

provides that the Commission may exempt any person, security, or transaction, or any class or classes of persons, securities, or transactions, from any provision of section 12(d)(1) if the exemption is consistent with the public interest and the protection of investors. Section 17(b) of the Act authorizes the Commission to grant an order permitting a transaction otherwise prohibited by section 17(a) if it finds that (a) the terms of the proposed transaction are fair and reasonable and do not involve overreaching on the part of any person concerned; (b) the proposed transaction is consistent with the policies of each registered investment company involved; and (c) the proposed transaction is consistent with the general purposes of the Act.

For the Commission, by the Division of Investment Management, under delegated authority.

**Brent J. Fields,**  
Secretary.

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-84897; File No. SR-ISE-2018-100]

### Self-Regulatory Organizations; Nasdaq ISE, LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Amend Supplementary Material .02 to Rule 715

December 20, 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 December 20, 2018, Nasdaq ISE, LLC (“ISE” or “Exchange”) filed with the Securities and Exchange Commission (“SEC” or “Commission”) the proposed rule change as described in Items I, II, and III, 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 Supplementary Material .02 to Rule 715, which relates to Cancel and Replace Orders, to correct an inadvertent error in the rule text.

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 Exchange recently filed a proposal to amend Supplementary Material .02 to Rule 715 regarding Cancel and Replace Orders to correct an inconsistency between the Exchange’s rule text and the operation of the System<sup>3</sup> by removing the reference to Rule 710, which relates to minimum price variations applicable to single leg options series traded on the Exchange.<sup>4</sup> The Exchange, however, inadvertently omitted the deletion of Rule 722(c)(1) from this rule. Rule 722(c)(1) corresponds to Rule 710 in that it relates to minimum price variations of complex strategies. Accordingly, the Exchange is proposing herein to delete the reference to Rule 722(c)(1) from Supplementary Material .02 to Rule 715.

By way of background, a member currently has the option of either sending in a cancel order and then separately sending in a new order which serves as a replacement of the original order (two separate messages), or sending a single cancel and replace order in one message (*i.e.*, a Cancel and Replace Order). Specifically, Supplementary Material .02 to Rule 715 defines a Cancel and Replace Order as a single message for the immediate cancellation of a previously received order and the replacement of that order

with a new order.<sup>5</sup> The replacement portion of the Cancel and Replace Order is treated as a new order and as a result, goes through price or other reasonability checks conducted by the System to validate such order against current market conditions prior to proceeding with request to modify the order.<sup>6</sup> If the replacement portion of a Cancel and Replace Order does not satisfy the System’s price or other reasonability checks, the existing order will be cancelled and not replaced.

Accordingly, the reference to Rule 710, which relates to minimum price variations applicable to single leg options series traded on the Exchange, was deleted from Supplementary Material .02 to Rule 715 as part of SR-ISE-2018-97, because Rule 710 does not involve the System considering the current market at the time of the Cancel and Replace Order.<sup>7</sup> The Exchange further explained in SR-ISE-2018-97 that an incoming Cancel and Replace Order that fails the minimum price variation checks in Rule 710 would not result in the existing order being cancelled and not replaced.<sup>8</sup> Accordingly, the Exchange removed the reference to Rule 710 from the list of price or other reasonability checks to conform its rule text to the System.

As noted above, Rule 722(c)(1) relates to minimum price variations of complex strategies, and is therefore analogous to the single leg rule in ISE Rule 710. The Exchange therefore proposes to delete Rule 722(c)(1) from Supplementary Material .02 to Rule 715 for the same reasons provided above for Rule 710. Similar to Rule 710, Rule 722(c)(1) does not involve the System considering the current market at the time of the Cancel and Replace Order, and an incoming Cancel and Replace Order that fails the minimum price variation checks for complex strategies in Rule 722(c)(1) would likewise not result in the existing

<sup>5</sup> If the previously placed order is already filled partially or in its entirety, the replacement order is automatically cancelled or reduced by the number of contracts that were executed. See Supplementary Material .02 to Rule 715. Supplementary Material .02 to Rule 715 further provides how the replacement portion may retain the priority of the original order, provided certain specified conditions are met. The manner in which the Exchange treats priority with respect to Cancel and Replace Orders is not changing under this proposal.

