

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–81052; File No. SR–IEX–2017–11]

Self-Regulatory Organizations; Investors Exchange LLC; Notice of Designation of a Longer Period for Commission Action on a Proposed Rule Change To Modify the Manner in Which the Exchange Opens Trading for Non-IEX-Listed Securities

June 29, 2017.

On April 13, 2017, the Investors Exchange LLC (“IEX” or the “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 modify the manner in which the Exchange opens trading for non-IEX-listed securities beginning at the start of Regular Market Hours and make related changes. The proposed rule change was published for comment in the **Federal Register** on April 28, 2017.³ On May 19, 2017, IEX filed Amendment No. 1 to the proposal. On June 9, 2017, IEX consented to an extension of time for the Commission to act on the proposal until July 5, 2017.⁴ On June 22, 2017, IEX filed Amendment No. 2 to the proposal, which superseded and replaced Amendment No. 1 in its entirety. On June 29, 2017, IEX filed Amendment No. 3 to the proposal, which superseded and replaced Amendment No. 2 in its entirety.⁵ The Commission received no comments on the proposed rule change.

Section 19(b)(2) of the Act⁶ provides that within 45 days of the publication of notice of the filing of a proposed rule change, or within such longer period up to 90 days as the Commission may designate if it finds such longer period to be appropriate and publishes its reasons for so finding or as to which the

self-regulatory organization consents, the Commission shall either approve the proposed rule change, disapprove the proposed rule change, or institute proceedings to determine whether the proposed rule change should be disapproved. The 45th day after publication of the notice for this proposed rule change was June 12, 2017. IEX consented to an extension of time for the Commission to act on the proposal until July 5, 2017.⁷ The Commission is further extending the time period for Commission action on the proposed rule change.

The Commission finds that it is appropriate to designate a longer period within which to take action on the proposed rule change so that it has sufficient time to consider the proposed rule change, as modified by Amendment No. 3. Accordingly, the Commission, pursuant to Section 19(b)(2) of the Act,⁸ designates July 27, 2017, as the date by which the Commission shall either approve or disapprove, or institute proceedings to determine whether to disapprove, the proposed rule change (File No. SR–IEX–2017–11), as modified by Amendment No. 3.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.⁹

Jill M. Peterson,*Assistant Secretary.*

[FR Doc. 2017–14143 Filed 7–5–17; 8:45 am]

BILLING CODE 8011–01–P**SECURITIES AND EXCHANGE COMMISSION**

[Release No. 34–80930A; File No. 4–698]

Joint Industry Plan; Notice of Filing and Immediate Effectiveness of Amendment No. 2 to the National Market System Plan Governing the Consolidated Audit Trail by Bats BYX Exchange, Inc., Bats BZX Exchange, Inc., Bats EDGA Exchange, Inc., Bats EDGX Exchange, Inc., BOX Options Exchange LLC, C2 Options Exchange, Incorporated, Chicago Board Options Exchange, Incorporated, Chicago Stock Exchange, Inc., Financial Industry Regulatory Authority, Inc., Investors’ Exchange LLC, Miami International Securities Exchange, LLC, MIAx PEARL, LLC, NASDAQ BX, Inc., Nasdaq GEMX, LLC, Nasdaq ISE, LLC, Nasdaq MRX, LLC, NASDAQ PHLX LLC, The NASDAQ Stock Market LLC, New York Stock Exchange LLC, NYSE Arca, Inc., NYSE MKT LLC and NYSE National, Inc.; Correction

June 30, 2017.

AGENCY: Securities and Exchange Commission.**ACTION:** Notice; correction.

SUMMARY: The Securities and Exchange Commission published a document in the **Federal Register** on June 20, 2017, concerning a Notice of Filing and Immediate Effectiveness of Amendment No. 2 to the National Market System Plan Governing the Consolidated Audit Trail. The document contained two typographical errors.

FOR FURTHER INFORMATION CONTACT:

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Correction

In the **Federal Register** of June 20, 2017, in FR Doc 2017–12771, on page 28180, in the first line under the heading “*Introduction*” in the second column, correct the date “May 9, 2017” instead to “May 23, 2017.”

