

For the Commission, by the Division of Investment Management, under delegated authority.

**Kevin M. O'Neill,**

*Deputy Secretary.*

[FR Doc. 2014-01137 Filed 1-21-14; 8:45 am]

BILLING CODE 8011-01-P

## SECURITIES AND EXCHANGE COMMISSION

### Sunshine Act Meeting

Notice is hereby given, pursuant to the provisions of the Government in the Sunshine Act, Public Law 94-409, that the Securities and Exchange Commission will hold a Closed Meeting on Thursday, January 23, 2014 at 2:00 p.m.

Commissioners, Counsel to the Commissioners, the Secretary to the Commission, and recording secretaries will attend the Closed Meeting. Certain staff members who have an interest in the matters also may be present.

The General Counsel of the Commission, or her designee, has certified that, in her opinion, one or more of the exemptions set forth in 5 U.S.C. 552b(c)(3), (5), (7), 9(B) and (10) and 17 CFR 200.402(a)(3), (5), (7), 9(ii) and (10), permit consideration of the scheduled matter at the Closed Meeting.

Commissioner Gallagher, as duty officer, voted to consider the items listed for the Closed Meeting in a closed session.

The subject matter of the Closed Meeting will be:

institution and settlement of injunctive actions;

institution and settlement of administrative proceedings;

an adjudicatory matter; and

other matters relating to enforcement proceedings.

At times, changes in Commission priorities require alterations in the scheduling of meeting items.

For further information and to ascertain what, if any, matters have been added, deleted or postponed, please contact the Office of the Secretary at (202) 551-5400.

Dated: January 16, 2014.

**Elizabeth M. Murphy,**

*Secretary.*

[FR Doc. 2014-01257 Filed 1-17-14; 11:15 am]

BILLING CODE 8011-01-P

## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-71303; File No. SR-BATS-2014-001]

### Self-Regulatory Organizations; BATS Exchange, Inc.; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change Related to Fees for Use of BATS Exchange, Inc.

January 15, 2014.

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 January 2, 2014, BATS Exchange, Inc. (the "Exchange" or "BATS") 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 Exchange. The Exchange has designated the proposed rule change as one establishing or changing a member due, fee, or other charge imposed by the Exchange 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 proposed rule change effective upon filing with 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 the Substance of the Proposed Rule Change

The Exchange filed a proposal to amend the fee schedule applicable to Members<sup>5</sup> and non-members of the Exchange pursuant to BATS Rules 15.1(a) and (c). Changes to the fee schedule pursuant to this proposal are effective upon filing.

The text of the proposed rule change is available at the Exchange's Web site at <http://www.batstrading.com>, at the principal office of the Exchange, at the Commission's Public Reference Room, and at the Commission's Web site at <http://www.sec.gov>.

#### 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 parts 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 proposes to modify the "Options Pricing" section of its fee schedule effective immediately, in order to: (i) Modify the rebates provided by the Exchange for Customer<sup>6</sup> orders that add liquidity to the Exchange's options platform ("BATS Options") in options classes subject to the penny pilot program as described below ("Penny Pilot Securities");<sup>7</sup> (ii) modify the fees charged by the Exchange for Customer orders that remove liquidity from BATS Options in Penny Pilot Securities; (iii) modify the rebates provided by the Exchange for Professional,<sup>8</sup> Firm, and Market Maker<sup>9</sup> orders that add liquidity to BATS Options in Penny Pilot Securities; (iv) modify the fees charged by the Exchange for Professional, Firm, and Market Maker orders that remove liquidity from BATS Options in Penny Pilot Securities; (v) modify the rebates provided by the Exchange for Customer orders that add liquidity to BATS Options in non-Penny Pilot Securities; (vi) modify the fees charged by the Exchange for Customer orders that remove liquidity from BATS Options in non-Penny Pilot Securities; (vii) modify the rebates provided by the Exchange for Professional, Firm, and Market Maker orders that add liquidity to BATS Options in non-Penny Pilot Securities; (viii) modify the fees charged by the Exchange for Professional, Firm, and Market Maker orders that remove

<sup>6</sup> As defined on the Exchange's fee schedule, a "Customer" order is any transaction identified by a Member for clearing in the Customer range at the Options Clearing Corporation ("OCC"), except for those designated as "Professional".

<sup>7</sup> The Exchange currently charges different fees and provides different rebates depending on whether an options class is an options class that qualifies as a Penny Pilot Security pursuant to Exchange Rule 21.5, Interpretation and Policy .01 or is a non-penny options class.

<sup>8</sup> The term "Professional" is defined in Exchange Rule 16.1 to mean any person or entity that (A) is not a broker or dealer in securities, and (B) places more than 390 orders in listed options per day on average during a calendar month for its own beneficial account(s).

