indicate the potential cost and length of recovery, as well as the ability to effectuate a wind-down within six months of the decision at a lower cost than the amount of its liquid resources, consistent with Rule 17Ad–22(e)(15)(i)–(ii). 38

Therefore, the Commission finds that the proposed rule changes would determine the length of time required to achieve a recovery or orderly wind-down of ICE Clear Europe and the associated costs and would further ensure that ICE Clear Europe holds liquid net assets greater than those costs, consistent with Rule 17Ad–22(e)(15)(i)–(ii). 39

III. Conclusion

On the basis of the foregoing, the Commission finds that the proposed rule changes are consistent with the requirements of the Exchange Act, and in particular, Section 17(a)(3)(F) of the Exchange Act 40 and Rules 17Ad–22(e)(2), 17Ad–22(e)(3)(ii), 17Ad–22(e)(15)(i)–(ii) thereunder. 41

It is therefore ordered pursuant to Section 19(b)(2) of the Exchange Act that the proposed rule change (SR–ICCEEU–2017–016) be, and hereby is, approved.42

It is therefore ordered pursuant to Section 19(b)(2) of the Exchange Act that the proposed rule change (SR–ICCEEU–2017–016) be, and hereby is, approved.43

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

Eduardo A. Aleman, Assistant Secretary.

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SECURITIES AND EXCHANGE COMMISSION


Self-Regulatory Organizations; The Nasdaq Stock Market LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Amend The Nasdaq Options Market LLC ("NOM") Rules Relating to Market Maker Quotations

July 17, 2018.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"), 4 and Rule 19b–4 thereunder, notice is hereby given that on July 2, 2018, The Nasdaq Stock Market LLC ("Nasdaq" or "Exchange") filed with the Securities and Exchange Commission ("SEC" or "Commission") the proposed rule change as described in Items I and II, below, which Items have been prepared by the Exchange. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

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

The Exchange proposes to amend The Nasdaq Options Market LLC ("NOM") Rules at Chapter VII, Section 6 related to Market Maker quotations.

The text of the proposed rule change is available on the Exchange’s website at http://nasdaq.chiwallstreet.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.

38 17 CFR 200.30–3(a)[12].
39 17 CFR 200.30–3(a)[12].
41 17 CFR 240.17Ad–22(e)(2); (e)(3)(ii); (e)(15)(i)–(ii).
43 17 CFR 240.17Ad–22(e)(15)(i)–(ii).
44 17 CFR 200.30–3(a)[12].
for the options to which it is registered, except in an assigned options series listed intra-day 4 on the Exchange.” The Exchange believes this sentence is more specific than Section 6(d) because it excepts the intra-day quotes. Today, a Market Maker is not held to quote an intra-day add of a series because the options series was not available for trading the entire day. The Exchange is adding this exception to the rule text to make clear that Market Makers would not be responsible for quoting an intra-day addition. The Exchange believes that not counting intra-day adds of a series that were not available for the entire day of trading is consistent with the Act because the Market Maker would not have the opportunity to trade that particular options series for the entire trading day. The Exchange also proposes to note, “On a daily basis, a Market Maker must make markets consistent with the applicable quoting requirements specified below.”

Chapter VII, Section 6(d)(i)(1)

The Exchange proposes to remove the following sentence from Chapter VII, Section (d)(i)(1). “To satisfy this requirement, a Market Maker must quote 60% of the trading day (as a percentage of the total number of minutes in such trading day) or such higher percentage as Nasdaq may announce in advance.” The Exchange proposes to replace this language with language that more technically defines the quoting obligation. The Exchange proposes the following rule text:

Market Makers, associated with the same Options Participant, are collectively required to provide two-sided quotations in 60% of the cumulative number of seconds, or such higher percentage as NOM may announce in advance, for which that Options Participant’s assigned options series are open for trading. Notwithstanding the foregoing, a Market Maker shall not be required to make two-sided markets pursuant to this Chapter VII, Section 6(d)(i)(i) in any Quarterly Option Series, any Adjusted Option Series, and any option series with an expiration of nine months or greater.”

