

*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 No. SR-CME-2013-32 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-CME-2013-32. 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 such filing also will be available for inspection and copying at the principal office of CME and on CME's Web site at <http://www.cmegroup.com/market-regulation/rule-filings.html>.

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-CME-2013-32 and should be submitted on or before January 13, 2014.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>16</sup>

**Kevin M. O'Neill,**

*Deputy Secretary.*

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**SECURITIES AND EXCHANGE COMMISSION**

[Release No. 34-71108; File No. SR-Phlx-2013-121]

**Self-Regulatory Organizations;  
NASDAQ OMX PHLX LLC; Notice of  
Filing and Immediate Effectiveness of  
Proposed Rule Change To Amend Two  
Features Relating to Complex Orders**

December 17, 2013.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on December 9, 2013, NASDAQ OMX PHLX LLC ("Phlx" or "Exchange") filed with the Securities and Exchange Commission ("SEC" or "Commission") the proposed rule change as described in Items I, II, and III below, which Items have been prepared by the Exchange. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

**I. Self-Regulatory Organization's  
Statement of the Terms of the Substance  
of the Proposed Rule Change**

The Exchange proposes to amend two features of the Exchange's Complex Orders functionality, as described below.

The text of the proposed rule change is available on the Exchange's Web site at <http://nasdaqomxphlx.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 purpose of the proposal is to enhance the Exchange's complex order

functionality by enhancing two of the protections offered to complex order executions, as well as to correct Exchange rules in two areas to reflect the operation of the Exchange's system.

First, the Exchange proposes to amend the Phlx XL Strategy Price Protection ("SPP") in Rule 1080.08(g). SPP is a feature of Phlx XL that prevents certain Complex Order Strategies from trading at prices outside of pre-set standard limits. SPP applies only to Vertical Spreads<sup>3</sup> and Time Spreads.<sup>4</sup> Currently, Rule 1080.08(g)(iii) provides that if the execution of a Vertical Spread or a Time Spread would violate the SPP limits, the System would place the order on the CBOOK.

Today, the System cancels a Vertical Spread or a Time Spread rather than placing it on the CBOOK where a sell (buy) order would execute at a price outside of the SPP limit on the sell (buy) side. The Exchange proposes to correct this language in the rule text. The Exchange believes that it is appropriate to cancel the order rather than place it on the CBOOK, because the order is priced such that it will never be executable. This is because, regardless of changes in the market for the components of the Complex Order, the SPP will always result in the same calculation and thereby prevent an execution.

In addition, the Exchange proposes to add rule text to provide that the order will be cancelled even if it violates the SPP limit on the other side of the market from the order. Today, the System cancels a sell order that would execute at a price outside of the SPP limit on the offer side, and similarly cancels a buy order that would execute at a price outside of the SPP limit on the bid side. Under this proposal, the System would cancel a sell (buy) order from execution at a price outside of the SPP limit on the bid (offer) side as well. The purpose of this change is to offer additional protection to certain Complex Orders due to a price far away from existing markets on both sides of the market.

For example, where there is a Complex Order to sell (A-B),<sup>5</sup> the following would occur:

PBBO  
A Dec 50 \$12.20-\$14.90

<sup>3</sup> A Vertical Spread is a Complex Order Strategy consisting of the purchase of one call (put) option and the sale of another call (put) option overlying the same security that have the same expiration but different strike prices. See Rule 1080.08(g)(i).

<sup>4</sup> A Time Spread is a Complex Order Strategy consisting of the purchase of one call (put) option and the sale of another call (put) option overlying the same security that have different expirations but the same strike price. See Rule 1080.08(g)(ii).

<sup>5</sup> Assume it is a vertical spread.

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

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

<sup>16</sup> 17 CFR 200.30-3(a)(12).

B Dec 55 \$ 9.00–\$12.50  
 cPBBO is \$.30 credit–\$ 5.90  
 SPP calculates minimum possible value of 0  
 (always for a vertical spread)  
 SPP calculates maximum possible value of  
 \$5.00 by subtracting the value of the lower  
 strike from the value of the higher strike  
 (55 – 50 = 5)  
 SPP limit will be applied to: \$0–\$5.00  
 If the SPP limit is set at \$.10, the acceptable  
 range is \$.10 credit<sup>6</sup>–\$5.10.