<sup>9</sup> As defined on the Exchange's fee schedule, the terms "Firm" and "Market Maker" apply to any transaction identified by a member for clearing in the Firm or Market Maker range, respectively, at the Options Clearing Corporation ("OCC").

<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).

<sup>5</sup> A Member is any registered broker or dealer that has been admitted to membership in the Exchange.

liquidity from BATS Options in non-Penny Pilot Securities; (ix) modify the tier thresholds and adjust the rebates provided by the Exchange under the BATS Options NBBO Setter Program;<sup>10</sup> (x) modify the tier thresholds and adjust the rebates provided by the Exchange under the Quoting Incentive Program (“QIP”).<sup>11</sup> In conjunction with proposals (i) through (iv) and (ix) listed above, the Exchange is proposing to eliminate the “Grow with Us” rebates and fees and the definitions and footnotes associated therewith.<sup>12</sup> In addition to these changes, the Exchange proposes to make several minor changes to the fee schedule to achieve additional consistency.

#### (i) Customer Rebates for Adding Liquidity in Penny Pilot Securities

The Exchange currently provides rebates for Customer orders that add liquidity to the BATS Options order book in Penny Pilot Securities pursuant to a tiered pricing structure, as described below. The Exchange proposes to modify this tiered pricing structure and the rebates associated therewith as well as eliminate the rebates associated with the Grow with Us pricing program.

The Exchange currently offers the following rebates per contract for a Customer order that adds liquidity in Penny Pilot Securities to the BATS Options order book: (i) \$0.30 where the Member does not qualify for any additional rebates as described below; (ii) \$0.31 where the Member has an ADV<sup>13</sup> less than 0.25% of average TCV<sup>14</sup> and also shows a minimum of 10 basis points TCV improvement over their previous High Water Mark;<sup>15</sup> (iii)

<sup>10</sup> The NBBO Setter Program is a program that provides additional rebates for executions resulting from orders that add liquidity that set either the national best bid (“NBB”) or national best offer (“NBO”).

<sup>11</sup> The QIP is a program designed to enhance market quality by incentivizing market Makers to participate on BATS Options by providing supplemental rebates for executed orders that add liquidity where the Market Maker has an average daily trading volume that exceeds certain thresholds.

<sup>12</sup> The “Grow with Us” pricing constitutes enhanced rebates and fees for Members that increase their trading activity on BATS Options.

<sup>13</sup> As defined on the Exchange’s fee schedule, ADV is average daily volume calculated as the number of contracts added or removed, combined, per day on a monthly basis. The fee schedule also provides that routed contracts are not included in ADV calculation.

<sup>14</sup> As defined on the Exchange’s fee schedule, TCV is total consolidated volume calculated as the volume reported by all exchanges to the consolidated transaction reporting plan for the month for which the fees apply.

<sup>15</sup> As defined on the Exchange’s fee schedule, High Water Mark is the greater of a Member’s Q4

\$0.43 where the Member has an ADV equal to or greater than 0.25% of average TCV but less than 0.75% of average TCV; (iv) \$0.44 where the Member has an ADV equal to or greater than 0.25% of average TCV but less than 0.75% of average TCV and also shows a minimum of 10 basis points TCV improvement over their previous High Water Mark; (v) \$0.46 where the Member has an ADV equal to or greater than 0.75% of average TCV but less than 1.25% of average TCV; (vi) \$0.47 where the Member has an ADV equal to or greater than 0.75% of average TCV but less than 1.25% of average TCV and also shows a minimum of 10 basis points TCV improvement over their previous High Water Mark; and (vii) \$0.47 where the Member has an ADV equal to or greater than 1.25% of average TCV.

The Exchange is proposing to adjust the thresholds required to meet the tiers for higher rebates, to simplify the rebate structure by eliminating one tier, to eliminate the Grow with Us rebates, and to increase the rebates associated with each tier such that all Members will receive higher rebates than under the current rebate structure. Specifically, the Exchange is proposing to increase the minimum ADV as a percentage of average TCV necessary to qualify for an increased rebate from 0.25% to 0.30%. The Exchange is also proposing to eliminate the third rebate tier for Members that have an ADV as a percentage of average TCV between 0.25% to 0.75%. The Exchange is proposing to reduce the threshold of ADV as a percentage of average TCV at which Members will receive the highest rebate from 1.25% to 1.00%. Further, the Exchange is proposing to amend the rebates per contract for Customer orders that add liquidity to the BATS Options order book in Penny Pilot Securities as follows: (i) To increase the rebate from \$0.30 to \$0.45 where the Member does not qualify for a higher rebate based on the Member’s ADV; (ii) to provide a rebate of \$0.48 where the Member has an ADV equal to or greater than 0.30% of average TCV but less than 1.00% of average TCV; and (iii) to provide a rebate of \$0.50 where the Member has an ADV equal to or greater than 1.00% of average TCV.

