multiple price levels and when that price becomes the NBBO, thus benefitting investors.[60] In particular, BX argues that its proposal addresses the reality of multiple prices and creates an ability to efficiently execute a larger volume of an order, particularly when the NBBO is for a small size. Thus, according to BX, its proposal ''recognizes the new NBBO and *preserves* the requirement that the Directed Market Maker be at the NBBO'' (emphasis in original).[61]

BX disagrees with NYSE Euronext's contention that liquidity would be shifted from the top-of-book to depth-of-book. BX instead contends that market participants and market makers in particular have independent and varied motivations for their pricing decisions and pricing points and that a directed order program would not affect those motivations.[62] BX argues that a market maker who chooses to quote at a price other than the inside is providing value and depth at that price when orders trade at multiple price levels as well as when that price level becomes the NBBO.[63]

The Commission has considered the arguments raised by both BX and NYSE Euronext. On the one hand, the existing requirement to be quoting at the NBBO in order to receive a directed order may incentivize market makers to quote tighter spreads, and therefore contribute to more efficient markets. On the other hand, BX's proposal to allow Directed Market Makers to receive Directed Orders when they are not quoting at the NBBO at the time of receipt of the Directed Order may, as BX argues, contribute to greater depth in the market, which also could contribute to market efficiency. However, BX has not provided sufficient information in its proposal to overcome the Commission's fundamental concerns about the impact the proposal could have on participants' incentives to quote competitively and the potential impact on overall prices in the market. For example, a directed market maker's incentive to quote in the depth-of-book is likely related to the frequency with which marketable orders execute against not just the NBBO but also the depth-of-book. BX, however, has not provided any analysis regarding the frequency or nature of such marketable orders or any data showing the interaction of such orders with the market makers' orders or quotes. Accordingly, the Commission does not believe that BX has met its burden in demonstrating that this aspect of the proposed rule change is consistent with the Act.[64]

C. Application of Heightened Quoting Requirement

The rules approved by the Commission governing the directed order programs of other options exchanges require that directed market makers on those exchanges satisfy quoting requirements that are higher than those imposed on market makers not receiving directed orders.[65] BX also would impose a heightened quoting requirement on its Directed Market Makers that receive Directed Orders. However, unlike the directed order rules in place at other options exchanges, BX proposes that the heightened quoting requirements for its Directed Market Makers apply only *after* the Directed Market Maker receives its first Directed Order in a given month. BX argues that this provision is appropriate because a Directed Market Maker does not know if and when it will receive a Directed Order, and therefore should not be required to quote at a heightened level unless and until it receives a Directed Order.[66] BX also argues that if the Directed Market Maker is not quoting, the Directed Order will not execute against such Directed Market Maker and thus the Directed Market Maker has an incentive to quote competitively in as many series as possible to attract Directed Orders. BX then asserts its view that this provision properly balances the benefit of receiving enhanced allocations with the obligations of heightened quoting.[67]

The Commission does not believe that BX has sufficiently demonstrated why requiring Directed Market Makers to be quoting at a heightened level only after receiving a Directed Order would not inappropriately upset the balance between a Directed Market Maker's obligations (including quoting obligations) and the benefits it receives (*i.e.,* its participation entitlement). Accordingly, the Commission does not believe that BX has met its burden in demonstrating that this aspect of the proposed rule change is consistent with the Act.[68]

IV. Conclusion

For the reasons set forth above, the Commission does not believe that BX has met its burden to demonstrate that the proposed rule change is consistent with the requirements of the Act and the rules and regulations thereunder applicable to a national securities exchange, and in particular, Section 6(b)(5) of the Act.

It is therefore ordered, pursuant to Section 19(b)(2) of the Act, that the proposed rule change (SR–BX–2013–016) be, and hereby is, disapproved.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.[69]

Kevin M. O'Neill,

Deputy Secretary.

[FR Doc. 2013–25829 Filed 10–30–13; 8:45 am]

BILLING CODE 8011–01–P

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–70757; File No. SR–ISE–2013–53]

Self-Regulatory Organizations; International Securities Exchange, LLC; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change To Amend the Schedule of Fees

October 25, 2013.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the ''Act''),[1] and Rule 19b–4 thereunder,[2] notice is hereby given that on October 17, 2013, the International Securities Exchange, LLC (the ''Exchange'' or ''ISE'') filed with the Securities and Exchange Commission (the ''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 ISE proposes to amend its network fees. The text of the proposed rule change is available on the Exchange's Web site (*http://www.ise.com*), at the principal office of

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[60] *See* BX Letter 1, *supra* note 5, at 3. *See also* BX Letter 2, *supra* note 9, at 2.

