

system, and, in general to protect investors and the public interest, by permitting the Exchange additional time to implement the LOP in accordance with the Exchange's processes. The Exchange's proposal does not significantly affect the protection of investors or the public interest because this proposal does not modify the manner in which LOP operates, only the implementation date is impacted. The Exchange will provide advance notice to members with respect to the new date.

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 Exchange's proposal does not impose any significant burden on competition because LOP will apply to all PSX market participants in a uniform manner once implemented.

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 Act¹⁰ and subparagraph (f)(6) of Rule 19b-4 thereunder.¹¹

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-Phlx-2016-124 on the subject line.

Paper Comments

- Send paper comments in triplicate to Brent J. Fields, Secretary, Securities and Exchange Commission, 100 F Street NE., Washington, DC 20549-1090.

All submissions should refer to File Number SR-Phlx-2016-124. 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-2016-124 and should be submitted on or before January 18, 2017.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.¹²

Eduardo A. Aleman,

Assistant Secretary.

[FR Doc. 2016-31297 Filed 12-27-16; 8:45 am]

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-79638; File No. SR-NYSE-2016-85]

Self-Regulatory Organizations; New York Stock Exchange LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to (1) Change How Orders Would be Processed When the Protected Best Bid ("PBB") Is Higher Than the Protected Best Offer ("PBO") (The "PBBO") in Certain Circumstances, and (2) Adopt a Limit Order Price Protection Mechanism

December 21, 2016.

Pursuant to Section 19(b)(1)¹ of the Securities Exchange Act of 1934 (the "Act")² and Rule 19b-4 thereunder,³ notice is hereby given that on December 12, 2016, New York Stock Exchange LLC ("NYSE" or the "Exchange") 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 self-regulatory organization. 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 (1) change how orders would be processed when the protected best bid ("PBB") is higher than the protected best offer ("PBO") (the "PBBO") in certain circumstances, and (2) adopt a limit order price protection mechanism. The proposed rule change is available on the Exchange's Web site at www.nyse.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 self-regulatory organization included

¹² 17 CFR 200.30-3(a)(12).

¹ 15 U.S.C. 78s(b)(1).

² 15 U.S.C. 78a.

³ 17 CFR 240.19b-4.

¹⁰ 15 U.S.C. 78s(b)(3)(A)(iii).

¹¹ 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.

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 those 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 parts of such statements.

A. Self-Regulatory Organization's Statement of the Purpose of, and the Statutory Basis for, the Proposed Rule Change

1. Purpose

The Exchange proposes to (1) change how orders would be processed when the PBB is higher than the PBO in certain circumstances, and (2) adopt a limit order price protection mechanism.

Processing of Orders When the PBBO Is Crossed (Rules 13, 70, 76 and 1000)

Currently, when the PBB is priced higher than the PBO in a security (*i.e.*, the PBBO is crossed), buy and sell orders trade on the Exchange without regard to price and without routing, consistent with the exception to the Order Protection Rule enumerated in Rule 611(b)(4) of Regulation NMS ("Rule 611(b)(4)").⁴ In certain circumstances as described herein, the Exchange proposes to no longer avail itself of this exception to the Order Protection Rule.⁵ In those circumstances, rather than trading through a protected quotation when the PBBO is crossed, routable orders may instead be routed to protected quotations. In order to implement this change, the Exchange proposes to amend the following rules:

Rule 13

Market Order

Rule 13(a)(1) provides that a Market Order that is eligible for automatic executions is an unpriced order to buy or sell a stated amount of a security that is to be traded at the best price obtainable without trading through the NBBO. Rule 13(a)(1)(B)(i) provides that when the Exchange is open for continuous trading, a Market Order will

be rejected on arrival, or cancelled if resting, if there is no contra-side NBBO or if the best protected quotations are or become crossed.