Today, if a Complex Order is received to  
 sell at \$5.50, the System cancels the order,  
 because \$5.50 is outside of the \$5.10 SPP  
 limit on the offer side and thus could never  
 be executed. If a Complex Order is received  
 to buy for \$5.50, because that price does not  
 violate the \$.10 credit SPP on the bid side,  
 the order will be protected by SPP and  
 placed on the CBOOK.

Under this proposal, if a Complex Order is  
 received to buy for \$5.50, the order will be  
 protected by SPP and cancelled, because it is  
 priced through the acceptable range on the  
 offer side of \$5.10.

Accordingly, the SPP would be  
 applied consistently to all Complex  
 Orders, thereby affording more  
 protection (in the form of cancellation)  
 to aggressively priced Complex Orders.

Second, the Exchange proposes to  
 amend the Acceptable Complex  
 Execution (“ACE”) Parameter in Rule  
 1080.08(i). The ACE Parameter defines a  
 price range outside of which a Complex  
 Order will not be executed. The ACE  
 Parameter is either a percentage or  
 number defined by the Exchange.<sup>7</sup> The  
 ACE Parameter price range is based on  
 the cNBBO<sup>8</sup> at the time an order would  
 be executed. A Complex Order to sell  
 will not be executed at a price that is  
 lower than the cNBBO bid by more than  
 the ACE Parameter. A Complex Order to  
 buy will not be executed at a price that  
 is higher than the cNBBO offer by more  
 than the ACE Parameter. A Complex  
 Order or a portion of a Complex Order  
 that cannot be executed within the ACE  
 Parameter pursuant to this rule will be  
 placed on the CBOOK. The Exchange  
 issues an Options Trader Alert (“OTA”) to  
 its membership indicating the ACE  
 Parameter. The Exchange also lists the  
 ACE Parameter on its Web site.

The Exchange now proposes to be  
 able to set the ACE Parameter at a  
 different percentage or number for  
 Complex Orders where one of the  
 components is the underlying security.  
 This type of Complex Order, a stock-  
 option order, is an order to buy or sell

a stated number of units of an  
 underlying security (stock or Exchange  
 Traded Fund Share (“ETF”)) coupled  
 with the purchase or sale of options  
 contract(s).<sup>9</sup> As such, a stock-option  
 order is different than a Complex Order  
 consisting of only option components.  
 For example, if the market for Option A  
 is \$3.00–\$3.50 and for the underlying  
 stock is \$50.00–\$50.10 and a Complex  
 Order to buy Option A and sell the stock  
 arrives, the cNBBO is \$46.50–\$47.10;  
 thus, the regular ACE Parameter of 5%  
 would result in an allowable execution  
 range of \$44.18–\$49.45. Setting the ACE  
 Parameter at 0.50% would result in a  
 more narrow allowable execution range  
 of \$46.27–\$47.34.

The ACE Parameter feature is  
 designed to help maintain a fair and  
 orderly market by helping to mitigate  
 the potential risk of executions at prices  
 which are extreme and potentially  
 erroneous. The Exchange has  
 determined that a different ACE  
 Parameter limit should apply to stock-  
 option orders to offer a better degree of  
 protection where needed. In the  
 previous example, the regular ACE  
 Parameter would allow execution prices  
 of more than \$2.30 away from the  
 cNBBO. Allowing a different ACE  
 Parameter for stock-option orders  
 provides the ability for the Exchange to  
 use a lower ACE Parameter, which in  
 the example above, using 0.50% would  
 have offered much more protection by  
 narrowing the execution range to within  
 roughly \$0.23 of the cNBBO.

The Exchange also proposes to correct  
 the rule text to delete the reference to  
 establishing the ACE Parameter on an  
 issue-by-issue (meaning option-by-  
 option) basis, because the Exchange  
 cannot, at this time, do that. Today, the  
 Exchange establishes the single ACE  
 Parameter for all options, and, under  
 this proposal, as explained above, is  
 proposing to now establish a second  
 ACE Parameter for stock-option orders  
 respecting all options.

