

provided to such an order. In sum, the proposed changes to the ATR protection will protect investors and the public interest by providing additional protections designed to ensure that quotes and orders entered on the Exchange are executed at reasonable prices, and thereby 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 rule change is designed to enhance the Exchange's ATR protection by extending that protection to orders that are routed to away markets that did not first trade on the Exchange. The proposed protection will apply equally to all orders that are routed to away markets pursuant to the Linkage Plan. The Exchange believes that this change is the result of a competitive market where exchanges must continually improve the functionality offered to market participants in order to remain competitive.

#### *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**

Within 45 days of the date of publication of this notice in the **Federal Register** or within such longer period up to 90 days (i) as the Commission may designate if it finds such longer period to be appropriate and publishes its reasons for so finding or (ii) as to which the self-regulatory organization consents, the Commission will:

- (A) By order approve or disapprove such proposed rule change, or
- (B) institute proceedings to determine whether the proposed rule change should be 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-2018-16 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-2018-16. This file number should be included on the subject line if email is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's internet website (<http://www.sec.gov/rules/sro.shtml>). Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for website viewing and printing in the Commission's Public Reference Room, 100 F Street NE, Washington, DC 20549, on official business days between the hours of 10:00 a.m. and 3:00 p.m. Copies of the filing also will be available for inspection and copying at the principal office of the Exchange. All comments received will be posted without change. Persons submitting comments are cautioned that we do not redact or edit personal identifying information from comment submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR-ISE-2018-16 and should be submitted on or before April 4, 2018.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>8</sup>

**Eduardo A. Aleman,**  
*Assistant Secretary.*

[FR Doc. 2018-05163 Filed 3-13-18; 8:45 am]

**BILLING CODE 8011-01-P**

<sup>8</sup> 17 CFR 200.30-3(a)(12).

## **SECURITIES AND EXCHANGE COMMISSION**

[Release No. 34-82829; File No. SR-FINRA-2018-012]

### **Self-Regulatory Organizations; Financial Industry Regulatory Authority, Inc.; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change Relating To Eliminate the Fee for an Explained Decision**

March 8, 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 February 21, 2018, Financial Industry Regulatory Authority, Inc. ("FINRA") 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 FINRA. FINRA has designated the proposed rule change as "establishing or changing a due, fee or other charge" under Section 19(b)(3)(A)(ii) of the Act<sup>3</sup> and Rule 19b-4(f)(2) thereunder,<sup>4</sup> which renders the proposal effective upon receipt of this filing by the Commission. 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**

FINRA is proposing to amend FINRA Rules 12214(e)(1) and 12904(g)(5) of the Code of Arbitration Procedure for Customer Disputes ("Customer Code") and FINRA Rules 13214(e)(1) and 13904(g)(5) of the Code of Arbitration Procedure for Industry Disputes ("Industry Code") (together, "Codes") to eliminate the \$400 fee for an explained decision.

Below is the text of the proposed rule change. Proposed new language is in italics; proposed deletions are in brackets.

\* \* \* \* \*

#### **12214. Payment of Arbitrators**

- (a)-(d) No change.
- (e) Payment for Explained Decisions
  - (1) The chairperson who is responsible for writing an explained decision pursuant to Rule 12904(g) will receive an additional honorarium of \$400. [The panel will allocate the cost of the honorarium under Rule 12904(g) to the parties.]

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

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

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

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

(2) No change.

#### 12904. Awards

(a)–(f) No change.

(g) Explained Decisions

(1)–(4) No change.

(5) The chairperson will receive an additional honorarium of \$400 for writing the explained decision, as required by this paragraph (g). [The panel will allocate the cost of the chairperson's honorarium to the parties as part of the final award.]

(6) No change.

(h)–(j) No change.

#### 13214. Payment of Arbitrators

(a)–(d) No change.

(e) Payment for Explained Decisions

(1) The chairperson who is responsible for writing an explained decision pursuant to Rule 13904(g) will receive an additional honorarium of \$400. [The panel will allocate the cost of the honorarium under Rule 13904(g) to the parties.]

(2) No change.

#### 13904. Awards

(a)–(f) No change.

(g) Explained Decisions

(1)–(4) No change.

(5) The chairperson will receive an additional honorarium of \$400 for writing the explained decision, as required by this paragraph (g). [The panel will allocate the cost of the chairperson's honorarium to the parties as part of the final award.]

(6) No change.

(h)–(j) No change.