#### (ii) Customer Fees for Removing Liquidity in Penny Pilot Securities

The Exchange currently charges fees for Customer orders that remove liquidity from the BATS Options order book in Penny Pilot Securities pursuant to a tiered pricing structure, as

2011 TCV or a Member’s highest monthly TCV on BATS Options thereafter.

described below. The Exchange proposes to modify this tiered pricing structure and the fees associated therewith as well as eliminate the fees associated with the Grow with Us pricing program.

The Exchange currently charges the following fees per contract for a Customer order that adds liquidity in Penny Pilot Securities to the BATS Options order book: (i) \$0.45 for an order that does not qualify for a lower fee; (ii) \$0.44 where a Member has an ADV less than 0.25% of average TCV and also shows a minimum of 10 basis points TCV improvement over their previous High Water Mark; (iii) \$0.44 where a Member has an ADV equal to or greater than 0.25% of average TCV but less than 0.75% of average TCV; (iv) \$0.43 where a Member has an ADV equal to or greater than 0.25% of average TCV but less than 0.75% of average TCV and also shows a minimum of 10 basis points TCV improvement over their previous High Water Mark; (v) \$0.43 where a Member has an ADV equal to or greater than 0.75% of average TCV but less than 1.25% of average TCV and also shows a minimum of 10 basis points TCV improvement over their previous High Water Mark; and (vi) \$0.42 where a Member has an ADV equal to or greater than 0.75% of average TCV but less than 1.25% of average TCV and also shows a minimum of 10 basis points TCV improvement over their previous High Water Mark; and (vii) \$0.42 where a Member has an ADV equal to or greater than 1.25% of average TCV.

The Exchange proposes to eliminate volume tiers, to eliminate the Grow with Us fees, and to modify the fees charged for Customer orders that remove liquidity from the BATS Options order book in Penny Pilot Securities. Specifically, the Exchange is proposing to charge \$0.47 per contract for all Customer orders that remove liquidity from the BATS Options order book.

#### (iii) Non-Customer Rebates for Adding Liquidity in Penny Pilot Securities

The Exchange currently provides a rebate of \$0.25 per contract for Professional, Firm, and Market Maker orders that add liquidity to the BATS Options order book in Penny Pilot Securities and are removed by a Customer order. The Exchange currently provides a rebate of \$0.35 per contract for Professional, Firm, and Market Maker orders that add liquidity to the BATS Options order book in Penny Pilot Securities and are removed by a Professional, Firm, or Market Maker order.

In order to further incentivize liquidity on BATS Options, the Exchange proposes to eliminate the distinction in pricing based on the

capacity of the order that removes the order and to increase the rebate for Professional, Firm, and Market Maker orders that add liquidity to the BATS Options order book. Specifically, the Exchange is proposing to offer a \$0.40 rebate per contract for all Professional, Firm, or Market Maker orders that add liquidity to the BATS Options order book regardless of the capacity of the order that removes such liquidity.

(iv) Non-Customer Fees for Removing Liquidity in Penny Pilot Securities

The Exchange currently charges a fee of \$0.47 per contract for Professional, Firm, and Market Maker orders that remove liquidity from BATS Options in Penny Pilot Securities where the Member does not qualify for a lower charge based on TCV improvement. The Exchange currently charges a fee of \$0.46 per contract for Professional, Firm, and Market Maker orders that remove liquidity from BATS Options in Penny Pilot Securities where the Member shows a minimum of 10 basis points of TCV improvement over their previous High Water Mark.

For Professional, Firm, and Market Maker orders that remove liquidity from BATS Options in Penny Pilot Securities, the Exchange is proposing to adjust fees, to eliminate the Grow with Us incentive, and to offer a lower fee for Members that have an ADV equal to or greater than 1.00% of average TCV.

Specifically, the Exchange is proposing to increase its fees for Professional, Firm, and Market Maker orders that remove liquidity from BATS Options in Penny Pilot Securities where the Member does not qualify for a lower fee from \$0.47 per contract to \$0.48 per contract. The Exchange also proposes to eliminate fees for Professional, Firm, and Market Maker orders that remove liquidity from BATS Options in Penny Pilot Securities where the Member qualifies for Grow with Us pricing based on TCV improvement. Finally, the Exchange is proposing to charge \$0.47 per contract for a Professional, Firm, or Market Maker order that removes liquidity from the BATS Options order book where the Member has an ADV equal to or greater than 1.00% of average TCV.

(v) Customer Rebates for Adding Liquidity in non-Penny Pilot Securities

The Exchange currently offers a \$0.80 rebate per contract for Customer orders that add liquidity in non-Penny Pilot Securities. The Exchange is proposing to increase the rebate for Customer orders that add liquidity in non-Penny Pilot Securities from \$0.80 to \$0.85 per contract.

