

securities transactions and, to the extent applicable, derivative agreements, contracts and transactions, and to assure the safeguarding of securities and funds which are in the custody or control of the clearing agency or for which it is responsible.<sup>24</sup> As discussed above, the proposed rule change would enhance ICC's end-of-day price discovery process for SN instruments in a number of ways, including but not limited to incorporating a price-based floor which would be applied to a wider range of instruments, adopting a new dynamic BOW component, and taking into consideration the dispersion of price-space mid-levels received from Clearing Participants, all while continuing to apply scaling tenor, coupon, and variability scaling factors.

Taken as a whole, the Commission believes the proposed changes should enhance ICC's ability to determine the end-of-day BOW for SN instruments. First, the proposed changes should permit ICC to determine BOWs consistently across SN instruments on all reference entities, including those for which only sparse intraday data is available.<sup>25</sup> In addition, by extending the application of the price-based BOW floor component to the entire set of benchmark tenors from the 0 month to 10 years instead of solely the  $\frac{1}{3}$  month, 6 month, and 1-year benchmark tenors, the Commission believes that ICC will be able to more consistently compute the end-of-day BOW for a wider range of SN instruments.

Consequently, the Commission believes that the proposed changes will improve ICC's end-of-day pricing process as a whole as additional relevant information will be taken into consideration and a wider range of instruments will be considered in the pricing process. Based on these improvements, the Commission believes that ICC's risk management processes related to the end-of-day pricing process, including the calculation and collection of certain margin requirements, will also be improved, resulting in an improved ability to safeguard the positions that ICC maintains from the default of a Clearing Participant. As a result, the Commission believes that the proposed changes will promote the prompt and accurate clearance and settlement of the products cleared by ICC, and will enhance ICC's ability to assure the safeguarding of securities and funds which are in the custody or control of ICC or for which it is responsible. Therefore, the Commission finds that the proposed

rule change is consistent with the requirements of Section 17A(b)(3)(F) of the Act.<sup>26</sup>

#### *B. Consistency With Rule 17Ad-22(b)(2)*

Rule 17Ad-22(b)(2) requires, in relevant part, a registered clearing agency that performs central counterparty services to establish implement, maintain, and enforce written policies and procedures reasonably designed to use margin requirements to limit its credit exposures to participants under normal market conditions. As noted above, ICC uses the end-of-day BOWs as part of its mark-to-market and risk management purposes, including the computation of certain margin requirements.<sup>27</sup>

The Commission believes that by improving the end-of-day pricing process, as described above, ICC will also improve its ability to calculate margin requirements that use the end-of-day BOWs as an input. Consequently, an improved margin calculation should lead to the collection of margin levels that enhance ICC's ability to limit its credit exposures to participants under normal market conditions. As a result, the Commission finds that the proposed rule change is consistent with the requirements of Rule 17Ad-22(b)(2).<sup>28</sup>

#### *C. Consistency With Rule 17Ad-22(d)(8)*

Rule 17Ad-22(d)(8) requires, in relevant part, that a registered clearing agency that is not a covered clearing agency to establish, implement, maintain, and enforce written policies and procedures reasonably designed to, as applicable, have governance arrangements that promote the effectiveness of the clearing agency's risk management procedures.<sup>29</sup> ICC proposed to amend the Governance section of its Pricing policy to clarify the responsibilities of the ICC Risk Management Department and the Trading Advisory Committee with respect to the determination of price-based floors, relative BOWs, and scaling factors. By updating the Governance section of the Pricing Policy to delineate the roles of the ICC Risk Management Department and the Trading Advisory Committee, the Commission believes that ICC will improve the governance structure surrounding the end-of-day pricing process.

Because the output of the end-of-day pricing process is used for mark-to-market and risk management purposes, the Commission believes that

improvements to the governance structure of the end-of-day pricing process will have the effect of promoting greater effectiveness of ICC's risk management procedures overall. Therefore, the Commission finds that the proposed rule change is consistent with the requirements of Rule 17Ad-22(d)(8).<sup>30</sup>

#### **IV. Conclusion**

On the basis of the foregoing, the Commission finds that the proposed rule change is consistent with the requirements of the Act, and in particular with the requirements of Section 17A of the Act<sup>31</sup> and Rules 17Ad-22(b)(2) and (d)(8)<sup>32</sup> thereunder.