The Exchange proposes to no longer reject or cancel Market Orders when the PBBO is crossed. To effectuate this change, the Exchange proposes to delete the phrase "or if the best protected quotations are or become crossed" in Rule 13(a)(1)(B)(i). As a result of this proposed change, if a Market Order arrives when the PBBO is crossed, the Exchange would process the Market Order in the same way as when the NBBO is crossed under the current rule.⁶

Routing to Protected Quotations

The Exchange proposes to amend the Rule 13 to specify circumstances when the Exchange would make order handling decisions based on a protected quotation. The Exchange proposes to make these changes because, in the circumstances described below, the Exchange would no longer avail itself of the exception to the Order Protection Rule specified in Rule 611(b)(4), and therefore the Exchange would include protected quotations for order handling purposes even when the PBBO is crossed.

First, the Exchange proposes to amend the definition of NYSE IOC Order to reflect that, when the PBBO is crossed, the Exchange would route such orders to other markets if an execution on the Exchange would trade through a protected quotation in compliance with Regulation NMS. Rule 13(b)(2)(B) defines an NYSE IOC Order as a Limit Order designated Immediate or Cancel ("IOC") that will be automatically executed against the displayed quotation up to its full size and sweep the Exchange book, as provided in Rule 1000 to the extent possible, with portions of the order routed to other markets if necessary in compliance with Regulation NMS and the portion not so executed will be immediately and automatically cancelled. As such, currently an NYSE IOC Order is only routed to a protected quotation unless the exception in Rule 611(b)(4) applies. Because the Exchange proposes to route an NYSE IOC Order to other markets if an execution on the Exchange would trade through a protected quotation, *i.e.*, in circumstances when the PBBO is crossed, the Exchange would revise the rule text to read "with portions of the order routed to other markets if an execution would trade through a protected quotation, in compliance with Regulation NMS. The portion of the

order not so executed will be immediately and automatically cancelled."

Second, the Exchange proposes to amend the definition of "best-priced sell interest" and "best-priced buy interest," which are terms used for purposes of determining where to display and rank a Limit Order designated with an Add Liquidity Only ("ALO") Modifier. Supplementary Material .10 of Rule 13 provides that, for purposes of the Rule, the term "best-priced sell interest" refers to the lowest priced sell interest against which incoming buy interest would be required to execute with and/or route to, including Exchange displayed offers, Non-Display Reserve Orders, Non-Display Reserve e-Quotes, odd-lot sized sell interest, unexecuted Market Orders, and protected offers on away markets and that the term "best-priced buy interest" refers to the highest priced buy interest against which incoming sell interest would be required to execute with and/or route to, including Exchange displayed bids, Non-Display Reserve Orders, Non-Display Reserve e-Quotes, odd-lot sized buy interest, unexecuted Market Orders, and protected bids on away markets, but does not include non-displayed buy interest that is priced based on the PBBO.

Because the Exchange currently avails itself of the exception in Rule 611(b)(4) when the PBBO is crossed, the Exchange does not include protected bids or offers in the determination of "best-priced sell interest" or "best-priced buy interest." With the proposed change, in the circumstances when the Exchange no longer avails itself of this exception, the Exchange would consider all protected quotations, including when the PBBO is crossed. To reflect this change, the Exchange proposes the following amendments to Supplementary Material .10 to Rule 13.⁷

- In the first clause defining "best-priced sell interest," the Exchange proposes to delete "with and/or route to" after "execute," add the word "and" before "unexecuted Market Orders" and add the phrase "the lowest-priced" before "protected offers on away markets." The proposed change would clarify that best-priced sell interest can mean either the lowest-priced sell interest against which incoming buy interest would execute with on the Exchange or the lowest-priced protected

⁴ 17 CFR 242.611(b)(4). See also Rule 15A (Order Protection Rule).

