

the Act¹⁰ to determine whether to approve or disapprove the proposed rule change, as modified by Amendment Nos. 1, 3, and 4 thereto.¹¹ In the Order Instituting Proceedings, the Commission solicited comments to specified matters related to the proposal.¹² The Commission has not received any comments on the proposed rule change.

Section 19(b)(2) of the Act¹³ provides that, after initiating disapproval proceedings, the Commission shall issue an order approving or disapproving the proposed rule change not later than 180 days after the date of publication of notice of the filing of the proposed rule change. The Commission may, however, extend the period for issuing an order approving or disapproving the proposed rule change by not more than 60 days if the Commission determines that a longer period is appropriate and publishes the reasons for such determination. The proposed rule change was published for notice and comment in the **Federal Register** on November 25, 2015.¹⁴ The 180th day after publication of the notice of the filing of the proposed rule change in the **Federal Register** is May 23, 2016.

The Commission finds that it is appropriate to designate a longer period within which to issue an order approving or disapproving the proposed rule change so that it has sufficient time to consider the proposed rule change, as modified by Amendment Nos. 1, 3, and 4 thereto.

Accordingly, the Commission, pursuant to Section 19(b)(2) of the Act,¹⁵ designates July 22, 2016, as the date by which the Commission shall either approve or disapprove the proposed rule change, as modified by Amendment Nos. 1, 3, and 4 thereto (File No. SR-BATS-2015-100).

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.¹⁶

Robert W. Errett,
Deputy Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-77877; File No. SR-BOX-2016-22]

Self-Regulatory Organizations; BOX Options Exchange LLC; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change To Amend BOX Rule 12140 (Imposition of Fines for Minor Rule Violations) To Amend the Sanctions for Quotation Parameters and Permit the Aggregation of Violations for the Purpose of Determining What Is an Occurrence

May 20, 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 May 11, 2016, BOX Options Exchange LLC (the “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 self-regulatory organization. The Commission is publishing this notice to solicit comments on the proposed rule from interested persons.

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

The Exchange proposes to amend BOX Rule 12140 (Imposition of Fines for Minor Rule Violations) to amend the sanctions for Quotation Parameters and permit the aggregation of violations for the purpose of determining what is an occurrence. The text of the proposed rule change is available from the principal office of the Exchange, at the Commission’s Public Reference Room and also on the Exchange’s Internet Web site at <http://boxexchange.com>.

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 self-regulatory organization 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 self-regulatory organization 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 BOX Rule 12140 (Imposition of Fines for Minor Rule Violations) to amend the sanctions for Quotation Parameters (Rule 12140(d)(5)) and permit the aggregation of violations for the purpose of determining what is an occurrence.

The purpose of the proposed rule change is to amend the sanctions that relate to Rule 8040(a)(7) regarding spread parameters for Market Maker quotations under the Exchange’s Minor Rule Violation Plan or (“MRVP”). BOX Rule 8040(a)(7)³ governs quotation parameters which establish the maximum permissible width between the bid and offer in a particular series.⁴ The Exchange believes the proposed rule changes [sic] will add clarity as to what is considered a violation with respect to these quotation parameters under the MRVP.

First, the Exchange proposes to amend the sanctions applicable to violations of Rule 8040(a)(7) pursuant to the Exchange’s MRVP which are laid out in BOX Rule 12140(d)(5). The sanctions would now consist of Letters of Caution respecting the first three occurrences and three fines thereafter (\$250, \$500 and \$1,000), before the seventh occurrence would result in referral to the Hearing Committee for disciplinary action. In addition, the fine schedule would be administered on a one year running calendar basis, such that violations within one year of the last occurrence would count as the next “occurrence”. The Exchange then proposes to add language that will allow BOX to aggregate individual quotation violations and treat such violations as a single offense.

The Exchange believes that these changes are appropriate because quoting on the Exchange is entirely electronic. Specifically, firms rely on their quote

³ The Exchange’s MRVP consists of preset fines, pursuant to Rule 19d-1(c) under the Act 17 CFR 240.19d-1(c).

⁴ See Rule 8040(a)(7). The Exchange sets the maximum width at no more than \$5 between the bid and offer.

¹⁰ 15 U.S.C. 78s(b)(2)(B).

¹¹ See Securities Exchange Act Release No. 77202, 81 FR 9889 (Feb. 26, 2016) (“Order Instituting Proceedings”). Specifically, the Commission instituted proceedings to allow for additional analysis of the proposed rule change’s consistency 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,” and “to protect investors and the public interest.” See *id.*, 81 FR at 9897.

¹² See *id.*

¹³ 15 U.S.C. 78s(b)(2).

¹⁴ See *supra* note 4 and accompanying text.

¹⁵ 15 U.S.C. 78s(b)(2).

¹⁶ 17 CFR 200.30-3(a)(57).

