of the purposes of the Act. The Exchange operates in a highly competitive market in which market participants can readily direct order flow to competing venues if they deem fee levels set by the Exchange to be excessive. The Exchange believes that the proposed rule change will further encourage market participants to submit orders to the Exchange through Institutional Brokers, which will enhance competition in the national market system.

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

No written comments were either solicited or received.

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

The foregoing rule change is effective upon filing pursuant to Section 19(b)(3)(A)(ii) of the Act 12 and subparagraph(f)(2) of Rule 19b–4 thereunder13 because it establishes or changes a due, fee or other charge imposed by the Exchange.

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 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. Please include File Number SR–CHX–2016–10 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–CHX–2016–10. 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 such filing will also 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–CHX–2016–10 and should be submitted on or before July 19, 2016.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.14

Brent J. Fields,
Secretary.

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SECURITIES AND EXCHANGE COMMISSION

Self-Regulatory Organizations; NASDAQ PHLX LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change Relating to the Risk Monitor Mechanism

June 22, 2016.

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 June 9, 2016, NASDAQ PHLX LLC (“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 propose to amend Rule 1095, entitled “Automated Removal of Quotes.”

The text of the proposed rule change is available on the Exchange’s Web site at http://nasdaqomxphlx.chchartstreet.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 Exchange proposes to amend Rule 1095, entitled “Automated Removal of Quotes” to modify the minimum Specified Percentage (as described below) determined by a Market Maker3 to enable a Market Maker4 to request a Market Maker5 to generate and submit option quotations electronically in options for his own account. A ROT includes Streaming Quote Traders or “SQTs” as well as on and off-floor ROTS. An SQT is defined in Exchange Rule 1014(b)(ii)(A) as an SQT who has received permission from the Exchange to generate and submit option quotations electronically in options to which such SQT is assigned. An RSQT is defined in Exchange Rule 1014(b)(ii)(B) as an RSQT that is a member affiliated with an RSQT with no physical trading floor presence who has received permission from the Exchange to generate and submit option quotations electronically in options

Maker to enhance their risk management for an underlying security as market conditions warrant, based on their own risk tolerance level and quoting behavior. The manner in which Rule 1095 operates is not being amended in this rule change. The Exchange proposes to permit the Market Maker to set the Specified Percentage more broadly, at not less than 1% with this rule change. The Exchange also proposes to memorialize the definition of disseminated size in the rule text.

Background

Today, Rule 1095 permits Market Makers to monitor risk arising from multiple executions across multiple options series of a single underlying security. A Market Maker may provide a specified time period and a specified percentage by which the Exchange’s Phlx XI System (“System”) will automatically remove a Market Maker’s quotes in all series of an underlying security submitted through designated Phlx protocols, as specified by the Exchange, during a specified time period not to exceed 15 seconds (“Percentage-Based Specified Time Period”).

For each series in an option, the System determines: (i) The percentage by which the number of contracts executed in that series represents relative to the Market Maker’s disseminated size of contracts traded and removed by the System; and (ii) the sum of the buy-side puts and the sell-side puts ("Series Percentage"); the System tracks transactions, i.e., the sum of buy-side put percentages, the sum of sell-side put percentages, the sum of buy-side call percentages, and the sum of sell-side call percentages, and then calculates the absolute value of the difference between the buy-side puts and the sell-side puts plus the absolute value of the difference between the buy-side calls and the sell-side calls. If the Issue Percentage, rounded to the nearest integer, equals or exceeds a percentage established by the Market Maker, not less than 100% and such Percentage-Based 7 or Volume-Based 8 risk controls, Market Makers must utilize the Percentage-Based risk controls. Market Makers must contact Market Operations to set their percentage and specified time period.

By way of example, if a Market Maker has a rapid fire percentage setting of 50% and a Specified Time Period of 15 seconds and the Order Book reflects:

MM1 has a displayed quote of 1.20 (100) × 1.20 (100) for IBM May 20, 2016 70 puts and MM1 is the only displayed size on Phlx and an order is submitted to buy 75 IBM May 20, 2016 70 Puts for 1.20

Rule 1095 would:

(1) Provide MM1 with an execution—Sld 75 @ 1.20; and

(2) Trigger the Percentage-Based Threshold and remove MM1’s quotes in IBM.