⁵ For example, assume if the Exchange has a displayed bid of \$10.00 and another market crosses that bid with a protected offer of \$9.99. Currently, if the Exchange receives a marketable order to buy, it will trade on the Exchange at prices higher than \$9.99. Once the Exchange no longer avails itself of the exception in Rule 611(b)(4), unless otherwise specified in Exchange rules as described in this proposed rule change, arriving routable interest to buy that is marketable on the Exchange would instead first route to that protected offer.

⁶ See Rule 13(a)(1)(B)(ii).

⁷ Since the terms defined in Supplementary Material .10 are only used for Limit Orders designated ALO, the Exchange proposes to replace "this Rule" after "For purposes of" with "displaying and ranking a Limit Order with an Add Liquidity Only (ALO) modifier".

offer, which can be a protected offer on an away market.

- In the second clause defining “best-priced buy interest,” the Exchange would delete “with and/or route” after “execute,” add the word “and” before “unexecuted Market Orders,” and add “the highest-priced” before “protected bids on away markets.”⁸ The proposed change would clarify that best-priced buy interest can mean either the lowest-priced buy interest against which incoming sell interest would execute with on the Exchange or the lowest-priced protected bid, which can be a protected bid on an away market.

Pegging Interest

Rule 13(f)(1) defines pegging interest and provides that pegging interest pegs to prices based on (i) a PBBO, which may be available on the Exchange or an away market, or (ii) interest that establishes a price on the Exchange. If the PBBO is not within the specified price range of the pegging interest, the pegging interest will instead peg to the next available best-priced displayable interest that is within the specified price range, which may be on the Exchange or the protected bid or offer of another market.⁹ Rule 13(f)(1)(B)(i) further provides that pegging interest to buy (sell) will not peg to a price that is locking or crossing the Exchange best offer (bid), but instead will peg to the next available best-priced displayable interest that would not lock or cross the Exchange best offer (bid).

To avoid routing pegging interest when the PBBO is locked or crossed, the Exchange proposes to specify that the Exchange would not peg to a locking or crossing PBBO and would instead peg to the next-available best-priced displayable interest that would not lock or cross either the Exchange’s BBO or the PBBO. To effect this change, the Exchange proposes to amend Rule 13(f)(1)(B)(i) to provide that pegging interest to buy (sell) will not peg to the PBB (PBO) if the PBBO is locked or crossed or to a price that is locking or crossing the Exchange best offer (bid), but instead would peg to the next available best-priced displayable interest that would not lock or cross the Exchange best offer (bid) or the PBO (PBB).

Rule 70

Rule 70 governs the execution of Floor broker interest, including g-

⁸ The Exchange also proposes two non-substantive changes to Supplementary Material .10 of Rule 13 to add spaces between “lowest” and “priced” and “highest” and “priced,” both of which currently appear as one word in the Rule.

⁹ See Rule 13(f)(1)(A)(iv)(a) & (f)(1)(A)(iii).

Quotes. G-Quotes are an electronic method for Floor brokers to represent orders that yield priority, parity and precedence based on size to displayed and non-displayed orders on the Exchange’s book, in compliance with Section 11(a)(1)(G) of the Act (the “G Rule”).¹⁰

Because the proposed change to how the Exchange would operate when the PBBO is crossed would result in routable orders being routed to a crossed PBBO, the Exchange proposes to revise the behavior of g-Quotes to limit the circumstances when such orders would route. While the G Rule only requires G orders to yield to orders on the Exchange, the Exchange does not believe that a G order should trade on another market before resting displayed interest on the Exchange trades and to which, absent routing of the G order, would be yielded priority by the G order under the G Rule. Accordingly, the Exchange proposes to restrict a g-Quote from routing to a protected quotation ahead of displayed orders on the Exchange at the same price. To effect this change, the Exchange proposes to add a new subsection (iii) to Rule 70(a) that would provide that a g-Quote to buy (sell) that would be required to route on arrival would be cancelled when there is resting displayable interest that is not a g-Quote or DMM interest to buy (sell) at the same or higher (lower) price as the g-Quote.