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

technology and computer models to establish an option's price and generate the quote electronically to the Exchange. The Exchange believes when there is an electronic quoting error, it may affect every series the Participant is quoting on in that particular technology, generating potentially hundreds or thousands of instances of quote spread parameter violations within a short amount of time. Rather than fine the Participant for or submit each event to Formal Disciplinary Action for an isolated technological error, the proposed changes would allow the Exchange to treat an electronic quoting error as single occurrence by aggregating the violations.⁵ The Exchange notes that due to the nature of quotation parameter violations, aggregation is a common practice in the options industry.⁶ Under the proposed rule change a Market Maker on BOX would in most instances receive a Letter of Caution before being subject to a sanction. The Exchange believes this is appropriate because the relevant Letters of Caution or monetary fines should serve as a deterrent against future violations, while recognizing that a single programming error can have widespread effect. Further, the Exchange believes that sanctions on quotation parameter violations should not be considered [sic] excessively punitive; as this could encourage a Market Maker [sic] only meet its minimum quoting requirements, which would remove liquidity from the exchange.

As with other violations covered under the Exchange's MRVP, the Exchange may elect to forgo the MRVP and enforce any egregious violation of its rules under the Exchange's formal disciplinary process.

The Exchange notes that the proposed rule change is substantially similar to the rules of the NASDAQ OMX PHLX, Inc. ("Phlx") and the sanctions that relate to the spread parameters for Market Maker quotations on PHLX.⁷

2. Statutory Basis

The Exchange believes that the proposal is consistent with the

⁵ The Exchange notes that there is very little advantage to a Market Maker quoting wide, when this happens they are no longer considered part of the marketplace and any incoming orders will go elsewhere.

⁶ The Minor Rule Violation Plans at most options exchanges allow for aggregation of quotation parameter violations and EDGX recently filed to add this language as well. See Securities Exchange Act Release No. 77181 (February 19, 2016), 81 FR 9566 (February 25, 2016) (Notice of Filing and Immediate Effectiveness SR-EDGX-2016-03).

⁷ See PHLX Rule 1014(c)(i)(A) [sic] and Securities Exchange Act Release No. 62147 (May 21, 2010), 75 FR 29792 (Order Approving SR-Phlx-2010-43).

requirements of Section 6(b) of the Securities Exchange Act of 1934 (the "Act"),⁸ in general, and Section 6(b)(5) of the Act,⁹ in particular, in that it is 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 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. In particular, the Exchange believes that its proposal is consistent with Sections 6(b)(1) and (6) of the Act,¹⁰ which require that the rules of an exchange enforce compliance with, and provide appropriate discipline for, violations of Commission and Exchange rules. In addition, because existing BOX Rule 12140 provides procedural rights to a person fined under the Exchange's MRVP to contest the fine and permits a hearing on the matter, the Exchange believes that the proposal is consistent with Sections 6(b)(7) and 6(d)(1) of the Act,¹¹ by providing a fair procedure for the disciplining of Participants and persons associated with Participants.

In requesting the proposed changes to the sanctions under BOX Rule 12140(d)(5), the Exchange in no way minimizes the importance of compliance with Exchange Rules and all other rules subject to the imposition of fines under the MRVP. However, the MRVP provides a reasonable means of addressing rule violations that do not rise to the level of large sanctions and requiring formal disciplinary proceedings, while providing greater flexibility in handling certain violations. The Exchange will continue to conduct surveillance with due diligence and make a determination based on its findings, on a case-by-case basis, whether a fine of more or less than the recommended amount is appropriate for a violation under the MRVP or whether a violation requires a formal disciplinary action.

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. In this regard and as indicated above, the Exchange notes that the rule change is being

⁸ 15 U.S.C. 78f(b).

⁹ 15 U.S.C. 78f(b)(5).

¹⁰ 15 U.S.C. 78f(b)(1) and (6).

¹¹ 15 U.S.C. 78f(b)(7) and (d)(1).

proposed is similar to the rules of PHLX.¹² The Exchange believes that the proposals will provide Participants protection from minor rule violation sanctions that are a result of electronic quoting errors. The proposed rule change is meant to take into account the possibility of programming or technology errors that result in a Participant violating the quote parameters set out in the Rule 8040(a)(7). The proposed rule change will enable Participants to enter quotes without fear of hundreds or thousands of minor rule violations, which in turn will benefit investors through increased liquidity on the exchange. While the Exchange believes that the proposed Letters of Caution and subsequent fines should serve as a deterrent against future violations, the Exchange may determine whether a violation is not minor in nature and thereafter refer it to the Hearing Committee for disciplinary action.¹³

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

The Exchange has neither solicited nor received comments on the proposed rule change.

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 Act¹⁴ and subparagraph (f)(6) of Rule 19b-4 thereunder.¹⁵

A proposed rule change filed under Rule 19b-4(f)(6) normally does not become operative prior to 30 days after the date of filing.¹⁶ Rule 19b-4(f)(6)(iii), however, permits the Commission to designate a shorter time if such action is consistent with the protection of investors and the public interest.¹⁷ The Exchange has asked the Commission to waive the 30-day operative delay so that the proposal may become operative upon filing. The Exchange has stated that the proposed rule change is

¹² See *supra*, note 7.