The 60% requirement and the manner in which it is calculated is not being amended. The Exchange does not propose to amend the current quoting obligations, rather the Exchange proposes to more clearly state the current quoting obligations utilizing the same format as Phlx Rule 1081(c)(ii)(A). The Exchange notes the quoting obligations expressed as the cumulative number of seconds rather than 60% of the trading day. While the current rule indicates that the Exchange currently reviews quoting as a percentage of the total number of minutes, the two standards are otherwise equivalent. Adding “associated with the same Options Participant” to the first sentence also makes clear that the obligation is at the firm level and that all associated Market Makers will be counted in arriving at the calculation for quoting obligations. The Exchange also states, “Notwithstanding the foregoing, a Market Maker shall not be required to make two-sided markets pursuant to this Chapter VII, Section 6(d)(i)(i) in any Quarterly Option Series, any Adjusted Option Series, and any option series with an expiration of nine months or greater.” This exception exists today for NOM and is simply being carried over into the new text from current Section 6(d)(i)(i). The definition of an adjusted option series is currently defined at Section 6(d)(i)(i) as an option series wherein one option contract in the series represents the delivery of the series the Exchange will (i) take the total number of seconds the Options Participant for failing to meet the quoting obligation each trading day. Similar to Phlx Rule 1081(c)(iii), the Exchange believes that the adoption of this language will bring greater transparency to the manner in which the Exchange calculated the quoting obligation. The Exchange is not amending the manner in which the quoting obligation is calculated, rather the Exchange is simply adding to the current rule the exact manner in which the Exchange determines the quoting percentage. The Exchange proposes to add, “Quoting is not required in every assigned options series.” This sentence is not currently contained in the rule. The Exchange proposes to more clearly state the current practice, rather than the Exchange is clearly stating that quoting is not required in every assigned options series to make clear the current obligation. Also, the Exchange proposes to state, “Compliance with this requirement is determined by reviewing the aggregate of quoting in assigned options series for the Options Participant.” This language is similar to the language currently being removed from Chapter VII, Section 6(d)(i)(i). “This obligation will apply to all of a Market Maker’s registered options collectively to all appointed issues, rather than on an option-by-option basis.” The proposed new language simply conforms the text to Phlx’s Rule 1081(c)(ii)(D).

Chapter VII, Section 6(d)(i)(3)

The Exchange proposes to also delete the following language from Chapter VII, Section 6(d)(i)(3), “This obligation will apply to all of a Market Maker’s registered options collectively to all appointed issues, rather than on an option-by-option basis. Compliance with this obligation will be determined on a monthly basis. However, determining compliance with the continuous quoting requirement on a monthly basis does not relieve a Market Maker of the obligation to provide continuous two-sided quotes on a daily basis, nor will it prohibit the Exchange from taking disciplinary action against a Market Maker for failing to meet the continuous quoting obligation each trading day.” The Exchange proposes to replace this language with the following language proposed in Section 6(d)(i)(i). “For purposes of the Exchange’s surveillance of an Options Participant compliance with this rule, the Exchange may determine compliance on a monthly basis. The Exchange’s monthly compliance evaluation of the quoting requirement does not relieve an Options Participant of the obligation to provide two-sided quotes on a daily basis, nor will it prohibit the Exchange from taking disciplinary action against a Market Maker for failing to meet the continuous quoting obligation each trading day.” The Exchange’s amendment is not substantive, rather the amendment brings greater clarity to the current rule text and aligns the rule with that of Phlx Rule 1081(c)(iii).