Further, the Exchange proposes to amend subsection (a)(ii) of Supplementary Material .25 to Rule 70 to specify that discretionary instructions for Floor broker d-Quotes¹¹ are unavailable when the PBBO is crossed. To effectuate this change, the Exchange proposes to delete the phrase “at all times” following “Discretionary instructions are active” and add the phrase “unless the PBBO is crossed” following “during the trading day.”¹²

¹⁰ Section 11(a)(1) of the Act, 15 U.S.C. 78k(a)(1), generally prohibits a member of a national securities exchange from effecting transactions on that exchange for its own account, the account of an associated person, or any account over which it or an associated person exercises discretion. Subsection (G) of Section 11(a)(1) provides an exemption from this prohibition, allowing an exchange member to have its own floor broker execute a proprietary order, also known as a “G order,” provided such order yields priority, parity, and precedence. Under the G Rule, G orders are not required to yield to other orders that are for the account of a member, e.g., Designated Market Maker (“DMM”) interest or other g-Quotes.

¹¹ D-Quotes enable Floor brokers to enter discretionary instructions as to the price at which the d-Quote may trade and the number of shares to which the discretionary price instructions apply.

¹² The Exchange also proposes to add “reopening” after “at the opening” and before “and closing transactions” in Rule 70.25(a)(ii).

Finally, the Exchange proposes a technical amendment to correct a number sequence error in current subsections (iv) through (viii) of Rule 70.25(a). Subsection (iv) currently follows subsection (ii), which the Exchange proposes to re-number (iii). The remaining subsections (v) through (viii) would be re-numbered (iv) through (vii).

Rule 76

Rule 76 governs the execution of manual “cross” or “crossing” orders by Floor brokers on the Exchange trading Floor. Supplementary Material .10 of Rule 76 permits Floor Brokers to enter a cross transaction into their hand held device (“HHD”) and describes the operation by the Exchange of a quote minder function that monitors protected bids and offers to determine when the limit price assigned to the proposed crossed transaction is such that the orders may be executed consistent with Regulation NMS Rule 611.

The Exchange proposes to amend Supplementary Material .10 of Rule 76 to specify that quote minder would be unavailable to Floor brokers when the PBBO is crossed by adding the sentence “Quote minder will not monitor protected bids and offers when the PBBO is crossed” to the end of the Rule. The proposed change to Rule 76.10 is consistent with the proposed change, described above, that the Exchange would route orders even if the PBBO is crossed. Because Rule 76 governs crossing orders at a single price on the Exchange, the Exchange believes this proposed change makes clear that the Exchange would not permit a crossing order to be executed when the PBBO is crossed.

Rule 1000

Rule 1000 provides for automatic executions by Exchange systems. Supplementary Material .10 is currently marked “Reserved.” The Exchange proposes to delete the word “Reserved” and add new text to specify how DMM interest would be processed when the PBBO is crossed and there is same side resting displayable interest that is locking or crossing the contra-side PBBO. Similar to the proposed amendment described above relating to g-Quotes, the Exchange does not believe that DMM interest should have an opportunity to trade on another market ahead of displayed orders on the Exchange.

To effect this change, the proposed amendment would provide that DMM interest that would be required to route on arrival would be cancelled when there is same side resting displayable

buy (sell) interest (that is not a g-Quote or DMM interest to buy (sell)) that is locking or crossing the PBO (PBB). Similarly, the Exchange proposes to specify that certain DMM interest that would increase the displayed quantity of the similarly-entered resting DMM interest would be rejected when the resting DMM interest is locked or crossed by a protected away quote.¹³

Limit Order Price Protection (Rules 13 and 1000)

The Exchange proposes to amend Rule 13 to introduce limit order price protection, which would result in Limit Orders with prices too far away from the prevailing quote to be rejected on arrival. The proposed rule is based on NYSE Arca Equities, Inc. (“NYSE Arca Equities”) Rule 7.31(a)(2)(B).