(vi) Customer Fees for Removing Liquidity in Non-Penny Pilot Securities

The Exchange currently charges \$0.75 per contract for Customer orders that remove liquidity in non-Penny Pilot Securities. The Exchange is proposing to increase the fee for Customer orders that remove liquidity in non-Penny Pilot Securities from \$0.75 to \$0.80 per contract.

(vii) Non-Customer Rebates for Adding Liquidity in Non-Penny Pilot Securities

The Exchange currently offers a \$0.60 rebate per contract for Professional, Firm, or Market Maker orders that add liquidity in Non-Penny Pilot Securities. The Exchange is proposing to increase the rebate for Professional, Firm, and Market Maker orders that add liquidity in non-Penny Pilot Securities from \$0.60 to \$0.65 per contract.

(viii) Non-Customer Fees for Removing Liquidity in non-Penny Pilot Securities

The Exchange currently charges \$0.84 per contract for Professional, Firm, and Market Maker orders that remove liquidity in non-Penny Pilot Securities. The Exchange is proposing to increase the fee for Professional, Firm, and Market Maker orders that remove liquidity in non-Penny Pilot Securities from \$0.84 to \$0.89 per contract.

(ix) NBBO Setter Program Rebates

The Exchange's NBBO Setter Program is a program intended to incentivize aggressive quoting on BATS Options by providing an additional rebate upon execution for all orders that add liquidity that set either the NBB or NBO (the "NBBO Setter Rebate"),<sup>16</sup> subject to certain volume requirements. Orders that qualify for the NBBO Setter Rebate receive the following rebates: \$0.03 additional rebate per contract rebate for executions of Professional, Firm and Market Maker orders that qualify for the NBBO Setter Rebate by Members with an ADV equal to or greater than 0.25% of average TCV but less than 0.75% of average TCV; \$0.06 additional rebate per contract for qualifying executions of Professional, Firm or Market Maker orders by Members with an ADV equal to or greater than 0.75% of average TCV but less than 1.25% of average TCV; and an additional \$0.10 per contract for qualifying executions of Professional, Firm and Market Maker orders by

Members with an ADV equal to or greater than 1.25% of average TCV.

The Exchange also applies its Grow with Us pricing program to the lower two tiers of the NBBO Setter Rebate. Accordingly, any Member that qualifies for the lower NBBO Setter Program tier applicable to Members with an ADV equal to or greater than 0.25% of average TCV but not the 0.75% of average TCV tier that achieves at least a 10 basis point increase over its previous High Water Mark is provided a NBBO Setter Rebate of \$0.05 per contract for qualifying executions. Similarly, any Member that qualifies for the middle NBBO Setter tier applicable to Members with an ADV equal to or greater than 0.75% of average TCV but less than 1.25% of average TCV that achieves at least a 10 basis point increase over its previous High Water Mark is provided a NBBO Setter Rebate of \$0.08 per contract for qualifying executions. The highest NBBO Setter Program tier applicable to Members with an ADV equal to or greater than 1.25% of average TCV is not subject to the Grow with Us pricing program.

The Exchange proposes to simplify the NBBO Setter Program by eliminating the middle volume tier and ceasing to apply the Grow with Us pricing program to the NBBO Setter Program, thus leaving only two separate rebates for qualifying transactions. Further, the Exchange is proposing to adjust the thresholds required to qualify for both the bottom and top tier and to lower the rebates provided for each tier.

Specifically, the Exchange proposes to increase the lower threshold to qualify for the lowest tier of the NBBO Setter Program from an ADV of 0.25% of average TCV to an ADV of 0.30% of average TCV. Further, the Exchange is proposing to raise the upper threshold for the lower tier from an ADV of 0.75% of average TCV to an ADV of 1.00% of average TCV. The Exchange is also proposing to decrease the threshold at which Members will qualify for the top tier of the NBBO Setter Program from an ADV of 1.25% of average TCV to 1.00% of average TCV. As noted above, the Exchange is thus eliminating any middle tier applicable to the NBBO Setter Program.

The Exchange proposes to provide a NBBO Setter Rebate of \$0.02 per contract for qualifying executions of Professional, Firm, and Market Maker orders by any Member that qualifies for the lower tier applicable to Members with an ADV equal to or greater than 0.30% of average TCV but less than 1.00% of average TCV. The Exchange also proposes to provide a NBBO Setter Rebate of \$0.04 per contract for

<sup>16</sup> An order that is entered at the most aggressive price both on the BATS Options book and according to then current OPRA data will be determined to have set the NBB or NBO for purposes of the NBBO Setter Rebate without regard to whether a more aggressive order is entered prior to the original order being executed.

qualifying executions of Professional, Firm, and Market Maker orders by any Member that qualifies for the higher tier applicable to Members with an ADV equal to or greater than 1.00% of average TCV. The changes proposed above, including the proposed rebates and elimination of Grow with Us

incentives, represent a decrease of potential NBBO Setter Rebates that can be achieved by Members.