The Exchange proposes to remove the entire paragraph at current Section 6(d)(i)(2). As explained above this language is being relocated within the proposed rule text. The Exchange notes that the sentence “Accordingly, the continuous quotation obligations set forth in this rule shall not apply to Market Makers registered Quarterly Option Series, adjusted option series, and series with an expiration of nine months or greater” is not required in every assigned options series to make clear the current obligation. Also, the Exchange proposes to state, “Compliance with this requirement is determined by reviewing the aggregate of quoting in assigned options series for the Options Participant.” This language is similar to the language currently being removed from Chapter VII, Section 6(d)(i)(i). “This obligation will apply to all of a Market Maker’s registered options collectively to all appointed issues, rather than on an option-by-option basis.” The proposed new language simply conforms the text to Phlx’s Rule 1081(c)(ii)(D).
months or greater” is being deleted and not relocated because this sentence is redundant. Also, the Exchange proposes to amend current Section 6(d)(ii)(3) by renumbering it (4) and also capitalizing “System” which is a defined term and renumbering a cross-reference.

The Exchange believes this proposed rule will allow Market Makers to quickly compare obligations across Nasdaq affiliated markets.5

2. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act,6 in general, and furthers the objectives of Section 6(b)(5) of the Act,7 in particular, in that it is designed 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 Exchange believes that its proposed rule change provides further detail as to obligations of Market Makers on NOM. The Exchange is not amending its current quoting obligations, rather the Exchange is proposing to amend its current rule text to bring greater transparency to the current quoting obligations by adding clear language which explains the manner in which NOM will calculate quoting obligations. The Exchange believes the proposed rule text is consistent with the Act because the proposed rule text protect investors and the public interest by providing clear language that will be utilized on all Nasdaq affiliated markets for easy comparison. 

B. Self-Regulatory Organization’s Statement on Burden on Competition

The Exchange believes that its proposal is consistent with Section 6(b) of the Act,8 in general, and furthers the objectives of Section 6(b)(5) of the Act,9 in particular, that it is designed 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 proposal does not impose a burden on competition because the Exchange will continue to uniformly calculate and apply the quoting obligations for all NOM Market Makers. The Exchange’s proposal does not modify the current quoting obligations on NOM. 

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 Act10 and subparagraph (f)(6) of Rule 19b–4 thereunder.11

A proposed rule change filed under Rule 19b–4(f)(6) normally does not become operative for 30 days after the date of filing. However, pursuant to Rule 19b–4(f)(6)(iii),13 the Commission may designate a shorter time if such action is consistent with the protection of investors and the public interest. In its filing with the Commission, the Exchange has asked the Commission to waive the 30-day operative delay so that the proposal to amend its Market Maker quoting obligations to add more detail to the current quoting requirements may become operative immediately upon filing. The Exchange believes that the proposal will bring greater transparency to the Exchange’s rules. The Commission notes that the changes are substantially similar to Phlx Rule 1081(c). As such, the Commission believes that waiving the 30-day operative delay is consistent with the protection of investors and the public interest. Therefore, the Commission designates the proposed rule change operative upon filing.14

At any time within 60 days of the filing of the proposed rule change, the Commission summarily may

5 The Exchange intends to file a similar proposal for Nasdaq BX, Inc., Nasdaq ISIE, LLC, Nasdaq GEMX, LLC and Nasdaq MRX, LLC.
11 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 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.
14 For purposes only of waiving the operative delay, the Commission has considered the proposed 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 of Amendment No. 1, and Order Granting Accelerated Approval of a Proposed Rule Change, as Modified by Amendment No. 1, To Extend the Applicability of the Floor Broker Management System and the Snapshot Functionality to Registered Options Traders and Specialists

July 17, 2018.

I. Introduction

On May 24, 2018, Nasdaq PHLX LLC ("Phlx" or "Exchange") 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 to extend the applicability of the Floor Broker Management System and the Snapshot functionality to Registered Options Traders ("ROTs") \(^3\) and Specialists.\(^4\) The proposed rule change was published for comment in the Federal Register on June 4, 2018.\(^5\) On June 4, 2018, the Exchange filed Amendment No. 1 to the proposed rule change.\(^6\) The Commission received no comment letters on the proposed rule change. This order provides notice of filing of Amendment No. 1 and approves the proposal, as modified by Amendment No. 1, on an accelerated basis.