¹³ See Rule 12140(a).

¹⁴ 15 U.S.C. 78s(b)(3)(A)(iii).

¹⁵ 17 CFR 240.19b-4(f)(6).

¹⁶ 17 CFR 240.19b-4(f)(6)(iii).

¹⁷ *Id.*

substantially similar to the rules of Phlx, in particular, the sanctions for violations of the spread parameters for Market Maker quotations. Waiver of the 30-day operative delay will allow BOX to aggregate violations of its spread parameter rule under its MRVP without delay. Furthermore, the Commission notes that the Exchange's MRVP and quote spread parameter rules are already in place; waiver will clarify the Exchange's expectations of its Participants. For these reasons, the Commission believes that waiver of the 30-day operative delay is consistent with the protection of investors and the public interest. Therefore, the Commission designates the proposed rule change to be operative upon filing.¹⁸

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. Please include File Number SR-BOX-2016-22 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-BOX-2016-22. 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

¹⁸ For purposes only of waiving the 30-day operative delay, the Commission also has considered the proposed rule's impact on efficiency, competition, and capital formation. See 15 U.S.C. 78c(f).

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 also will be available for inspection and copying at the principal offices 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-BOX-2016-22, and should be submitted on or before June 16, 2016.

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

Robert W. Errett,
Deputy Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-77872; File No. SR-NYSEArca-2015-110]

Self-Regulatory Organizations; NYSE Arca, Inc.; Notice of Designation of a Longer Period for Commission Action on Proceedings To Determine Whether To Approve or Disapprove a Proposed Rule Change, as Modified by Amendment No. 4 Thereto, Amending NYSE Arca Equities Rule 8.600 To Adopt Generic Listing Standards for Managed Fund Shares

May 20, 2016.

On November 6, 2015, NYSE Arca, Inc. ("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 amend NYSE Arca Equities Rule 8.600

and to adopt generic listing standards for Managed Fund Shares.³ The proposed rule change was published for comment in the **Federal Register** on November 27, 2015.⁴

On November 23, 2015, the Exchange filed Amendment No. 1 to the proposed rule change, which amended and replaced the original proposal in its entirety. On January 4, 2016, pursuant to Section 19(b)(2) of the Act,⁵ 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 disapprove the proposed rule change.⁶ On January 21, 2016, the Exchange withdrew Amendment No. 1 and filed Amendment No. 2 to the proposed rule change.⁷ The proposed rule change, as modified by Amendment No. 2 thereto, was published for comment in the **Federal Register** on February 1, 2016.⁸ On February 11, 2016, the Exchange filed Amendment No. 3 to the proposed rule change.⁹ On February 16, 2016, the Exchange filed Amendment No. 4 to the proposed rule change.¹⁰

³ See NYSE Arca Equities Rule 8.600(c)(1) (defining Managed Fund Shares).

⁴ See Securities Exchange Act Release No. 76486 (Nov. 20, 2015), 80 FR 74169 ("Notice").

⁵ 15 U.S.C. 78s(b)(2).

⁶ See Securities Exchange Act Release No. 76819, 81 FR 987 (Jan. 8, 2016). The Commission designated February 25, 2016 as the date by which the Commission shall either approve or disapprove, or institute proceedings to determine whether to disapprove, the proposed rule change. See *id.*

⁷ In Amendment No. 2 to the proposed rule change, the Exchange added provisions to the proposed generic listing criteria relating to non-U.S. Component Stocks, convertible securities, and listed swaps, among other changes. Amendment No. 2, which amended and replaced the original proposal in its entirety, is available on the Commission's Web site at: <http://www.sec.gov/comments/sr-nysearca-2015-110/nysearca2015110-3.pdf>.

⁸ See Securities Exchange Act Release No. 76974 (Jan. 26, 2016), 81 FR 5149.

⁹ In Amendment No. 3 to the proposed rule change, the Exchange (a) revised the provisions relating to convertible securities, (b) clarified the limitations on non-exchange-traded American Depositary Receipts, (c) eliminated redundant provisions relating to limitations on leveraged and inverse-leveraged Derivative Securities Products, (d) revised the provision relating to limitations on listed derivatives, (e) clarified that, for purposes of the limitations relating to listed and over-the-counter derivatives, a portfolio's investment in listed and over-the-counter derivatives will be calculated as the total absolute notional value of these derivatives, and (f) provided additional information regarding the statutory basis of the proposal. Amendment No. 3, which amended and replaced the proposed rule change, as modified by Amendment No. 2 thereto, in its entirety, is available on the Commission's Web site at: <http://www.sec.gov/comments/sr-nysearca-2015-110/nysearca2015110-4.pdf>.

¹⁰ In Amendment No. 4 to the proposed rule change, the Exchange (a) modified the proposed generic listing rules to require compliance of the

¹⁹ 17 CFR 200.30-3(a)(12).

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.