(x) QIP Rebates

The Exchange is proposing to modify the tier thresholds and adjust the rebates provided under the QIP. Currently, the

Exchange offers an additional rebate per contract for an order that adds liquidity to the BATS Options order book in options classes in which a Member is Market Maker registered on BATS Options pursuant to Rule 22.2 as follows:

ADV of BATS options registered market maker	Customer	Professional/ firm/market maker
ADV less than 0.25% TCV .....	0.01	0.05
ADV equal to or greater than 0.25% but less than 0.75% TCV .....	0.03	0.05
ADV equal to or greater than 0.75% but less than 1.25% TCV .....	0.03	0.06
ADV equal to or greater than 1.25% TCV .....	0.03	0.08

The Exchange proposes to eliminate the lowest tier of QIP such that a Member must at least achieve an ADV of 0.30% of average TCV in order to qualify for an additional rebate. The Exchange also proposes to increase the lower threshold to qualify for the lowest QIP tier from an ADV of 0.25% of average TCV to an ADV of 0.30% of average TCV and to increase the upper threshold from 0.75% to 1.00%. The Exchange is also proposing to lower the threshold for the upper QIP tier from an ADV of 1.25% of average TCV to an ADV of 1.00% of average TCV. In conjunction with these proposed threshold adjustments, the Exchange is also proposing to eliminate the middle tier that currently covers a Member with an ADV as a percentage of TCV equal to or greater than 0.75%, but less than 1.25%. The Exchange is also proposing to remove Customer orders from participation in the QIP. Finally, the Exchange is proposing to modify the QIP by providing qualifying Professional, Firm, and Market Maker orders with QIP rebates, as follows:

ADV of BATS options registered market maker	Professional/ firm/market maker
ADV equal to or greater than 0.30% but less than 1.00% TCV .....	\$0.02
ADV equal to or greater than 1.00% TCV .....	0.04

The changes proposed above, including the proposed rebates and elimination of QIP incentives for Customer orders, represent a decrease of potential additional QIP rebates that can be achieved by Members.

Additional Changes

In addition to the proposals set forth above, the Exchange proposes various minor additional changes. In conjunction with the elimination of

Grow with Us pricing incentives, the Exchange proposes to eliminate the definition of High Water Mark, which is only applicable to Grow with Us pricing, and to reserve for future use footnote 4 of the fee schedule, which references Grow with Us pricing. Finally, in the section regarding Customer rebates for added liquidity in Penny Pilot Securities the Exchange proposes to make changes to ensure consistent capitalization and references to Member ADV and to change one reference of adding liquidity “from” the Exchange to adding liquidity “to” the Exchange.

2. Statutory Basis

The Exchange believes that the proposed rule change is consistent with the requirements of the Act and the rules and regulations thereunder that are applicable to a national securities exchange, and, in particular, with the requirements of Section 6 of the Act.<sup>17</sup> Specifically, the Exchange believes that the proposed rule change is consistent with Section 6(b)(4) of the Act,<sup>18</sup> in that it provides for the equitable allocation of reasonable dues, fees and other charges among members and other persons using any facility or system which the Exchange operates or controls. The Exchange notes that it operates in a highly competitive market in which market participants can readily direct order flow to competing venues if they deem fee levels at a particular venue to be excessive.

Volume-based rebates and fees such as the ones maintained by BATS Options, and as amended by this proposal, have been widely adopted in the cash equities markets, and are equitable because they are open to all Members on an equal basis and provide additional benefits or discounts that are

reasonably related to the value to an exchange’s market quality associated with higher levels of market activity, such as higher levels of liquidity provision and/or growth patterns, and introduction of higher volumes of orders into the price and volume discovery processes. Accordingly, the Exchange believes that the proposed changes to the Exchange’s tiered pricing structure and incentives are not unfairly discriminatory because they are consistent with the overall goals of enhancing market quality. Similarly, the Exchange believes that continuing to base its tiered fee structure on overall TCV, rather than a static number of contracts irrespective of overall volume in the options industry, is a fair and equitable approach to pricing. The Exchange notes that while certain thresholds to meet Exchange tiers are increasing (*i.e.*, from ADV of 0.25% of average TCV to ADV of 0.30% of average TCV, and for those qualifying for an intermediate tier based on ADV and/or applicable Grow with Us incentives) the Exchange has increased its base rebates and has also reduced the level of ADV needed to qualify for the top tier from 1.25% of average TCV to 1% of average TCV.

As explained above, while the Exchange is maintaining a tiered pricing structure with respect to certain fees and rebates, the Exchange is also proposing to eliminate considerable variability with respect to its pricing structure. The Exchange believes that this simplification will benefit Members by providing more predictable fees and rebates when trading on the Exchange.

Despite the increases in fees for all orders that remove liquidity (Customer, Professional, Firm and Market Maker orders) in both Penny Pilot Securities and non-Penny Pilot Securities, the Exchange believes that its proposed fee structure is reasonable as the Exchange’s fees remain generally equivalent to

<sup>17</sup> 15 U.S.C. 78f.