[61] *See* BX Letter 1, *supra* note 5, at 2. *See also* BX Letter 2, *supra* note 9, at 2, 4.

[62] *See* BX Letter 3, *supra* note 11, at 2.

[63] *Id.*

[64] 17 CFR 201.700(b)(3).

[65] *See* C2 Rule 8.17; CBOE Rule 8.13; ISE Rule 811; NYSE Rule 964NY; NYSEArca Rule 6.88; and Phlx Rule 1014.

[66] *See* BX Letter 2, *supra* note 9, at 4. The proposal would allow a Market Maker to accept Directed Orders at the end of each month and then only quote at a heightened level for the remainder of that month.

[67] *Id.*

[68] 17 CFR 201.700(b)(3).

[69] 17 CFR 200.30–3(a)(12).

[1] 15 U.S.C. 78s(b)(1).

[2] 17 CFR 240.19b–4.

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 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 self-regulatory organization 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 purpose of this proposed rule change is to amend the Exchange's network fees. Specifically, the Exchange proposes to adopt a network fee for a new 40 Gigabit (Gb) low latency Ethernet connectivity option. The Exchange currently offers three Ethernet connection options, a 1 Gb connection at a cost of $500 per month, a 10 Gb connection at a cost of $4,000 per month, and a 10 Gb low latency connection at a cost of $7,000 per month.

In keeping with changes in technology, the Exchange now proposes to provide an enhanced bandwidth option to enable a more efficient connection to the Exchange. The growth in the size of consolidated and proprietary data feeds has resulted in demand for higher bandwidth. As the number of feeds available and the size of the feeds increases, the bandwidth required for market data feeds steadily rises. Through the use of new, advanced hardware, the proposed new connectivity option will provide increased bandwidth and improved latency, and will thereby satisfy demand for more efficient, lower latency connections to the Exchange's trading system.

The Exchange proposes to charge $12,500 per month for this connection. ISE has expended significant amount of resources in developing this infrastructure and the proposed fees will allow the Exchange to recoup its investment. The Exchange's new network connectivity option will provide Members the option to select the bandwidth that is appropriate for their current needs. This new connectivity option is voluntary and, therefore, the Exchange will retain the existing connectivity options for those Members who choose not to utilize the new network connection.

2. Statutory Basis

The Exchange believes that the proposed rule change is consistent with the provisions of Section 6 of the Securities Exchange Act of 1934 (''Act''),[3] in general, and with Section 6(b)(4) of the Act,[4] in particular, in that it provides for the equitable allocation of reasonable dues, fees and other charges among Exchange members and other persons using its facilities.

The Exchange's new low latency 40 Gb Ethernet network connection will provide Members the ability to increase data transmission and reduce latency, thereby enhancing their operations. The Exchange believes the proposed fees for this new connection to the Exchange are reasonable because the fees charged will allow the Exchange to cover the hardware, installation, testing and connection costs to maintain and manage the enhanced connection. The proposed fees will allow the Exchange to recoup costs associated with providing the low latency 40 Gb connection while aiding Members in making their network connectivity more efficient, and reducing the potential for data spikes and data gapping issues that result from the transmission of the growing size of the consolidated and proprietary market data feeds. Moreover, the Exchange believes that the proposed fees are reasonable in that they are lower than the fees charged by other trading venues for similar connectivity services.[5]

The Exchange further believes that the proposed change is reasonable because the proposed fees directly relate to the level of services provided by the Exchange and, in turn, received by Members connecting to the exchange. In this regard, the fees proposed for 40 Gb connections are higher than, for example, the fees for 10 Gb connections because costs for the initial purchase and ongoing maintenance of the 40 Gb connections are generally higher than those of the lower-bandwidth connections. However, these costs are not anticipated to be four times higher than the existing 10 Gb connection. The Exchange therefore notes that while the proposed bandwidth of the low latency 40 Gb connection is four times greater than the existing low latency 10 Gb connection, the proposed fees for the 40 Gb connection are significantly less than four times the fees for the 10 Gb connection. The Exchange believes that this supports a finding that the proposed pricing is reasonable because the Exchange anticipates realizing efficiencies as customers adopt higher-bandwidth connections, and is in turn reflecting such efficiencies in the pricing for the new connectivity option.

The Exchange also believes the proposed fee for 40 Gb connectivity to the Exchange is equitably allocated in that all Members that voluntarily select this service option will be charged the same amount to maintain and manage the enhanced connection. Moreover, the Exchange believes the proposed 40 Gb fee for connectivity to the Exchange is not unfairly discriminatory in that all Members will have the option of selecting the 40 Gb connection, and there is no differentiation among Members with regard to the fees charged for this option.