\* \* \* \* \*

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

In its filing with the Commission, FINRA 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. FINRA 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

In 2009, the Commission approved amendments to the Codes that required arbitrators to provide an explained

decision at the parties' joint request.<sup>5</sup>

An explained decision is a fact-based award stating the general reasons for the arbitrators' decision; it is not required to include legal authorities or damage calculations.<sup>6</sup> The chairperson of the panel is responsible for drafting the explained decision and receives an additional \$400 honorarium for doing so.<sup>7</sup> Under the Codes, the arbitrators allocate the \$400 cost to the parties as part of the award.<sup>8</sup> FINRA began waiving the \$400 fee for an explained decision as of January 2017.<sup>9</sup> In order to remove a potential obstacle to parties requesting an explained decision, FINRA is proposing to eliminate the \$400 fee for an explained decision. FINRA will continue to pay the \$400 honorarium to the chairperson.

The proposed rule change would amend FINRA Rules 12214(e)(1) and 13214(e)(1) (Payment of Arbitrators) and FINRA Rules 12904(g)(5) and 13904(g)(5) (Explained Decisions) to remove the provision that gives arbitrators express authority to allocate the \$400 fee to the parties for an explained decision. By proposing to remove this provision, if parties jointly request an explained decision, the chairperson drafting the decision would receive \$400 as currently provided in the rules;<sup>10</sup> the fee, however, would not be assessed to the parties. FINRA believes the proposed rule change would remove a potential barrier to parties making joint requests for explained decisions.<sup>11</sup>

As noted in Item 2 of this filing, FINRA has filed the proposed rule change for immediate effectiveness. The operative date will be February 21, 2018.

#### 2. Statutory Basis

FINRA believes that the proposed rule change is consistent with the provisions

<sup>5</sup> See Securities Exchange Act Release No. 59358 (Feb. 4, 2009), 74 FR 6,928 (Feb. 11, 2009) (Approval Order for SR-FINRA 2008-51).

<sup>6</sup> See FINRA Rules 12904(g)(2) and 13904(g)(2).

<sup>7</sup> See FINRA Rules 12904(g)(4) and 12904(g)(5); see also FINRA Rules 13904(g)(4) and 13904(g)(5).

<sup>8</sup> See FINRA Rules 12214(e)(1) and 12904(g)(5); see also FINRA Rules 13214(e)(1) and 13904(g)(5).

<sup>9</sup> Pursuant to FINRA Rules 12408 and 13412 (Director's Discretionary Authority), FINRA began waiving the \$400 fee for an explained decision beginning on January 3, 2017. From January 3, 2017 through February 14, 2018, there have been two joint requests for explained decisions.

<sup>10</sup> Since the explained decision amendments went into effect in 2009 until the end of 2016, parties have made 40 joint requests for explained decisions. Of the 40 requests, there have been 32 explained decisions issued; explained decisions were not issued for the remaining eight requests because either the cases settled or closed by other means. Parties also made two joint requests from January 3, 2017 through February 14, 2018.

<sup>11</sup> See *supra* note 10.

of Section 15A(b)(5) of the Act,<sup>12</sup> which requires, among other things, that FINRA rules provide for the equitable allocation of reasonable dues, fees and other charges among members and issuers and other persons using any facility or system that FINRA operates or controls. FINRA believes that the elimination of the fee will decrease its revenue by a *de minimis* amount because currently there are few explained decisions: over the past year, eliminating the fee would have decreased FINRA's program revenues by \$800.<sup>13</sup> Moreover, not charging for explained decisions removes a potential obstacle to explained decisions, promoting transparency of decisions.

### B. Self-Regulatory Organization's Statement on Burden on Competition

FINRA does not believe that the proposed rule change will result in any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. A discussion of the economic impacts of the proposed amendments follows.

#### (a) Need for the Rule

FINRA began waiving the \$400 fee for an explained decision as of January 2017. The proposal codifies and thereby makes permanent the elimination of the explained decision fee.

#### (b) Economic Baseline

The economic baseline for the proposal includes the current rules under the Codes that address the allocation of fees by arbitrators. The economic baseline for the proposal also includes the current practice of FINRA waiving the explained decision fee. The proposal is expected to affect parties to an arbitration including customers, member firms, and associated persons.

Parties must make a joint request for an explained decision prior to the first scheduled hearing. Parties can benefit from an explained decision through a better understanding of the arbitrators' rationale for the award decision. An explained decision, however, could increase the time to resolution by providing parties with an additional basis to file a motion to vacate.<sup>14</sup> An explained decision could also result in the public disclosure of information describing the potential wrongdoing of

<sup>12</sup> 15 U.S.C. 78o-3(b)(5).

<sup>13</sup> Since 2009, there have been approximately four joint requests for explained decisions on average per year.