*It is therefore ordered* pursuant to Section 19(b)(2) of the Act<sup>33</sup> that the proposed rule change (SR-ICC-2018-002) be, and hereby is, approved.<sup>34</sup>

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>35</sup>

**Jill Peterson,**

*Assistant Secretary.*

[FR Doc. 2018-06691 Filed 4-2-18; 8:45 am]

**BILLING CODE 8011-01-P**

#### **SECURITIES AND EXCHANGE COMMISSION**

**[Release 34-82961; File No. SR-ISE-2018-21]**

#### **Self-Regulatory Organizations; Nasdaq ISE, LLC; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change To Extend the Delay for Re-Introduction of Legging Functionality for Stock-Option Orders on INET by an Additional Year**

March 28, 2018.

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 March 16, 2018, 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

<sup>30</sup> *Id.*

<sup>31</sup> 15 U.S.C. 78q-1.

<sup>32</sup> 17 CFR 240.17Ad-22(b)(2) and (d)(8).

<sup>33</sup> 15 U.S.C. 78s(b)(2).

<sup>34</sup> In approving the proposed rule change, the Commission considered the proposal's impact on efficiency, competition, and capital formation. 15 U.S.C. 78c(f).

<sup>35</sup> 17 CFR 200.30-3(a)(12).

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

<sup>2</sup> 17 CFR 240.19b-4.

<sup>24</sup> 15 U.S.C. 78q-1(b)(3)(F).

<sup>25</sup> Notice, 83 FR at 6078.

<sup>26</sup> *Id.*

<sup>27</sup> 17 CFR 240.17Ad-22(b)(2).

<sup>28</sup> *Id.*

<sup>29</sup> 17 CFR 240.17Ad-22(d)(8).

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 delay for re-introduction of legging functionality for Stock-Option Orders on INET by an additional year.

The text of the proposed rule change is available on the Exchange's website at <http://ise.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 extend the delay for re-introduction of legging functionality for Stock-Option Orders on INET by an additional year. With the recent re-platform of the Exchange's trading system to INET, the Exchange delayed the re-introduction of legging functionality for Stock-Option Orders.<sup>3</sup> As such, Stock-Option Orders entered on the Exchange today are not automatically executed against bids and offers on the Exchange for the individual legs pursuant to Rule 722(b)(3)(ii)–(iii) and Supplementary Material .02 to Rule 722. The Exchange proposes to extend the delay of implementation of legging functionality for Stock-Option Orders by an additional year. Stock-Option Orders will continue to execute against other Stock-Option Orders in the complex order book, thereby providing an opportunity for Members to have their

Stock-Option Orders executed on the Exchange.

When the Exchange initially delayed legging functionality for Stock-Option Orders, the Exchange noted that it would re-introduce legging for Stock-Option Orders within one year from the date of that filing. The Exchange filed the initial rule change on March 21, 2017, and the additional one year delay would therefore extend the implementation timeline for this functionality to March 21, 2019. The extended delay would provide the Exchange additional time to develop and test this functionality on INET. The Exchange will issue an Options Trader Alert notifying Members when this functionality will be available. Furthermore, in connection with this change, the Exchange also proposes to amend Rule 722 to remove language about the migration of symbols to INET as this migration has been completed and all symbols listed by the Exchange are currently trading on the INET platform.

##### **2. Statutory Basis**

The Exchange believes that the proposed rule change is consistent with Section 6(b) of the Act,<sup>4</sup> in general, and furthers the objectives of Section 6(b)(5) of the Act,<sup>5</sup> 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. In particular, the Exchange believes that the proposed rule change is consistent with the protection of investors and the public interest as it would provide additional time to develop and test legging functionality for Stock-Option Orders on INET. Although the Exchange is now fully operating on the INET platform, additional time is necessary to re-implement this functionality to ensure a quality experience for Members. Members are already aware that this functionality has been delayed, and the Exchange will provide Members notice of the date when the functionality will be available. While the Exchange is proposing to extend the delay of legging functionality for these Stock-Option Orders, Members can continue to submit these orders to the Exchange where they can be executed against other Stock-Option Orders on the complex order book. No Members have notified the Exchange of significant impact on execution quality as a result

of the delayed implementation of legging functionality for Stock-Option Orders, and therefore the Exchange does not believe that extending the delay will have a significant impact on market participants. This functionality will be available on or before March 21, 2019. Furthermore, the other proposed changes merely update this rule to reflect the fact that all symbols listed by ISE are currently traded on the INET platform.

#### **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. Specifically, the Exchange does not believe that the proposed one year delay will impose any significant burden on intra-market competition because legging for Stock-Option Orders will be uniformly delayed for all Members. Similarly, the Exchange does not believe that the proposed delay will impose any significant burden on inter-market competition as it does not impact the ability of other markets to offer or not offer competing functionality. The Exchange believes that providing an additional year to develop and test this functionality will be beneficial to members.