As proposed, the Exchange would reject limit orders that are priced a specified percentage away from the contra side national best bid (“NBB”) or national best offer (“NBO”), as defined in Rule 600(b)(42) of Regulation NMS. As the Exchange receives limit orders, Exchange systems will check the price of the limit order against the contra-side NBB or NBO at the time of the order entry to determine whether the limit order is within the specified percentage. As proposed, the specified percentage would be equal to the corresponding “numerical guideline” percentages set forth in paragraph (c)(1) of Rule 1000 (Automatic Executions) that are used to calculate Trading Collars.¹⁴

Proposed Rule 13(a)(2)(A) would provide that a Limit Order to buy (sell) would be rejected if it is priced at or above (below) a specified percentage away from the NBO (NBB). Proposed Rule 13(a)(2)(A)(i) would further provide if the NBB or the NBO is greater than \$0.00 up to and including \$25.00, the specified percentage would be 10%; if the NBB or NBO is greater than \$25.00 up to and including \$50.00, the specified percentage would be 5%; and if the NBB or NBO is greater than \$50.00, the specified percentage would be 3%. For example, if the NBB is \$26.00, a sell order priced at or below \$24.70, which is 5% below the NBB, would be rejected. Likewise, if the NBO is \$55.00, a buy order priced at or above

\$56.65, which is 3% above the NBO, would be rejected.

Proposed Rule 13(a)(2)(A)(i) would further provide that if the NBBO is crossed, the Exchange would use the Exchange Best Offer (“BO”) instead of the NBO for buy orders and the Exchange Best Bid (“BB”) instead of the NBB for sell orders. The proposed Rule would further provide that if the NBBO is crossed and there is no BO (BB), Limit Order Price Protection will not be applied to an incoming Limit Order to buy (sell). Further, proposed Rule 13(a)(2)(A)(i) would provide, like current NYSE Arca Rule 7.31(a)(2)(B), that Limit Order Price Protection will not be applied to an incoming Limit Order to buy (sell) if there is no NBO (NBB). Further, if the specified percentage for both buy and sell orders are not in the minimum price variation (“MPV”) for the security, as defined in Supplemental Material .10 to Rule 62, they would be rounded down to the nearest price at the applicable MPV. This proposed rule text is based on current Rule 1000(c)(1), governing Trading Collars.

Proposed Rule 13(a)(2)(A)(ii) would provide that Limit Order Price Protection would be applicable only when automatic executions are in effect. This rule would further provide that Limit Order Price Protection would not be applicable (a) before a security opens for trading or during a halt or pause; (b) during a trading suspension; (c) to incoming Auction-Only Orders; and (d) to high-priced securities, as defined in Rule 1000(a)(iii).

Finally, in connection with the introduction of the proposed Limit Order Price Protection mechanism, the Exchange proposes to amend Rule 1000(c) and (c)(ii) to delete references to marketable limit orders. Accordingly, Trading Collars specified in Rule 1000(c) would be applicable to Market Orders only, and pricing protections in proposed Rule 13(a)(2)(A) would be applicable to Limit Orders.

The Exchange believes that the Limit Order Protection mechanism would prevent the entry of supermarketable limit orders, *i.e.*, limit orders that in essence act like market orders because they are priced so far away from the prevailing market price, that could cause significant price dislocation in the market. The Exchange also believes that the mechanism would further serve to mitigate the potential for clearly erroneous executions to occur. The Exchange believes that the proposed treatment of limit orders serves as an additional safeguard that could help limit potential harm from extreme price volatility by preventing executions that

could occur at a price significantly away from the contra side national best bid or national best offer.

* * * * *

Because of the technology changes associated with this rule proposal, the Exchange will announce the implementation date in a Trader Update. The Exchange currently anticipates implementing the proposed changes no later than March 31, 2017.