On page 28180, in footnote 4 in the third column, correct the date “May 8, 2017” instead to “May 22, 2017.” Add the following sentence after the first sentence of footnote 4, “The Participants initially submitted the amendment on May 9, 2017, but subsequently withdrew the amendment

¹ 15 U.S.C.78s(b)(1).² 17 CFR 240.19b–4.³ See Securities Exchange Act Release No. 80514 (April 24, 2017), 82 FR 19763.⁴ See letter from Claudia Crowley, Chief Regulatory Officer, IEX, to Richard Holley, Assistant Director, Division of Trading and Markets, Commission, dated June 9, 2017.⁵ Amendment No. 3 revised the proposal to (i) provide additional clarity regarding the process for determining the Opening Match Price; (ii) modify the definition of “Cross Tie Breaker” to account for a scenario involving securities in Test Groups Two and Three of the Plan to Implement a Tick Size Pilot Program; and (iii) correct certain typographical errors. Amendment No. 3 also revised the proposal to fix an error in the proposed rule text in Amendment No. 2 and correct additional typographical errors.⁶ 15 U.S.C. 78s(b)(2).⁷ See *supra* note 4.⁸ 15 U.S.C. 78s(b)(2).⁹ 17 CFR 200.30–3(a)(31).

and refiled the submission on May 23, 2017.”

Brent J. Fields,
Secretary.

[FR Doc. 2017–14199 Filed 7–5–17; 8:45 am]

BILLING CODE 8011–01–P

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–81051; File No. SR–FICC–2017–012]

Self-Regulatory Organizations; Fixed Income Clearing Corporation; Order Approving a Proposed Rule Change to the Mortgage-Backed Securities Division Clearing Rules Regarding Fixed Income Clearing Corporation’s (1) Time of Novation, (2) Treatment of Itself as the Settlement Counterparty for Certain Transaction Types, and (3) Proposal to Implement New Processes to Promote Operational Efficiencies for Its Clearing Members

June 29, 2017.

I. Introduction

On May 15, 2017, Fixed Income Clearing Corporation (“FICC”) filed with the Securities and Exchange Commission (“Commission”) proposed rule change SR–FICC–2017–012, pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)¹ and Rule 19b–4 thereunder² (hereinafter, “Proposed Rule Change”). The Proposed Rule Change was published for comment in the **Federal Register** on May 24, 2017.³ The Commission received no comments to the Proposed Rule Change. This order approves the Proposed Rule Change.

II. Description of the Proposed Rule Change

The Proposed Rule Change consists of modifications to FICC’s Mortgage-Backed Securities Division (“MBSD”) Clearing Rules (“MBSD Rules”).⁴ Specifically, the Proposed Rule Change

would (1) change the time that FICC treats itself as the settlement counterparty for SBO-Destined Trades⁵ to the time of trade comparison, which is earlier in the lifecycle of the trade than the current practice; (2) change the time that FICC novates⁶ and treats itself as the settlement counterparty for Trade-for-Trade Transactions⁷ to the time of trade comparison, which is earlier in the lifecycle of the trade than the current practice; (3) regarding Specified Pool Trades,⁸ novate and establish FICC as the settlement counterparty at the time of trade comparison; and (4) regarding Stipulated Trades⁹ (a new proposed trade type), guarantee, novate, and establish FICC as the settlement counterparty at the time of trade comparison.

The Proposed Rule Change also includes several changes to the MBSD Rules regarding the operational processes for clearing MBSD trades. These changes include (1) eliminating the Notification of Settlement process regarding trades that currently settle bilaterally, as the process would become obsolete once FICC novates and directly

settles all SBO-Destined Transactions, Trade-for-Trade Transactions, and Specified Pool Trades, as proposed; (2) establishing the “Do Not Allocate” (“DNA”) process, which would allow Clearing Members¹⁰ to offset SBON Trades¹¹ and Trade-for-Trade Transactions; (3) establishing the “Expanded Pool Netting” process, which would net Pool Instructs¹² stemming from SBON Trades and Trade-for-Trade Transactions to arrive at a single net position per counterparty in a particular Pool Number¹³ for next-day delivery; (4) eliminating the “give-up” process for Brokered Transactions,¹⁴ as the process would become obsolete once FICC novates and settles all such transactions, as proposed; and (5) amending the components of the Cash Settlement¹⁵ calculation to reflect the changes above.

Finally, the Proposed Rule Change would modify FICC’s Real-Time Trade Matching (“RTTM”) system to remove size restrictions on SBO-Destined Trades. Since trade size submission

¹⁰ The term “Clearing Member” means any entity admitted into MBSD membership pursuant to MBSD Rule 2A. MBSD Rule 1, *supra* note 4.

¹¹ The proposed MBSD Rules would use the term “SBON Trades” to signify obligations that result from the TBA Netting process. Such obligations would reflect FICC as the settlement counterparty.

