



8011-01p
SECURITIES AND EXCHANGE COMMISSION
[Release No. 34-81387; File No. SR-BatsBZX-2017-50]

August 14, 2017

Self-Regulatory Organizations; Bats BZX Exchange, Inc.; Notice of Filing of a Proposed Rule Change to Extend the Implementation Date For Certain Changes to Exchange Rules 14.11 and 14.12

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”),¹ and Rule 19b-4 thereunder,² notice is hereby given that on July 31, 2017, Bats BZX Exchange, Inc. (“Exchange” or “BZX”) 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 filed a proposal to extend the date on which certain changes to Exchange Rules 14.11 and 14.12 would be implemented.

The text of the proposed rule change is available at the Exchange’s website at www.bats.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

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

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 parts of such statements.

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

1. Purpose

On November 18, 2016 the Exchange filed a proposed rule change, as subsequently amended by Amendments No. 1 and 2 thereto (as amended, the "Proposed Rule Change"), to adopt certain changes to Exchange Rules 14.11 and 14.12 to add additional continued listing standards for exchange-traded products ("ETP") as well as clarify the procedures that the Exchange will undertake when an ETP is noncompliant with applicable rules. Given the scope of the amendments specified in the Proposed Rule Change, the Exchange proposed that such amendments not be implemented until October 1, 2017. On March 7, 2017, the Commission granted approval of the Proposed Rule Change, including the October 1, 2017 implementation date. The Exchange now proposes to extend the implementation date of the amendments specified in the Proposed Rule Change to July 1, 2018.³

Since the Proposed Rule Change was approved, the Exchange has engaged in extensive conversations with issuers of listed ETPs, industry advocacy groups and index providers to discuss the new rule requirements and offer guidance on rule interpretation and application. As a result of these conversations, ETP issuers have expressed concern about their ability to have in place systems and procedures to ensure compliance by the current October 1, 2017 implementation date. In particular, listed ETP issuers, and industry advocacy groups on their

³ See Securities Exchange Act Release No. 80169 (March 7, 2017), 82 FR 13536 (March 13, 2017) (SR-BatsBZX-2016-80).

behalf, have explained that issuers will require time to design and test new compliance systems as well as engage in discussions with third-party providers to source and track new data elements required for rule compliance.⁴

The Exchange believes it is appropriate to extend the implementation date of the Proposed Rule Change to July 1, 2018 to provide listed ETP issuers with the time needed to develop and test their compliance procedures. In support of its proposal, the Exchange notes that the Proposed Rule Change imposes significant new compliance requirements on issuers that they have not been subject to previously. To meet these new compliance requirements, issuers must develop internal systems as well as coordinate with third-party service providers, such as index providers, to develop procedures by which they can obtain essential data. Listed issuers have informed the Exchange that they are unable to complete this extensive project by the pending October 1, 2017 implementation date. The Exchange believes that it is critical for listed ETP issuers to have the appropriate procedures and systems in place to monitor and evidence ETP compliance with the new continued listing rules before such rules are implemented. Therefore, the Exchange proposes to extend the implementation date for the Proposed Rule Change until July 1, 2018.

2. Statutory Basis

The Exchange believes that the proposal is consistent with Section 6(b) of the Act⁵ in general and Section 6(b)(5) of the Act⁶ in particular in that it is designed to prevent fraudulent

⁴ See, for example, Letter, dated July 11, 2017, from Dorothy Donohue, Acting General Counsel, Investment Company Institute to Brent J. Fields, Secretary, Securities and Exchange Commission, available at <https://www.sec.gov/comments/sr-nasdaq-2016-135/nasdaq2016135-1846208-155175.pdf>.

⁵ 15 U.S.C. 78f [sic].

⁶ 15 U.S.C. 78f(b)(5).

and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in facilitating transactions in securities, to remove impediments to and perfect the mechanism of a free and open market and a national market system and, in general, to protect investors and the public interest.

The Exchange believes that the proposed amendment is consistent with the protection of investors because it will enable listed issuers to have the systems and procedures needed to monitor and evidence compliance with the Proposed Rule Change prior to such rule being implemented. Providing listed issuers with additional time to ensure that they have adequate compliance systems in place furthers the protection of investors and the public interest because it will enhance investor confidence that listed issuers are complying with Exchange rules.

For the above reasons, the Exchange believes that the proposed rule change is consistent with the requirements of Section 6(b)(5) of the Act.

(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 purpose of the Act. The Exchange notes that the proposed rule change will facilitate listed ETP issuers' ability to monitor and evidence compliance with approved continued listing rules by providing issuers with additional time to develop and test their internal systems and procedures prior to the implementation date.

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

The Exchange received a copy of a letter from the Investment Company Institute, on

behalf of listed ETP issuers, to the Securities Exchange [sic] Commission.⁷ As described in Item 3 [sic], above, the Investment Company Institute detailed challenges that listed ETP issuers are facing in developing compliance systems to address the amendments contained in the Proposed Rule Change and have requested that the implementation date for such amendments be extended to July 1, 2018.

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 the 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 proposal 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 e-mail to rule-comments@sec.gov. Please include File No. SR-BatsBZX-2017-50 on the subject line.

Paper Comments:

⁷ See Footnote 4, infra. [sic]

- 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 No. SR-BatsBZX-2017-50. This file number should be included on the subject line if e-mail 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 such filing will also 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 No. SR-BatsBZX-2017-50 and should be submitted on or before September 8, 2017.

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

Eduardo A. Aleman,
Assistant Secretary.

⁸ 17 CFR 200.30-3(a)(12).

[FR Doc. 2017-17432 Filed: 8/17/2017 8:45 am; Publication Date: 8/18/2017]