2. Statutory Basis

The Exchange believes that the proposed rule change is consistent with Section 6(b) of the Act,¹⁵ in general, and furthers the objectives of Section 6(b)(5) of the Act,¹⁶ in particular, because it is designed to prevent fraudulent and manipulative acts and practices, promote just and equitable principles of trade, 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. Specifically, while the Exchange is entitled to avail itself of the exception to Rule 611(b)(4) to the Order Protection Rule, the Exchange believes that trading or routing based on the PBBO, even when it is crossed, may result in additional order execution opportunities to trade at prevailing prices in the market. Accordingly, as a general matter, taking into consideration all protected quotations for purposes of the price at which to trade or route an order on the Exchange, even when the PBBO is crossed, would remove impediments to and perfect the mechanism of a free and open market and a national market system.

The Exchange believes that the proposed changes to modify current order behavior that is based on Rule 611(b)(4) would remove impediments to and perfect the mechanism of a free and open market and a national market system because they are designed to reflect changes to how such orders would be processed when the PBBO is crossed in a manner consistent with the original intent of such orders.

- The Exchange believes the proposed amendment to Rule 13 governing Market Orders would remove impediments to and perfect the mechanism of a free and open market and a national market system because it would promote transparency that a Market Order would be accepted when the PBBO is crossed, and thus may route when the PBBO is crossed.

- The Exchange believes the proposed amendments to the Rule 13 definition of an NYSE IOC Order

¹⁵ 15 U.S.C. 78f(b).

¹⁶ 15 U.S.C. 78f(b)(5).

¹³ See Rule 104(b) & 1000.

¹⁴ The NYSE Arca Equities limit order price protection mechanism uses the “numerical guideline” percentage set forth in Rule 7.10(c)(1) (Clearly Erroneous Executions) for its Core Trading Session. See NYSE Arca Equities Rule 7.31(a)(2)(B). The Exchange’s proposal would use the same numerical guidelines, but rather than cross referencing another rule, the Exchange proposes to enumerate the specified percentages in proposed Rule 13(a)(2)(A).

clarifying that the Exchange would route to a protected quotation when the PBBO is crossed would remove impediments to and perfect the mechanism of a free and open market and a national market system because it would provide specificity regarding the reason why an order may be routed, thereby promoting transparency in Exchange rules. The Exchange further believes that specifying that Supplementary Material .10 relates to the displaying and ranking of Limit Orders designated ALO would remove impediments to and perfect the mechanism of a free and open market and a national market system by adding clarity and transparency to the Exchange's rules.

- The proposed amendments to Rules 70 and 1000 to cancel g-Quotes that would otherwise be required to route to away markets ahead of resting displayable interest and reject DMM interest that would increase the displayed quantity of similarly-entered resting DMM interest when that resting interest is locked or crossed by a protected away quote would remove impediments to and perfect the mechanism of a free and open market and a national market system and protect investors and the public because it would provide priority to previously-displayed orders not only for execution opportunities on the Exchange, but also on other markets.

- The proposed amendment to Rule 76 relating to crossing orders would remove impediments to and perfect the mechanism of a free and open market and a national market system because it would provide transparency that crossing orders, which are designed to trade on the Exchange as a single-priced transaction, would not be eligible to trade if the PBBO is crossed.

The Exchange believes that the proposed Limit Order Protection mechanism would remove impediments to and perfect the mechanism of a free and open market and a national market system by rejecting orders that are priced too far away from the prevailing market. The Exchange believes that the proposed rule would ensure that limit orders would not cause the price of a security to move beyond prices that could otherwise be determined to be a clearly erroneous execution, thereby protecting investors from receiving executions away from the prevailing prices at any given time.

Finally, the Exchange's proposal to make non-substantive changes to the text of Supplementary Material .10 of Rule 13 and to Rule 70.25(a) adds clarity and transparency to Exchange rules and reduces potential investor confusion,

which would remove impediments to and perfect the mechanism of a free and open market and a national market system.