Another example is with multiple executions. Presume MM1 has a rapid fire percentage setting of 80% by 5 seconds and MM1 has a displayed quote of 2.00 (100) × 2.25 (100) for IBM May 20, 2016 70 puts and he is the only displayed size on the Phlx. Also, presume an order comes in to buy 50 IBM May 20, 2016 70 puts for 2.25. The following executions would result:

MM1 receives an execution Sold 50 @ 2.25
MM1 receives an execution Sold 45 @ 2.25
MM1 receives an execution Sold 45 @ 2.25

The Exchange also proposes to memorialize the definition of disseminated size, which is the original size quoted by the Market Maker, within Rule 1095.

2. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act 9 in general, and further the objectives of Section 6(b)(5) of the Act 9 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.

Market Makers are obligated to submit continuous two-sided quotations in a

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7 Market Makers selecting the Percentage-Based risk control in Rule 1095(i) are required to provide a specified time period, up to 15 seconds, and a specified percentage with a number of 1% or greater, as proposed herein, to the Market Operations staff to select this risk control. If a Market Maker does not desire to utilize the Percentage-Based risk control the Market Maker must utilize the Volume-Based risk control. Market Makers must set-up their risk control settings initially, when they become a Phlx Market Maker, and then subsequent changes by contacting Market Operations.

8 SQF permits the receipt of quotes. SQF Auction Responses and market sweeps are also not included.


certain number of series in their appointed option classes for a certain percentage of each trading session, rendering them vulnerable to risk from unusual market conditions, volatility in specific options, and other market events that may cause them to receive multiple, extremely rapid automatic executions before they can adjust their quotations and overall risk exposure in the market. Without adequate risk management tools in place on the Exchange, the incentive for Market Makers to quote aggressively, respecting both price and size could be diminished. Such a result may undermine the quality of the markets, which are enhanced by the depth and liquidity such Market Makers provide in the marketplace.

By allowing the percentage to be reduced from 100% to 1%, the Exchange provides its Market Makers the desired flexibility to take into account such factors as present and anticipated market conditions, news in an option or sudden change in volatility of an option without any limitation regarding the Specified Percentage. This should encourage Market Makers to provide additional depth and liquidity to the Exchange’s markets, thereby removing impediments to and perfecting the mechanisms of a free and open market and a national market system and, in general, protecting investors and the public interest.

The proposal is consistent with the Act because the reduction of the Specified Percentage to not less than 1% provides more alternatives to Market Makers in setting their percentage without impacting their firm quote obligations. The System operates consistently with the firm quote obligations of a broker-dealer pursuant to Rule 602 of Regulation NMS. Specifically, with respect to Market Makers, their obligation to provide continuous two-sided quotes on a daily basis is not diminished by the removal of such quotes by the Percentage-Based Threshold. Market Makers are required to provide continuous two-sided quotes on a daily basis. Market Makers that utilize the Percentage-Based Threshold will not be relieved 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. All quotes entered into the System are considered firm. Quotes will only be removed from the System once the Percentage-Based Threshold has been met if the quote was not otherwise executed by an incoming order.

This risk feature will continue to remove impediments to and perfect the mechanism of a free and open market and a national market system and protect investors and the public interest by allowing Market Makers to remove their quotes in the event that market conditions warrant, based on their own risk tolerance level. Market Makers provide liquidity to the market place and have obligations unlike other market participants. This risk feature is important because it will enable Market Makers to manage their exposure at the Exchange. Further, permitting a broader setting would continue to allow Market Makers to have flexibility in setting their risk exposure to prevent unintended triggers of the Percentage-Based Threshold and it continues to allow Market Makers to set a Specified Time Period. Each Market Maker has different levels of sensitivity and their own system safeguards as well. The proposed setting would permit each Market Maker to select a setting that is appropriate to capture the needs of that Market Maker.

Further, it is important to note that any interest that is executable against a Market Maker’s quotes that is received by the Exchange prior to the trigger of the Percentage-Based Threshold, which is processed by the System, automatically executes at the price up to the Market Maker’s size. Further, the Purge Notification Message is accepted by the System in the order of receipt in the queue and is processed in that order so that interest that is already accepted into the System is processed prior to the message.