<sup>18</sup> 15 U.S.C. 78f(b)(4).

standard fees charged by other markets with similar fee structures, such as the NASDAQ Options Market (“NOM”) and NYSE Arca, Inc. (“ARCA”). The increase in fees is also reasonable because the Exchange has also proposed to increase the rebates provided to add liquidity. Similarly, the Exchange believes that the increases are fair and equitable because, in addition to increased rebates generally, the Exchange will continue to offer incentives to receive reduced fees and enhanced rebates that provide all Members with several different ways to offset the increase in fees. As noted above, the Exchange believes that such volume-based tiers are fair and equitable and not unreasonably discriminatory because they are consistent with the overall goals of enhancing market quality. The proposed increases to rebates are reasonable in that they will further incentivize Members to add liquidity to BATS Options and will help to offset proposed increases in fees. Additional information regarding each of the proposed changes is set forth below.

The Exchange’s proposed changes to the rebates provided for Customer orders that add liquidity to the BATS Options order book in Penny Pilot Securities are reasonable and equitably allocated because they represent an increase in rebates for all Customer orders submitted to the Exchange and simplify the Exchange’s rebate structure for such orders. Most significantly, the lowest possible rebate for any Customer order would be increased by \$0.15 per contract. The proposed changes, including modifications to the Exchange’s tiered rebate structure, are fair and equitable and not unreasonably discriminatory for the reasons described above with respect to volume-based rebates and fees.

The Exchange’s proposed changes with respect to the fees charged for Customer orders that remove liquidity from the BATS Options order book in Penny Pilot Securities are reasonable and equitably allocated because they will significantly simplify the pricing structure for executions of Customer orders on the Exchange. Further, the proposed fees are reasonable because they represent only a modest increase to fees that can be offset with the substantial increase to rebates for such orders, as described above. The Exchange further believes that its fees for Customer orders are reasonable because they are generally equivalent to standard fees charged by other markets with similar fee structures, such as NYSE Arca and NOM. The Exchange believes that the proposed fees are

equitably allocated and not unreasonably discriminatory because they are as low or lower than the fee to remove liquidity charged to all other participants on the Exchange and because the fee applies equally to all Customer orders.

The Exchange’s proposal to modify the rebate provided to non-Customers that add liquidity to the Exchange in Penny Pilot Securities is reasonable and equitably allocated because it will simplify and increase the rebate provided to all Professional, Firm, or Market Maker orders that add liquidity to the BATS Options order book regardless of the capacity of the order that removes such liquidity. As such, and because all Professional, Firm, and Market Maker orders will receive the same rebate (subject to additional incentives, including the NBBO Setter Program and QIP), the Exchange believes that the proposal is not unreasonably discriminatory.

The Exchange’s proposal to increase its fees for Professional, Firm, and Market Maker orders that remove liquidity from BATS Options in Penny Pilot Securities where the Member does not qualify for a lower fee is reasonable because it represents only a modest increase to fees that can be offset with the increase to rebates for such orders, as described above. The Exchange further believes that its fees for Professional, Firm, and Market Maker orders in Penny Pilot Securities are reasonable because they are generally equivalent to standard fees charged by other markets with similar fee structures, such as NYSE Arca and NOM. The Exchange’s offering of a reduced fee for Professional, Firm, and Market Maker orders for Members that meet a volume threshold is fair and equitable and not unreasonably discriminatory for the reasons described above with respect to volume-based rebates and fees.

The proposed increase in rebate for Customer orders that add liquidity in non-Penny Pilot Securities is reasonable and equitably allocated because it is the highest rebate provided by the Exchange, which the Exchange believes will further incent the addition of Customer orders in non-Penny Pilot Securities to the Exchange’s order book. The proposed change is not unreasonably discriminatory in that it will apply equally to all Customer orders.

The proposed increase to the fee for Customer orders that remove liquidity in non-Penny Pilot Securities is reasonable and equitably allocated because it represents only a modest increase to the existing fee and remains

generally equivalent to standard fees charged by other markets with similar fee structures, such as NYSE Arca and NOM. The proposal is not unreasonably discriminatory because it will apply equally to all Customer orders. As described above, the fee increase is proposed along with a corresponding increase to the rebate, which should offset some or all of the increased cost to Customer orders.

The Exchange’s proposed increase to the rebate for Professional, Firm, and Market Maker orders that add liquidity in non-Penny Pilot Securities is reasonable and equitably allocated because it will incent the addition of Professional, Firm, and Market Maker orders in non-Penny Pilot Securities to the Exchange’s order book. The proposed change is not unreasonably discriminatory in that it will apply equally to all Professional, Firm, and Market Maker orders.