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 that is not necessary or appropriate in furtherance of the purposes of the Act. The proposed change would not impose any burden on competition because it would align how the Exchange operates when the PBBO is crossed with how other equity exchanges function when the PBBO is crossed. Moreover, the proposed rule changes would specify how orders would be processed when the PBBO is crossed, thereby promoting transparency and efficiency to the benefit of all market participants, and the adoption of a limit order protection mechanism that is based on the rules of another exchange. The Exchange believes that the proposed rule change will serve to promote regulatory clarity and consistency, thereby reducing burdens on competition in the marketplace and facilitating investor protection.

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

No written comments were solicited or received with respect to the proposed rule change.

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

The Exchange has filed the proposed rule change pursuant to Section 19(b)(3)(A)(iii) of the Act¹⁷ and Rule 19b-4(f)(6) thereunder.¹⁸ Because the 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 prior to 30 days from the date on which it was filed, or such shorter time as the Commission may designate, if consistent with the protection of investors and the public interest, the proposed rule change has become effective pursuant to Section 19(b)(3)(A) of the Act and Rule 19b-4(f)(6)(iii) thereunder.

A proposed rule change filed under Rule 19b-4(f)(6)¹⁹ normally does not become operative prior to 30 days after

the date of the filing. However, pursuant to Rule 19b4(f)(6)(iii),²⁰ the Commission may designate a shorter time if such action is consistent with the protection of investors and the public interest.

At any time within 60 days of the filing of such 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 under Section 19(b)(2)(B)²¹ of the Act 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-NYSE-2016-85 on the subject line.

Paper Comments

- Send paper comments in triplicate to Brent J. Fields, Secretary, Securities and Exchange Commission, 100 F Street NE., Washington, DC 20549-1090. All submissions should refer to File Number SR-NYSE-2016-85. 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

¹⁷ 15 U.S.C. 78s(b)(3)(A)(iii).

¹⁸ 17 CFR 240.19b-4(f)(6).

¹⁹ 17 CFR 240.19b-4(f)(6).

²⁰ 17 CFR 240.19b-4(f)(6)(iii).

²¹ 15 U.S.C. 78s(b)(2)(B).

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-NYSE-2016-85 and should be submitted on or before January 18, 2017.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.²²

Eduardo A. Aleman

Assistant Secretary.

[FR Doc. 2016-31300 Filed 12-27-16; 8:45 am]

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SECURITIES AND EXCHANGE COMMISSION

[Investment Company Act Release No. 32400; File No. 812-14676]

Transamerica Funds, et al.; Notice of Application

December 21, 2016.

AGENCY: Securities and Exchange Commission (“Commission”).

ACTION: Notice of an application for an order pursuant to: (a) Section 6(c) of the Investment Company Act of 1940 (“Act”) granting an exemption from sections 18(f) and 21(b) of the Act; (b) section 12(d)(1)(J) of the Act granting an exemption from section 12(d)(1) of the Act; (c) sections 6(c) and 17(b) of the Act granting an exemption from sections 17(a)(1), 17(a)(2) and 17(a)(3) of the Act; and (d) section 17(d) of the Act and rule 17d-1 under the Act to permit certain joint arrangements and transactions. Applicants request an order that would permit certain registered open-end management investment companies to participate in a joint lending and borrowing facility.

Applicants: Transamerica Funds and Transamerica Series Trust, each a Delaware statutory trust registered under the Act as an open-end management investment company with multiple series (each a “Trust” and collectively the “Trusts”), and Transamerica Asset Management, Inc. (the “Initial Adviser”), a Florida corporation registered as an investment adviser under the Investment Advisers Act of 1940.

Filing Dates: The application was filed on July 20, 2016 and amended on October 26, 2016.