The Exchange notes that Miami International Securities Exchange, LLC (“MIAX”) implemented a rule which changed its Allowable Engagement Percentage from 100% to any percentage established by the Market Maker. The Phlx rule is similar to MIAX in that a member is required to have a setting, although MIAX has a default setting in place in the instance that no percentage is provided. Market Makers that select the Percentage-Based risk tool must provide the Exchange with a specified time period and a percentage greater than or equal to 1%.

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 not necessary or appropriate in furtherance of the purposes of the Act. The Percentage-Based Threshold is meant to protect Market Makers from inadvertent exposure to excessive risk. This proposal will foster competition by providing Exchange Market Makers with the ability to enhance and customize their percentage in order to compete for executions and order flow. Specifically, the proposal does not impose a burden on intra-market or inter-market competition, rather, it provides Market Makers with the opportunity to avail themselves of similar risk tools which are currently available on other exchanges.

Market Makers quote across many series in an option creating the possibility of “rapid fire” executions that can create large, unintended principal positions that expose Market Makers. The Percentage-Based Threshold permits Market Makers to monitor risk arising from multiple executions across multiple options series of a single underlying security.

The Exchange is proposing this rule change to continue to permit Market Makers to reduce their risk in the event the Market Maker is suffering from a system issue or due to the occurrence of unusual or unexpected market activity. Reducing such risk will enable Market Makers to enter quotations without any fear of inadvertent exposure to excessive risk, which in turn will benefit investors through increased liquidity for the execution of their orders. Reducing risk by utilizing the proposed risk protections enables Market Makers, specifically, to enter quotations with larger size, which in turn will benefit investors through increased liquidity for the execution of their orders. Such increased liquidity benefits investors because they receive better prices and because it lowers volatility in the options market.

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.

10 See Rule 1014 titled “Obligations and Restrictions Applicable to Specialists and Registered Options Traders.”
11 Id.
13 Id.
14 The time of receipt for an order or quote is the time such message is processed by the Exchange book.
15 See Section 8 of the 19b–4.
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 and subparagraph (f)(6) of Rule 19b–4 thereunder. The Exchange has satisfied this change, or such shorter time as designated by the Commission written notice of its intent to file a proposed rule change.16 If the Commission takes such action, the proposed rule change will be effective upon filing.17

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
- Send an email to rule-comments@sec.gov. Please include File Number SR–Phlx–2016–67 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–Phlx–2016–67. 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–Phlx–2016–67, and should be submitted on or before July 19, 2016.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.19

Brent J. Fields,
Secretary.

[FR Doc. 2016–15177 Filed 6–27–16; 8:45 am]

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SECURITIES AND EXCHANGE COMMISSION


Self-Regulatory Organizations; Bats EDGA Exchange, Inc.: Notice of Filing and Immediate Effectiveness of a Proposed Rule Change Related to Fees

June 22, 2016.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the “Act”),1 and Rule 19b–4 thereunder,2 notice is hereby given that on June 8, 2016, Bats EDGA Exchange, Inc. (the “Exchange” or “EDGA”) filed with the Securities and Exchange Commission ("Commission") the proposed rule change as described in Items I, II and III below, which Items have been prepared by the Exchange. The Exchange has designated the proposed rule change as one establishing or changing a member due, fee, or other charge imposed by the Exchange under Section 19(b)(3)(A)(ii) of the Act and Rule 19b–4(f)(2) thereunder,3 which renders the proposed rule change effective upon filing with the Commission. 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 filed a proposal to amend the fee schedule applicable to Members4 and non-members of the Exchange pursuant to EDGA Rules 15.1(a) and (c) (“Fee Schedule”) to: (i) Add fee codes NA and NB; (ii) add new Volume Tier 3; and (iii) delete the MidPoint Discretionary Order Add Volume Tier.

The text of the proposed rule change is available at the Exchange’s Web site at www.batstrading.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

5 The term “Member” is defined as “any registered broker or dealer that has been admitted to membership in the Exchange.” See Exchange Rule 1.5(a).

17 17 CFR 240.19b–4(f)(6). In addition, Rule 19b–4(f)(6) requires a self-regulatory organization to give 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.

19 For purposes of waiving the 30-day operative delay, the Commission has considered the proposed rule’s impact on efficiency, competition, and capital formation. See 15 U.S.C. 78s(f).