## 2. Statutory Basis

The Exchange believes that its  
 proposal is consistent with Section 6(b)  
 of the Act<sup>10</sup> in general, and furthers the  
 objectives of Section 6(b)(5) of the Act<sup>11</sup>  
 in particular, in that it is designed to  
 promote just and equitable principles of  
 trade, and, in general to protect  
 investors and the public interest, by  
 enhancing the price protections  
 available to Complex Orders on the

Exchange. Specifically, the change to  
 the SPP feature corrects the rule to  
 indicate that an order will be cancelled,  
 which is consistent with just and  
 equitable principles of trade. The  
 Exchange believes that cancelling orders  
 under this proposal rather than placing  
 them on the CBOOK is an improvement  
 and results in additional protection  
 from executions at far away prices. Price  
 protections like SPP presume that an  
 order was entered incorrectly or at an  
 incorrect price if it is widely out of  
 range of current prices. Accordingly,  
 cancelling orders is an enhancement  
 that should protect investors and the  
 public interest and provide participants  
 with consistent behavior on such orders.

The change to the ACE Parameter  
 should protect investors and the public  
 interest by permitting a more specific  
 and nuanced number to be set for  
 Complex Orders that are stock-option  
 orders. The price of a Complex Order  
 that is a stock-option order may  
 fluctuate differently and this proposal  
 recognizes that they are different than  
 option-only Complex Orders. This  
 enhancement should also promote just  
 and equitable principles of trade by  
 better tailoring the ACE Parameter to  
 these types of orders. With respect to  
 the correction establishing an ACE  
 Parameter for all options rather than  
 option-by-option, the Exchange believes  
 that this aspect of the proposal is  
 consistent with just and equitable  
 principles of trade and should protect  
 investors and the public interest,  
 because the Exchange believes that it  
 can sufficiently protect Complex Orders  
 by applying a single ACE Parameter to  
 all options, along with a separate ACE  
 Parameter for stock-option orders. The  
 ACE Parameter has never been  
 established option-by-option and market  
 participants have not asked for that.

## 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. Specifically,  
 various options exchanges offer  
 complex order functionality along with  
 a variety of price protections, such that  
 the proposal will help the Exchange  
 better compete with those options  
 exchanges. With respect to intra-market  
 competition, the proposal will be  
 available to all eligible Complex Orders,  
 regardless of participant type.

<sup>6</sup> A \$.10 credit bid means that the seller of the  
 Complex Order would be paying \$.10 to sell rather  
 than receiving \$.10, perhaps because the seller is  
 seeking to close out the position for tax or margin  
 reasons, regardless of the price.

<sup>7</sup> See Securities Exchange Act Release No. 69921  
 (July 2, 2013), 78 FR 41164 (July 9, 2013) (SR-Phlx–  
 2013–72).

<sup>8</sup> See Rule 1080.08(a)(vi).

<sup>9</sup> The underlying security must be the deliverable  
 for the options component of that Complex Order  
 and represent exactly 100 shares per option for  
 regular way delivery.

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

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

*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)(ii) of the Act<sup>12</sup> and subparagraph (f)(6) of Rule 19b-4 thereunder.<sup>13</sup>

The proposal does not significantly affect the protection of investors or the public interest, because it provides enhanced price protection, which has the potential to benefit investors, as explained above. The proposal does not impose any significant burden on competition, as explained further above.

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](mailto:rule-comments@sec.gov). Please include File Number SR-Phlx-2013-121 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-Phlx-2013-121. 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 such filing also will be available for inspection and copying at the principal offices 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-2013-121, and should be submitted on or before January 13, 2014.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>14</sup>

**Kevin M. O'Neill,**

*Deputy Secretary.*

[FR Doc. 2013-30454 Filed 12-20-13; 8:45 am]

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**SECURITIES AND EXCHANGE COMMISSION**

[Release No. 34-71089; File No. SR-CBOE-2013-119]

**Self-Regulatory Organizations; Chicago Board Options Exchange, Incorporated; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change To Amend the CBSX Fees Schedule**

December 17, 2013.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the "Act"),<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on December 9, 2013, Chicago Board Options Exchange, Incorporated (the "Exchange" or "CBOE") 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 Exchange. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

**I. Self-Regulatory Organization's Statement of the Terms of Substance of the Proposed Rule Change**

The Exchange proposes to amend the Fees Schedule of its CBOE Stock Exchange ("CBSX"). 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'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.

<sup>12</sup> 15 U.S.C. 78s(b)(3)(a)(ii).

<sup>13</sup> 17 CFR 240.19b-4(f)(6). In addition, Rule 19b-4(f)(6) requires a self-regulatory organization to give the Commission written notice of its intent to file the proposed rule change at least five business days prior to the date of filing of the proposed rule change, or such shorter time as designated by the Commission. The Exchange has satisfied this requirement.

<sup>14</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.