<sup>6</sup> See Securities Exchange Act Release No. 80432 (April 11, 2017), 82 FR 18191 (April 17, 2017) (SR-ISE-2017-03) (memorializing Cancel and Replace Orders in Supplementary Material .02 to Rule 715 as part of the Exchange’s system migration to INET technology).

<sup>7</sup> See note 4 above.

<sup>8</sup> *Id.* In this instance, the System would simply reject the cancel and replace message as an invalid instruction. The Exchange notes that the previous T7 system likewise treated Cancel and Replace Orders in this manner.

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

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

<sup>3</sup> The term “System” means the electronic system operated by the Exchange that receives and disseminates quotes, executes orders and reports transactions. See Rule 100(a)(63).

<sup>4</sup> See Securities Exchange Act Release No. 84741 (December 6, 2018), 83 FR 63922 (December 12, 2018) (SR-ISE-2018-97).

order being cancelled and not replaced.<sup>9</sup> As such, the Exchange proposes to remove the reference to Rule 722(c)(1) from the list of price or other reasonability checks to conform its rule text to the System.

## 2. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act,<sup>10</sup> in general, and furthers the objectives of Section 6(b)(5) of the Act,<sup>11</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. The Exchange's proposal corrects an inadvertent error in Supplementary Material .02 to Rule 715, which currently includes Rule 722(c)(1) within the list of price or other reasonability checks. As discussed above, including Rule 722(c)(1) is inconsistent with the operation of the Exchange's System because an incoming Cancel and Replace Order which fails the minimum price variation checks in Rule 722(c)(1) does not result in the existing order getting cancelled and not replaced. This rule change would amend the rule text to reflect ISE's current practice, and should avoid potential confusion about how the System processes Cancel and Replace Orders today.<sup>12</sup>

### 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 proposed rule change will bring greater transparency to the Exchange's Rulebook, and therefore does not unduly burden competition.

### 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 of 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>13</sup> and subparagraph (f)(6) of Rule 19b-4 thereunder.<sup>14</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 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](mailto:rule-comments@sec.gov). Please include File Number SR-ISE-2018-100 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-2018-100. 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; 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-ISE-2018-100 and should be submitted on or before January 18, 2019.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>15</sup>

**Brent J. Fields,**  
Secretary.

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## SECURITIES AND EXCHANGE COMMISSION

[Investment Company Act Release No. 33342; File No. 812-14811]

### AQR Trust and AQR Capital Management, LLC; Notice of Application

December 21, 2018.

**AGENCY:** Securities and Exchange Commission ("Commission").

**ACTION:** Notice.

Notice of an application for an order under section 6(c) of the Investment Company Act of 1940 (the "Act") for an exemption from sections 2(a)(32), 5(a)(1), 22(d), and 22(e) of the Act and rule 22c-1 under the Act, under sections 6(c) and 17(b) of the Act for an exemption from sections 17(a)(1) and 17(a)(2) of the Act, and under section 12(d)(1)(f) for an exemption from sections 12(d)(1)(A) and 12(d)(1)(B) of the Act. The requested order would permit (a) actively-managed series of certain open-end management

<sup>9</sup> Similar to Rule 710, the System would also simply reject the cancel and replace message as an invalid instruction in this instance. Furthermore, the previous T7 system likewise treated Cancel and Replace Orders in this manner.

<sup>10</sup> 15 U.S.C. 78f(b).

<sup>11</sup> 15 U.S.C. 78f(b)(5).

<sup>12</sup> See note 9 above.

<sup>13</sup> 15 U.S.C. 78s(b)(3)(A)(iii).

<sup>14</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>15</sup> 17 CFR 200.30-3(a)(12).