<sup>14</sup> Since 2009, there were seven motions to vacate out of 32 awards that included an explained decision. Three of the motions to vacate relate to industry cases, and four of the motions to vacate relate to cases with customers as claimants.

a member firm or an associated person. This may cause a negative reputational effect and could lead to additional claims against the member firm or the associated person and a loss of business.<sup>15</sup>

In order for parties to agree to a joint request, both parties would need to determine that the benefits of an explained decision are greater than its costs. In general, joint requests for an explained decision have been few. Since the explained decision rule became effective in 2009 until the end of 2016, there have been 40 joint requests for explained decisions with 32 explained decisions issued. There have been two additional joint requests after FINRA began waiving the explained decision fee in January 2017.<sup>16</sup> Together, this evidence suggests that non-monetary costs of an explained decision are more important determinants to making a joint request. Otherwise, the waiving of the fee would have resulted in a relative increase in the number of joint requests.

FINRA began waiving the explained decision fee in January 2017. Parties, however, could again be subject to a fee if FINRA were to decide to no longer waive the fee. The potential that FINRA may no longer waive the explained decision fee could be a constraint and thereby reduce the number of parties that make a joint request.

#### (c) Economic Impact

The primary benefit of the proposal is the permanent removal of the fee that could be a barrier to jointly requesting an explained decision. To the extent that a potential fee is a constraint, its removal from the Codes could increase the number of joint requests made by parties. The parties that would be more likely to file a joint request are the parties for which the benefits of an explained decision are greater than its costs not including the potential fee. Other than the permanent elimination of the fee, the benefits and costs of an explained decision would remain the same.

Whether the proposed rule change would result in any additional requests for an explained decision could be dependent on whether the fee is a factor in their decision to make a joint request. As noted above, few parties jointly

requested an explained decision prior to FINRA waiving the fee, and there have been only two joint requests for an explained decision since the waiver.

This evidence suggests that non-monetary costs, other than the \$400 fee, are more significant determinants of whether parties make a joint request. The removal of the fee from the Codes, therefore, is likely to have little effect on the frequency of requests made. The benefits and costs of the proposal are therefore also likely to be negligible.

#### (d) Alternatives Considered

A plausible alternative to the proposed amendments is an explained decision fee that is greater than zero but less than the \$400 currently stated in the Codes. Similar to the current proposed amendments, this alternative would permanently establish the fee amount if parties jointly request an explained decision. A fee greater than zero but less than \$400, however, would increase the costs to parties relative to the current proposal that seeks to eliminate the fee, thereby potentially reducing their incentives to make a joint request. As discussed above, the evidence suggests that the other potential costs of an explained decision are more significant determinants of whether parties make a joint request. This alternative, therefore, would increase the costs to parties that make a joint request but would have little effect on the frequency of requests made.

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

Written comments were neither solicited nor received.

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

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A) of the Act<sup>17</sup> and paragraph (f)(2) of Rule 19b-4 thereunder.<sup>18</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-FINRA-2018-012 on the subject line.

##### *Paper Comments*

- Send paper comments in triplicate to Robert W. Errett, Deputy Secretary, Securities and Exchange Commission, 100 F Street NE, Washington, DC 20549-1090.

All submissions should refer to File Number SR-FINRA-2018-012. 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 a.m. and 3 p.m. Copies of such filing also will be available for inspection and copying at the principal office of FINRA. All comments received will be posted without change. Persons submitting comments are cautioned that we do not redact or edit personal identifying information from comment submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR-FINRA-2018-012 and should be submitted on or before April 4, 2018.

<sup>15</sup> Among the 32 cases with an explained decision issued since 2009, approximately two-thirds resulted in a monetary award in favor of the claimants, and therefore could have resulted in additional negative disclosure of wrongdoing by industry parties as respondents. Explained decisions in intra-industry arbitration cases could result in additional negative disclosure of wrongdoing by either industry party.

<sup>16</sup> Over 7,600 cases have been filed and closed by hearing or by papers since the beginning of 2009.

<sup>17</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>18</sup> 17 CFR 240.19b-4(f)(2).

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

**Eduardo A. Aleman,**

*Assistant Secretary.*

[FR Doc. 2018-05075 Filed 3-13-18; 8:45 am]

BILLING CODE 8011-01-P

## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-82847; File No. SR-GEMX-2018-09]

### Self-Regulatory Organizations; Nasdaq GEMX, LLC; Notice of Filing of Proposed Rule Change To Introduce the ATR Protection for Orders That Are Routed to Away Markets

March 9, 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 February 26, 2018, Nasdaq GEMX, LLC (“GEMX” or “Exchange”) filed with the Securities and Exchange Commission (“Commission”) the proposed rule change as described in Items I and II, below, which Items have been prepared 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 introduce its Acceptable Trade Range protection for orders that are routed to away markets pursuant to the Options Order Protection and Locked/Crossed Markets Plan.