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

In accordance with Section 6(b)(8) of the Act,[6] the Exchange believes that the proposed rule change will not impose any burden on intermarket or intramarket competition that is not necessary or appropriate in furtherance of the purposes of the Act. Instead, the Exchange believes that the proposed change will enhance competition by making a service available to Members and thereby satisfy demand for more efficient, lower-latency connections. The proposed low latency 40 Gb connection would make a service available to Members that require the increased bandwidth, but Members that do not require the increased bandwidth could continue to request an existing lower-bandwidth connection and pay the correspondingly lower fees.

The Exchange notes that it operates in a highly competitive market in which Members can readily direct their order flow to competing venues if they deem fee levels at a particular venue to be excessive. In such an environment, the Exchange must continually review, and consider adjusting, its fees to remain competitive with other exchanges. For the reasons described above, the Exchange believes that the proposed fee

[3] 15 U.S.C. 78f.

[4] 15 U.S.C. 78f(b)(4).

[5] For example, NYSE Arca Options charges $20,000 per month for a 40 Gb liquidity center network connection plus a $15,000 per connection initial charge. *See* Securities Exchange Act Release No. 70286 (Aug. 29, 2013) 78 FR 54710 (Sept. 5, 2013) (SR–NYSEARCA–2013–82). NASDAQ OMX PHLX, LLC charges $15,000 per month for a 40 Gb fiber connection with an installation fee of $1,500. *See* Securities Exchange Act Release No. 66429 (Feb. 21, 2012) 77 FR 11611 (Feb. 27, 2013) (SR–PHLX–2012–20).

[6] 15 U.S.C. 78f(b)(8).

changes reflect this competitive environment.

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

The Exchange has not solicited, and does not intend to solicit, comments on this proposed rule change. The Exchange has not received any unsolicited written comments from members or other interested parties.

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[7] and paragraph (f) of Rule 19b–4[8] thereunder. 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 will institute proceedings 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–ISE–2013–53 on the subject line.

Paper Comments

- Send paper comments in triplicate to Elizabeth M. Murphy, Secretary, Securities and Exchange Commission, 100 F Street NE., Washington, DC 20549–1090.

All submissions should refer to File Number SR–ISE–2013–53. 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–ISE–2013–53 and should be submitted on or before November 21, 2013.

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

Kevin M. O'Neill,

Deputy Secretary.

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[7] 15 U.S.C. 78s(b)(3)(A).

[8] 17 CFR 240.19b–4(f).

[9] 17 CFR 200.30–3(a)(12).

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–70755; File No. SR–CBOE–2013–102]

Self-Regulatory Organizations; Chicago Board Options Exchange, Incorporated; Notice of Filing of Proposed Rule Change To Amend CBOE Rule 6.2B To Establish Modified Hybrid Opening System Opening Procedures for All Volatility Index Constituent Options

October 25, 2013.

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 October 15, 2013, the Chicago Board Options Exchange, Incorporated (''Exchange'' or ''CBOE'') 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

CBOE proposes to amend CBOE Rule 6.2B to establish modified Hybrid Opening System (''HOSS'') opening procedures for all option series that are used to calculate volatility indexes. The text of the proposed rule change is available on the Exchange's Web site *http://www.cboe.com/AboutCBOE/CBOELegalRegulatoryHome.aspx*), at the Exchange's Office of the Secretary, and at the Commission.

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 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 Statutory Basis for, the Proposed Rule Change

1. Purpose

On the expiration/final settlement date for volatility index options and futures, modified Hybrid Opening System (HOSS) opening procedures are used for Hybrid 3.0 options and series that are used to calculate the exercise settlement/final settlement value for expiring volatility index options and futures contracts.[3] The exercise settlement/final settlement value for volatility index options and futures is a

[1] 15 U.S.C. 78s(b)(1).

[2] 17 CFR 240.19b–4.

[3] The expiration/final settlement date for volatility index options and futures is the same day that the exercise settlement/final settlement value is calculated for those contracts. *See* CBOE Rule 24.9(a)(5) and CBOE Futures Exchange, LLC (''CFE'') Rule 1202(b). This date is on the Wednesday that is thirty days prior to the third Friday of the calendar month immediately following the month in which the applicable volatility index options or futures contract expires. If the third Friday of the month subsequent to expiration of the applicable volatility index option or futures contract is a CBOE holiday, the exercise settlement/final settlement value will be calculated on the business day immediately preceding that Friday.