The Exchange’s proposed increase to the fee to remove liquidity for Professional, Firm, and Market Maker orders that remove liquidity in non-Penny Pilot Securities is reasonable and equitably allocated because it represents only a modest increase to the existing fee and remains generally equivalent to standard fees charged by other markets with similar fee structures, such as NYSE Arca and NOM. While Professional, Firm and Market Maker orders will be assessed comparably higher transaction fees than those assessed to other Customer orders, as proposed, the Exchange does not believe that this pricing is unreasonably discriminatory because the securities markets generally, and the Exchange in particular, have historically aimed to improve markets for investors and develop various features within the market structure for customer benefit. The Exchange also notes that Professional, Firm and Market Maker orders qualify for additional rebates under the Exchange’s NBBO Setter Program, which is not applicable to Customer orders. As noted elsewhere, the fee increase is proposed along with a corresponding increase to the rebate, which should offset some or all of the increased cost to Customer orders.

The Exchange’s proposed changes to the NBBO Setter Program, including a general reduction to the rebates available through the program, are reasonable and equitably allocated in that they are coupled with increases to the standard rebate to add liquidity. The proposed rebate structure will reduce the variability and complexity of rebates for Professional, Firm and Market Maker orders added to the Exchange’s order book. The applicability of the NBBO

Setter Program to Members achieving certain volume thresholds is fair and equitable and not unreasonably discriminatory for the reasons described above with respect to volume-based rebates and fees. Further, the Exchange notes that it has reduced the ADV threshold that a Member needs to reach in order to qualify for the higher tier. The Exchange also notes that continued exclusion of Customer orders from NBBO Setter rebates is reasonable, fair and equitable, and not unreasonably discriminatory given the higher base and tiered rebates already provided to Customer orders. Despite the fact that Customer orders are not eligible for NBBO Setter Rebates, the proposed modifications to NBBO Setter Rebates are fair and equitable and not unreasonably discriminatory because in most circumstances, Customer orders that do not set the NBBO are eligible for even higher rebates than certain Professional, Firm, and Market Maker orders that did set the NBBO and receive a NBBO Setter Rebate.

Similarly, the Exchange's removal of Customer orders from the QIP is reasonable, fair and equitable, and not unreasonably discriminatory due to the higher base and tiered rebates already provided to Customer orders. The applicability of the QIP to Members achieving certain volume thresholds is fair and equitable and not unreasonably discriminatory for the reasons described above with respect to volume-based rebates and fees. The Exchange also notes that although registration as a market maker is required to qualify for QIP, such registration is available to all Members on an equal basis. With respect to the reduced rebates available through QIP, the Exchange reiterates that such reduction is reasonable and equitably allocated due to a higher base rebate that will be applicable to all Members. Not only will the higher base rebate help Members to offset any reduction to QIP rebates but the lower QIP rebates paid by the Exchange will allow the Exchange to fund such higher based rebates.

The elimination of the Grow with Us incentive from the Exchange's tiered pricing structure is also reasonable, equitably allocated and not unfairly discriminatory because it will significantly simplify the Exchange's fee schedule and has been coupled with various increases to standard rebates that will help to reduce the variability of rebates provided by the Exchange. Further, elimination of the Grow with Us incentive will allow the Exchange to allocate resources devoted to the program to other pricing programs.

Finally, the Exchange believes that the various formatting and ministerial changes are reasonable as they will help to avoid confusion for those that review the Exchange's fee schedule.

#### *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. With respect to the changes to fees and rebates for executions on the Exchange that are set forth in this proposal, the Exchange does not believe that any such changes burden competition, but instead, enhance competition, as they are intended to increase the competitiveness of and draw additional volume to the Exchange's platform. As stated above, the Exchange notes that it operates in a highly competitive market in which market participants can readily direct order flow to competing venues if they deem fee levels set by the Exchange to be excessive. The proposed changes are generally intended to simplify the Exchange's fee structure while enhancing the base rebates for liquidity added to the Exchange, which is intended to draw additional liquidity to the Exchange. Thus, the proposal is a competitive proposal that is intended to add additional liquidity to the Exchange, which will, in turn, benefit the Exchange and all Exchange participants.

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

The Exchange has neither solicited nor received written comments on the proposed rule change.

### **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>19</sup> and paragraph (f) of Rule 19b-4 thereunder.<sup>20</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.

<sup>19</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>20</sup> 17 CFR 240.19b-4(f).

### **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-BATS-2014-001 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-BATS-2014-001. 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 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-BATS-2014-001, and should be submitted on or before February 12, 2014.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>21</sup>

Kevin M. O'Neill,

Deputy Secretary.

[FR Doc. 2014-01104 Filed 1-21-14; 8:45 am]

BILLING CODE 8011-01-P

## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-71312; File No. SR-BOX-2014-01]

### Self-Regulatory Organizations; BOX Options Exchange LLC; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change To Amend the Fee Schedule To Establish Fees for Complex Order Price Improvement Period ("COPIP") Transactions

January 15, 2014.