#### **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<sup>6</sup> and subparagraph (f)(6) of Rule 19b–4 thereunder.<sup>7</sup>

A proposed rule change filed under Rule 19b–4(f)(6) normally does not

<sup>6</sup> 15 U.S.C. 78s(b)(3)(A)(iii).

<sup>7</sup> 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.

<sup>3</sup> See Securities Exchange Act Release No. 80316 (March 27, 2017) 82 FR 16084 (March 31, 2017) (SR-ISE-2017–28).

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

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

become operative for 30 days after the date of the filing. However, Rule 19b-4(f)(6)(iii)<sup>8</sup> permits the Commission to designate a shorter time if such action is consistent with the protection of investors and the public interest. In its filing, ISE requests that the Commission waive the 30-day operative delay to allow the proposed one-year extension of the time for re-introducing the legging functionality for Stock-Option Orders to begin at the conclusion of the current delay period, which was scheduled to end on March 21, 2018. As noted above, ISE states that extending the delay for re-introducing the legging functionality for Stock-Option Orders will provide ISE with additional time to develop and test the legging functionality on INET. ISE further states that no Members have notified ISE of a significant impact on execution quality as a result of the delayed implementation of the legging functionality for Stock-Option Orders and, accordingly, the Exchange does not believe that extending the delay will have a significant impact on market participants. The Commission believes that waiving the operative delay is consistent with the protection of investors and the public interest because it will provide ISE with additional time to develop and test the legging functionality for Stock-Option Orders. Accordingly, the Commission waives the 30-day operative delay and designates the proposed rule change operative upon filing.<sup>9</sup>

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 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-ISE-2018-21 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-ISE-2018-21. 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 website (<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 website 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. Persons submitting comments are cautioned that we do not redact or edit personal identifying information from comment submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR-ISE-2018-21, and should be submitted on or before April 24, 2018.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>10</sup>

**Jill Peterson,**

*Assistant Secretary.*

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**BILLING CODE 8011-01-P**

## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-82959; File No. SR-BOX-2018-06]

### Self-Regulatory Organizations; BOX Options Exchange LLC; Order Approving a Proposed Rule Change To Adopt IM-8040-3 To Exchange Rule 8040 to Permit Directed Orders To Be Submitted With an Auction Only Designation

March 28, 2018.

#### I. Introduction

On February 5, 2018, BOX Options Exchange LLC ("BOX" or "Exchange") filed with the Securities and Exchange Commission ("Commission") 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> a proposed rule change to adopt IM-8040-3 to Exchange Rule 8040 to permit Directed Orders<sup>3</sup> to be submitted with an Auction Only designation. The proposed rule change was published for comment in the **Federal Register** on February 16, 2018.<sup>4</sup> The Commission received no comment letters on the proposed rule change. This order approves the proposed rule change.

#### II. Description of the Proposed Rule Change

The Exchange proposes to adopt IM-8040-3 to Exchange Rule 8040 to allow Options Participants<sup>5</sup> to apply a new optional Auction Only designation to Directed Orders. A Directed Order with an Auction Only designation will be cancelled if it is not entered into the Price Improvement Period ("PIP")<sup>6</sup> by the Executing Participant ("EP").<sup>7</sup>

Market Makers<sup>8</sup> may receive and handle Directed Orders on an agency

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

<sup>2</sup> 17 CFR 240.19b-4.

<sup>3</sup> The term "Directed Order" means any Customer Order to buy or sell contracts on a single option series that has been directed to a particular market maker by an Order Flow Provider ("OFP"). See Exchange Rule 100(a)(19).

<sup>4</sup> See Securities Exchange Act Release No. 82690 (February 12, 2018), 83 FR 7084 ("Notice").

<sup>5</sup> The term "Options Participant" or "Participant" means a firm, or organization that is registered with the Exchange pursuant to the BOX Rule 2000 Series for purposes of participating in options trading on BOX as an OFP or Market Maker. See Exchange Rule 100(a)(41).

<sup>6</sup> See Exchange Rule 7150.

<sup>7</sup> An Executing Participant ("EP") is a market maker that desires to accept Directed Orders. See Notice, *supra* note 4, at 7085 n.4.

<sup>8</sup> The term "Market Maker" means an Options Participant registered with the Exchange for the purpose of making markets in options contracts traded on the Exchange and that is vested with the rights and responsibilities specified in the BOX Rule 8000 Series. All Market Makers are designated

<sup>8</sup> 17 CFR 240.19b-4(f)(6)(iii).

<sup>9</sup> For purposes only of waiving the 30-day operative delay, the Commission has also considered the proposed rule's impact on efficiency, competition, and capital formation. See 15 U.S.C. 78c(f).

<sup>10</sup> 17 CFR 200.30-3(a)(12) and (59).