Hearing or Notification of Hearing: An order granting the requested relief will be issued unless the Commission orders a hearing. Interested persons may request a hearing by writing to the Commission’s Secretary and serving applicants with a copy of the request, personally or by mail. Hearing requests should be received by the Commission by 5:30 p.m. on January 16, 2017 and should be accompanied by proof of service on the applicants, in the form of an affidavit, or, for lawyers, a certificate of service. Pursuant to Rule 0-5 under the Act, hearing requests should state the nature of the writer’s interest, any facts bearing upon the desirability of a hearing on the matter, the reason for the request, and the issues contested. Persons who wish to be notified of a hearing may request notification by writing to the Commission’s Secretary.

ADDRESSES: Secretary, U.S. Securities and Exchange Commission, 100 F Street, NE., Washington, DC, 20549-1090; Applicants: 1801 California Street, Suite 5200, Denver, Colorado 80202.

FOR FURTHER INFORMATION CONTACT: Jill Ehrlich, Senior Counsel, at (202) 551-6819 or David J. Marcinkus, Branch Chief, at (202) 551-6821 (Division of Investment Management, Chief Counsel’s Office).

SUPPLEMENTARY INFORMATION: The following is a summary of the application. The complete application may be obtained via the Commission’s Web site by searching for the file number, or an applicant using the Company name box, at <http://www.sec.gov/search/search.htm> or by calling (202) 551-8090.

Summary of the Application:

1. Applicants request an order that would permit the applicants to participate in an interfund lending facility where each Fund could lend money directly to and borrow money directly from other Funds to cover unanticipated cash shortfalls, such as unanticipated redemptions or trade fails.¹ The Funds will not borrow under the facility for leverage purposes and

¹ Applicants request that the order also apply to any existing or future series of the Trusts and to any other registered open-end management investment company or series thereof for which the Initial Adviser and each successor thereto or a person controlling, controlled by, or under common control with the Initial Adviser serves as investment adviser (each a “Fund” and collectively the “Funds,” and each such investment adviser an “Adviser”). For purposes of the requested order, “successor” is limited to any entity that results from a reorganization into another jurisdiction or a change in the type of a business organization.

the loans’ duration will be no more than 7 days.²

2. Applicants anticipate that the proposed facility would provide a borrowing Fund with significant savings at times when the cash position of the Fund is insufficient to meet temporary cash requirements. In addition, Funds making short-term cash loans directly to other Funds would earn interest at a rate higher than they otherwise could obtain from investing their cash in repurchase agreements or certain other short term money market instruments. Thus, applicants assert that the facility would benefit both borrowing and lending Funds.

3. Applicants agree that any order granting the requested relief will be subject to the terms and conditions stated in the Application. Among others, the Adviser, through a designated committee, would administer the facility as a disinterested fiduciary as part of its duties under the investment management agreements with the Funds and would receive no additional fee as compensation for its services in connection with the administration of the facility. The facility would be subject to oversight and certain approvals by the Funds’ Board, including, among others, approval of the interest rate formula and of the method for allocating loans across Funds, as well as review of the process in place to evaluate the liquidity implications for the Funds. A Fund’s aggregate outstanding interfund loans will not exceed 15% of its net assets, and the Fund’s loans to any one Fund will not exceed 5% of the lending Fund’s net assets.³

4. Applicants assert that the facility does not raise the concerns underlying section 12(d)(1) of the Act given that the Funds are part of the same group of investment companies and there will be no duplicative costs or fees to the Funds.⁴ Applicants also assert that the proposed transactions do not raise the concerns underlying sections 17(a)(1), 17(a)(3), 17(d) and 21(b) of the Act as the Funds would not engage in lending transactions that unfairly benefit insiders or are detrimental to the Funds. Applicants state that the facility will offer both reduced borrowing costs and enhanced returns on loaned funds to all participating Funds and each Fund

² Any Fund, however, will be able to call a loan on one business day’s notice.

³ Under certain circumstances, a borrowing Fund will be required to pledge collateral to secure the loan.

⁴ Applicants state that the obligation to repay an interfund loan could be deemed to constitute a security for the purposes of sections 17(a)(1) and 12(d)(1) of the Act.

²² 17 CFR 200.30-3(a)(12).