Pursuant to Section 19(b)(1) under 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 January 9, 2014, BOX Options Exchange LLC (the "Exchange") 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 Exchange filed the proposed rule change pursuant to 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 filing with 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

The Exchange is filing with the Securities and Exchange Commission ("Commission") a proposed rule change to amend the Fee Schedule to establish fees for Complex Order Price Improvement Period ("COPIP") transactions on the BOX Market LLC ("BOX") options facility. The text of the proposed rule change is available from the principal office of the Exchange, at the Commission's Public Reference Room and also on the Exchange's Internet Web site at <http://boxexchange.com>.

#### 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, Proposed Rule Change

###### 1. Purpose

The Exchange proposes to amend the Fee Schedule for trading on BOX to establish fees for COPIP<sup>5</sup> transactions. The Exchange recently amended its rules to permit Complex Orders<sup>6</sup> to be submitted to a price improvement period auction mechanism similar to the existing Price Improvement Period ("PIP") mechanism for single option series on BOX.<sup>7</sup> The Exchange believes the COPIP will result in more efficient transactions, reduced execution risk to BOX Options Participants, and greater opportunities for price improvement. The Exchange is submitting this filing to describe the fees that are applicable to COPIP transactions.

Generally, the Exchange proposes to treat COPIP transactions in the same manner as PIP transactions within the BOX Fee Schedule. While standard Complex Order transactions are subject to the fees and credits set forth in Section III (Complex Order Transaction Fees) of the Fee Schedule, COPIP transactions will instead be subject to Sections I (Exchange Fees) and II (Liquidity Fees and Credits).

First, the Exchange proposes to add language throughout Section I (Exchange Fees) to state that Auction Transactions fees will now include those transactions executed through the

COPIP and that all COPIP transactions will be charged per contract per leg. The Exchange currently assesses Exchange Fees based on transaction type and account type with distinct fees for Auction Transactions (transactions executed through the BOX Price Improvement Period, Solicitation, and Facilitation auction mechanisms), and non-Auction Transactions (transactions executed on the BOX Book). Specifically, for Public Customers the Exchange proposes to assess a \$0.00 per contract fee for COPIP Orders<sup>8</sup> and a \$0.15 per contract fee for Improvement Orders<sup>9</sup> in the COPIP. For Professional Customers and Broker Dealers, the Exchange proposes to assess a \$0.37 per contract fee for both COPIP Orders and Improvement Orders in the COPIP.

The remaining types of Exchange Fees are based upon a Participant's monthly average daily volume ("ADV") in Auction Transactions and Non-Auction Transactions. The Exchange proposes that Exchange Fees for Initiating Participants, regardless of account type, who submit a Primary Improvement Order<sup>10</sup> in the COPIP will be based upon a Participant's monthly average daily volume ("ADV") in all Auction Transactions as calculated at the end of each month and detailed in Section I.A. For Market Makers, the Exchange proposes to assess a per contract, tiered, execution fee on COPIP Orders and Improvement Orders in the COPIP under Section I.B that is based on their monthly ADV in all transactions executed on BOX, as calculated at the end of each month.

Second, the Exchange proposes to treat COPIP transactions in the same manner as PIP transactions for liquidity fees and credits, which are applied in addition to any applicable exchange fees as described in Section I of the Fee Schedule. Specifically, the Exchange proposes that COPIP Orders (i.e., the agency orders opposite the Primary Improvement Order) receive a "removal" credit and Improvement Orders in the COPIP be charged an "add" fee.

Specifically, the Exchange proposes that COPIP transactions in classes where the minimum price variation of \$0.01 (i.e., Penny Pilot classes where the trade price is less than \$3.00 and all series in

<sup>5</sup> As defined in Rule 7245, the term "COPIP" means Complex Order Price Improvement Period.

<sup>6</sup> As defined in Rule 7240(a)(5), the term "Complex Order" means any order involving the simultaneous purchase and/or sale of two or more different options series in the same underlying security, for the same account, in a ratio that is equal to or greater than one-to-three (.333) and less than or equal to three-to-one (3.00) and for the purpose of executing a particular investment strategy.

<sup>7</sup> See Securities Release No. 71148 (December 19, 2013), 78 FR 78437 (December 26, 2013) (Order Approving SR-BOX-2013-43).

<sup>8</sup> As defined in Rule 7245, the term "COPIP Order" means a Complex Order designated for the COPIP.

<sup>9</sup> As defined in Rule 7245, the term "Improvement Order" means a competing Complex Order submitted to BOX by an Order Flow Provider or Market Maker during a COPIP.

<sup>10</sup> As defined in Rule 7245, the term "Primary Improvement Order" means the matching contra order equal to the full size of the corresponding COPIP Order.

<sup>21</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.

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

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