II. Description of the Proposal

Currently, ROTs and Specialists executing orders in the trading crowd are required to record such orders and related execution details on paper trading tickets.\(^7\) ROTs and Specialists must then provide those matched trade tickets to an Exchange Data Entry Technician ("DET"), who manually enters the information written on the trade tickets into the Exchange’s electronic trading system.\(^8\) In contrast, unless one of five exceptions applies, Floor Brokers are required to enter orders originating in the trading crowd using the Exchange’s electronic order entry system—the “Floor Broker Management System” \(^9\)—and are not permitted to execute orders in the trading crowd. The Exchange proposes to change the order entry process for ROTs and Specialist by requiring them to utilize the same electronic order entry system that is currently used by Floor Brokers. To accomplish this transition, the Exchange proposes to change the name of its electronic order entry system from the “Floor Broker Management System” to the “Floor Based Management System” (“FBMS”) to reflect its expanded applicability to all members that operate on the Exchange’s trading floor—namely, Floor Brokers, ROT, and Specialists.\(^10\) In addition, the Exchange proposes to apply the same general obligations currently imposed upon Floor Brokers regarding orders on the trading floor to ROTs and Specialists.\(^11\) The Exchange also proposes to extend FBMS’ Snapshot functionality to ROTs and Specialists.\(^12\) To effectuate these changes, the Exchange proposes several amendments and additions to its Rules and Floor Advises.\(^13\)

Specifically, the Exchange proposes to amend Phlx Rule 1000(f) to require ROTs and Specialists to execute orders utilizing FBMS and to prohibit ROTs and Specialists from executing orders in the Exchange’s options trading crowd, unless one of five exceptions applies.\(^14\) These exceptions are listed in Phlx Rule 1000(f)(iii)(A)–(E) and would permit a Floor Broker, ROT or Specialist to execute an order in the trading crowd if:

1. There is a problem with the Exchange’s systems;
2. the member is executing an order pursuant to Phlx Rule 1059 ("Accommodation Transactions") or Phlx Rule 1079 ("FLEX Index, Equity, and Currency Options");
3. the transaction involves a multi-leg order with more than 15 legs;
4. the transaction involves certain split-price orders that, due to FBMS system limitations, require manual calculation; or
5. the member elects to use of the Snapshot functionality to provisionally execute certain designated categories of trades, as described below.\(^15\)

With respect to Snapshot, the Exchange proposes to allow ROTs and Specialists, like Floor Brokers, to use Snapshot to provisionally execute, in the options trading crowd, multi-leg orders and simple orders in options on exchange-traded funds ("ETFs") that are included in the Options Penny Pilot subject to the procedures for and the limitations to the use of Snapshot.\(^16\) The Exchange represents that it does not anticipate that the use of Snapshot by ROTs or Specialists will pose any increased or unique risks relative to its current use by Floor Brokers.\(^17\) Therefore, the Exchange proposes to utilize the same methods it currently uses to surveil Floor Brokers’ use of Snapshot to also monitor ROTs’ and Specialists’ uses of the Snapshot functionality.\(^18\) To implement the renaming of FBMS and the extension of FBMS (including its Snapshot functionality) to ROTs and Specialists, the Exchange also proposes to make changes to its Rules and Floor Advises, as well as to update multiple cross-references within its Rules and Floor Advises, so that its current requirements regarding the use of FBMS will apply to ROTs and Specialists.\(^19\)

14 See Notice, supra note 5, at 25726.
15 See id.
16 See id.
17 See id. These procedures and limitations regarding the use of Snapshot are currently set forth in Phlx Rule 1063(e)(v), but the Exchange proposes to move them to a new Phlx Rule 1069, where they will apply broadly to "members" rather than only to Floor Brokers.
18 See id.
19 See id. at 25726–27.
20 See id. at 25726–28; Amendment No. 1, supra note 6. The Exchange is proposing minor alterations to its Rules that presently govern the use of FBMS by Floor Brokers to, among other things, account for the fact that ROTs and Specialists negotiate orders on the floor for their own account and do not represent orders on behalf of others. See Notice, supra note 5, at 25728. In addition, the Exchange is proposing several changes to remove obsolete

Continued