The text of the proposed rule change is available on the Exchange’s website at <http://nasdaqgemx.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 offers an Acceptable Trade Range (“ATR”) protection that prevents the execution of quotes and orders on the regular order book outside of set thresholds. The purpose of the proposed rule change is to enhance this ATR protection for orders that are routed to away markets pursuant to the Options Order Protection and Locked/Crossed Markets Plan (“Linkage Plan”) instead of being executed immediately on the Exchange or resting on the regular order book.

As codified in Rule 714(b)(1), the Exchange’s trading system calculates an Acceptable Trade Range to limit the range of prices at which an order or quote will be allowed to execute.<sup>3</sup> The Acceptable Trade Range is calculated by taking the reference price, plus or minus a value to be determined by the Exchange (*i.e.*, the reference price – (x) for sell orders/quotes and the reference price + (x) for buy orders or quotes).<sup>4</sup> Upon receipt of a new order or quote, the reference price is the national best bid (“NBB”) for sell orders/quotes and the national best offer (“NBO”) for buy orders/quotes. If an order or quote reaches the outer limit of the Acceptable Trade Range without being fully executed then any unexecuted balance will be cancelled.

Currently, the trading system calculates an appropriate reference price for an incoming order or quote when that order or quote rests or trades on the regular order book but not when orders are routed to an away market pursuant to the Linkage Plan without first trading on the Exchange. The Exchange now proposes to enhance its ATR protection by applying it to orders that are routed to away markets without first trading on the Exchange. As proposed, Rule 714(a)(1) will continue to provide that the reference price for the ATR protection is the NBB for sell orders/quotes and the NBO for buy orders/quotes. For clarity, however, the Exchange proposes to move this

language to a separate bullet under proposed Rule 714(a)(1)(ii). In addition, proposed Rule 714(a)(1)(ii) will indicate that the reference price is calculated upon receipt of a new order or quote, provided that if the applicable NBB or NBO price is improved at the time an order is routed to an away market, a new reference price is calculated based on the NBB or NBO at that time.

Although the Exchange will continue to use the NBB or NBO as the reference price for the ATR protection, the Exchange believes that it is appropriate to update the reference price if the applicable NBB or NBO price is improved at the time an order is routed to an away market. Orders that are routed to away markets are eligible for the “Flash” auction process described in Supplementary Material .02 to Rule 1901. When a Flash auction is initiated, members are given an opportunity to enter responses to trade with the order for a time period established by the Exchange not to exceed one (1) second.<sup>5</sup> Because the applicable NBB or NBO price may change during the Flash auction, the Exchange believes that it is appropriate to consider the updated NBB or NBO price at the time the order is actually routed to an away market, if doing so would provide additional protection to the order—*i.e.*, if the NBB or NBO price used as the reference price is improved at that time. If the NBB or NBO price is not improved, the ATR protection will continue to use the NBB or NBO price on entry as the reference price, thereby providing the maximum protection to the order. The following examples illustrate how the ATR protection will be applied to orders routed to away markets:

##### Example 1

1. ATR threshold set to \$0.15 for non-penny symbols
2. NBBO is \$0.90 (35) × \$1.00 (25):
  - a. BATS: \$0.90 (10) × \$1.00 (25)
  - b. CBOE: \$0.90 (25) × \$1.05 (25)
  - c. MIAX: \$0.85 (25) × \$1.15 (25)
  - d. GEMX: \$0.85 (50) × \$1.20 (50)
3. Member enters a Limit Order to buy 200 contracts at \$1.20
4. Flash auction initiated at a price of \$1.00
5. CBOE quote improved establishing a new NBBO of \$0.90 (35) × \$0.95 (25):
  - a. BATS: \$0.90 (10) × \$1.00 (25)
  - b. CBOE: \$0.90 (25) × \$0.95 (25)
  - c. MIAX: \$0.85 (25) × \$1.15 (25)
  - d. GEMX: \$0.85 (50) × \$1.20 (50)
6. No responses entered and Flash auction terminates and routes:
  - a. 25 contracts to buy to CBOE at \$0.95
  - b. 25 contracts to buy to BATS at \$1.00
7. Because the NBO is improved at time of routing, the reference price is set to the improved NBO price of \$0.95,

<sup>3</sup> The ATR protection is not available for All-or-None orders.

<sup>4</sup> There are three categories of options for ATR: (1) Penny Pilot Options trading in one cent increments for options trading at less than \$3.00 and increments of five cents for options trading at \$3.00 or more, (2) Penny Pilot Options trading in one-cent increments for all prices, and (3) Non-Penny Pilot Options.

<sup>5</sup> Currently, the exposure period for the Flash auction is set to 150 milliseconds.

<sup>19</sup> 17 CFR 200.30-3(a)(12).

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

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