¹² The term “Pool Instruct” is defined in FICC’s MBS Pool Netting User Guide to mean “[a]n input used by a [M]ember to submit pool details directly into [FICC’s Real-Time Trade Matching System] pool netting for bilateral matching and assignment to a corresponding open TBA position as a prerequisite to pool netting. FICC MBS Pool Netting User Guide, available at <http://www.dtcc.com/clearing-services/ficc-mbsd/ficc-mbsd-user-documentation>.

¹³ The term “Pool Number” is defined in FICC’s MBS Pool Netting User Guide to mean a “[u]nique number assigned by the industry to identify the pool (in addition to the pool CUSIP [(i.e., the Committee on Uniform Securities Identification Procedures identifying number for a security)], since the pool CUSIP is not always known at the time of issuance).” FICC MBS Pool Netting User Guide, *supra* note 12.

¹⁴ The term “Brokered Transaction” means any “give-up” transaction calling for the delivery of a security for which data has been submitted to FICC by Members, in transactions to which a Broker is a party. MBSD Rule 1, *supra* note 4. FICC operates its brokered business on a “give-up” basis, which means that MBSD discloses (i.e., “gives-up”) the identity of each Dealer (i.e., a Member that is in the business of buying and selling Securities as principal, either directly or through a Broker.) to a Brokered Transaction after a period of time. MBSD Rule 1; Rule 5 Section 7, *supra* note 4.

¹⁵ The term “Cash Settlement” refers to the payment each business day by FICC to a Member or by a Member to FICC pursuant to Rule 11. MBSD Rule 1, *supra* note 4. Cash Settlement is a daily process of generating a single net credit or debit cash amount at the “Aggregated Account” level (i.e., either a single account linked to an aggregate ID or a set of accounts linked to an aggregate ID for the processing of transactions.) Clearing Members’ Cash Settlement obligations are calculated on a net basis at the aggregate ID level. MBSD Rule 1, *supra* note 4.

⁵ The Proposed Rule Change would add the new defined term “SBO” to define the settlement balance orders that constitute the net positions of a Clearing Member as a result of the TBA Netting process. Notice, 82 FR at 23860. The term “SBO-Destined Trade” means a “To-Be-Announced” (“TBA”) transaction intended for TBA Netting. MBSD Rule 1, *supra* note 4. TBA transactions are trades for which the actual identities of and/or the number of pools underlying each trade are unknown at the time of trade execution. See Notice, 82 FR at 23854. “TBA Netting” means the netting service that FICC provides to Clearing Members in connection with TBA transactions. MBSD Rule 1, *supra* note 4. The MBSD settlement balance order (“SBO”) system nets trades within the same mortgage backed security (“MBS”) product, coupon rate, maturity, and settlement date. The SBO system provides netting efficiencies, eliminating the need for Clearing Members to settle all but the resulting net buy and sell obligations.

⁶ Novation terminates the obligations between Clearing Members to deliver, receive, and make payments to each other, and replaces those obligations with identical obligations between the Clearing Members and FICC. MBSD Rule 5 Section 13, *supra* note 4.

⁷ The term “Trade-for-Trade Transaction” means a TBA transaction submitted to FICC that is not intended for TBA Netting. MBSD Rule 1, *supra* note 4. Entities use Trade-for-Trade Transactions either by choice or for trades that are not eligible for netting.

⁸ The term “Specified Pool Trade” means a trade in which all required pool data, including the pool number to be delivered upon settlement are agreed by the counterparties at the time of trade execution. MBSD Rule 1, *supra* note 4.

⁹ A “Stipulated Trade” is a trade in which pools allocated and delivered against the trade must satisfy certain conditions that are agreed upon by the parties at the time of trade execution. See Notice, 82 FR at 23856. Trades carrying stipulations may reflect terms that include, but are not limited to issuance year, issuance month, weighted average coupon, weighted average maturity and/or weighted average loan age, etc.

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b–4.

³ Securities Exchange Act Release No. 80716 (May 18, 2017), 82 FR 23852 (May 24, 2017) (SR–FICC–2017–012) (“Notice”).

⁴ FICC is comprised of two divisions, MBSD and the Government Securities Division (“GSD”). MBSD provides, among other things, clearance and settlement for trades in mortgage-backed securities. GSD provides, among other things, clearance and settlement for trades in U.S. government debt issues. MBSD and GSD maintain separate sets of rules, margin models, and clearing funds. The Proposed Rule Change relates solely to the MBSD Rules. Capitalized terms used and not otherwise defined shall have the meaning assigned to such terms in the MBSD Rules or the FICC MBSD EPN Rules, as applicable, available at <http://www.dtcc.com/en/legal/rules-and-procedures>.