index or portfolio underlying a listed product; ensure that there is adequate liquidity in the listed product itself; and provide timely and fair disclosure of useful information that may be necessary to price the listed product. Moreover, the Commission believes that the proposal to require an issuer to notify the Exchange of its failures to comply with continued listing requirements would supplement the Exchange’s own surveillance of the listed products.

Moreover, certain of the listing requirements do not explicitly state that they apply on an ongoing, as well as initial, basis. In these cases, the proposal would make explicit that the requirements apply both on an initial and ongoing basis. See, e.g., proposed changes to Rule 5705(a)(3)(B)–(C) (making explicit that, for Portfolio Depositary Receipts, requirements related to index methodology and index value dissemination, as well as intraday indicative value dissemination, apply on an initial and ongoing basis); proposed changes to Rule 5710(e) (making explicit that, for Linked Securities, requirements related to tangible net worth and earnings apply on an initial and ongoing basis); proposed changes to Rule 5711(c) (making explicit that, for Trust Certificates, requirements related to the qualifications of a trustee and changes to a trustee apply on an initial and ongoing basis).

For example, the proposal specifies that, for products listed pursuant to the Rule 5700 Series, the Commission believes the proposal is designed to achieve on a continuing basis the goals of ensuring that there is adequate liquidity in the listed product on an ongoing basis. As proposed, the Exchange would initiate delisting proceedings for a product if it fails to comply with the minimum number of beneficial or record holders requirement, even if the non-compliance does not continue for 30 consecutive trading days. See supra note 6.

As noted above, the proposal specifies the delisting procedures for products listed pursuant to the Rule 5700 Series. The Commission believes that the proposed amendments to Rule 5810 provide transparency regarding the process that the Exchange will follow if a listed product fails to meet its continued listing requirements. The Commission also notes that the process surrounding compliance plans already exists in Rule 5810. As a result, the proposed delisting procedures are not novel.

Finally, the Commission believes that the conforming and technical proposed changes do not raise novel issues, are designed to further the goals of the listing standards, and provide clarity and consistency in the Exchange’s rules. For the reasons discussed above, the Commission finds that the proposed rule change, as modified by Amendment No. 2, is consistent with the Act.

IV. Accelerated Approval of Amendment No. 2

As noted above, in Amendment No. 2, the Exchange: (i) Amended proposed Rule 5701(d) to require a Company with securities listed under the Rule 5700 Series to provide the Exchange with prompt notification if the Company (rather than an Executive Officer of the Company) becomes aware of its non-compliance with the requirements of the Rule 5700 Series; (ii) further amended rules within the Rule 5700 Series to reflect that certain listing requirements (including certain statements or representations in rule filings for the listing and trading of specific products) apply on an initial and ongoing basis; (iii) further amended rules within the Rule 5700 Series to consistently state that the Exchange will initiate delisting proceedings if continued listing requirements are not maintained; (iv) amended rules within the Rule 5700 Series to provide that the Exchange will initiate delisting proceedings due to an interruption to the dissemination of index, reference asset, or intraday indicative values (as applicable to the product) only if the interruption persists past the trading day in which it occurred; (v) specified an implementation date for the proposed changes; and (vi) made conforming and non-substantive changes throughout the Exchange of any failure by a series of Managed Fund Shares to comply with the continued listing requirements, and, pursuant to its obligations under Section 19(g)(1) of the Act, the Exchange will consider other factors for compliance with the continued listing requirements. The Exchange also notes that the process surrounding compliance plans already exists in Rule 5810.
Rule 5700 Series. The Commission believes that Amendment No. 2 furthers the goals of the proposed rule change and does not raise novel regulatory issues. Accordingly, the Commission finds good cause, pursuant to Section 19(b)(2) of the Act,21 to approve the proposed rule change, as modified by Amendment No. 2, on an accelerated basis.

V. Solicitation of Comments on Amendment No. 2

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether Amendment No. 2 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. Please include File Number SR–NASDAQ–2016–135 on the subject line.

Paper Comments
• Send paper comments in triplicate to Brent J. Fields, Secretary, Securities and Exchange Commission, 100 F Street NE., Washington, DC 20549–1090. All submissions should refer to File Number SR–NASDAQ–2016–135. 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 copying at the Principal Securities and Exchange Commission 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–NASDAQ–2016–135 and should be submitted on or before February 9, 2017.

VI. Conclusion

It is therefore ordered, pursuant to Section 19(b)(2) of the Act,22 that the proposed rule change (SR–NASDAQ–2016–135), as modified by Amendment No. 2, be, and hereby is, approved on an accelerated basis.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.23

Brent J. Fields,
Secretary.

[FR Doc. 2017–01141 Filed 1–18–17; 8:45 am]
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SECURITIES AND EXCHANGE COMMISSION


Self-Regulatory Organizations; NASDAQ PHXL LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Extend the Cabinet Trading Pilot Program

January 12, 2017.

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 January 4, 2017, NASDAQ PHXL LLC (“Phlx” 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 extend the pilot program in Phlx Rule 1059, Accommodation Transactions, to allow cabinet trading to take place below $1 per option contract under specified circumstances (the “pilot program”).

The text of the proposed rule change is set forth below. Proposed new language is underlined; proposed deletions are in brackets.

* * * * *

NASDAQ PHXL Rules

* * * * *

Options Rules

* * * * *

Rule 1059. Accommodation Transactions

(a)–(b) No change.

• • • Commentary:

.01 No change.

.02 Limit Orders Priced Below $1: Limit orders with a price of at least $0 but less than $1 per option contract may trade under the terms and conditions in Rule 1059 above in each series of option contracts open for trading on the Exchange, except that:

(a)–(c) No change.

(d) Unless otherwise extended, the effectiveness of the Commentary .02 terminates January 5, [2017] 2018, or, upon permanent approval of these procedures by the Securities and Exchange Commission, whichever occurs first.

* * * * *

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 extend the pilot program in Commentary .02 of Exchange Rule 1059, Accommodation Transactions, which sets forth specific procedures for engaging in cabinet trades, to allow the Commission adequate time to consider permanently allowing transactions to take place on the Exchange in open outcry at a price of at least $0 but less than $1 per option


