

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-NSX-2014-01 and should be submitted on or before February 13, 2014.

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

Kevin M. O'Neill,

Deputy Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-71329; File No. SR-NYSEMKT-2013-84]

Self-Regulatory Organizations; NYSE MKT LLC; Order Approving Proposed Rule Change Amending NYSE MKT Rules 13—Equities, 70.25—Equities, 107C—Equities and 1000—Equities To Adopt a New Order Type Called a Midpoint Passive Liquidity Order

January 16, 2014.

I. Introduction

On November 18, 2013, NYSE MKT LLC ("NYSE MKT" or "Exchange") filed with the Securities and Exchange Commission ("Commission"), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act")¹ and Rule 19b-4 thereunder,² a proposed rule change to amend: (1) NYSE MKT Rules 13—Equities to adopt a new order type called a Midpoint Passive Liquidity ("MPL") Order; (2) NYSE MKT Rule 1000—Equities to specify that the proposed MPL Orders may interact with Capital Commitment Schedule ("CCS") interest; (3) NYSE MKT Rule 70.25—Equities to permit d-Quotes to be designated with a midpoint modifier in order to set the discretionary price to the midpoint of the protected best bid

or best offer ("PBBO"); and (4) NYSE MKT Rule 107C—Equities to incorporate the proposed MPL Order into the Retail Liquidity Program. The proposed rule change was published for comment in the **Federal Register** on December 4, 2013.³ The Commission received no comment letters on the proposed rule change. This order approves the proposed rule change.

II. Description of the Proposed Rule Change

A. Proposed MPL Order

The Exchange proposes the MPL Order as an undisplayed limit order that would automatically execute at the midpoint of the protected best bid ("PBB") and the protected best offer ("PBO"). An MPL Order could interact with any incoming order, including another MPL Order, and could execute at prices out to four decimal places.

The proposed rule specifies certain limitations on the usage and execution of an MPL Order. First, an MPL Order would not be eligible to trade if it would trade at a price below \$1.00 or if the execution price would be out to five decimal places above \$1.00. Second, an MPL Order could not be designated as Good Till Cancelled. Finally, an MPL Order would not execute if the market were locked or crossed. When a market that had been locked or crossed becomes no longer locked or crossed, the Exchange would execute all eligible MPL Orders and other hidden interest eligible to execute at the midpoint of the PBBO.

With regards to order allocation, MPL Orders would be allocated on a parity-by-agent basis, consistent with NYSE MKT Rule 72—Equities. Moreover, an MPL Order's time priority would be based on its time of entry into Exchange systems and would not reset when an MPL Order's price shifted due to changes in the PBBO.

Under the proposal, an MPL Order could also include a Minimum Triggering Volume ("MTV"), in which case the MPL Order would not be eligible to trade unless the aggregated contra-side quantity of all interest marketable at the midpoint of the PBBO were equal to or greater than the MPL Order's MTV. There would be no guaranteed trade size based on the MTV. Exchange systems would enforce an MTV restriction even if the unexecuted portion of an MPL Order with an MTV were less than the MTV.

An MPL Order that included an MTV would be rejected if it also included a Self Trade Prevention ("STP") Modifier.

As proposed, STP Modifiers could be used with MPL Orders that do not include an MTV. An MPL Order with an STP Modifier, however, might be cancelled depending on the type of order on the contra-side. An MPL Order with an STP Modifier would not execute against another MPL Order or against a non-MPL Order with an STP Modifier with the same market participant identifier ("MPID").

Further, under the proposal, users could designate an MPL Order with an add-liquidity-only ("ALO") modifier ("MPL-ALO Order"). An MPL-ALO Order would not execute on arrival, even if marketable, but would remain non-displayed in the book until triggered to trade by arriving contra-side marketable interest. An incoming non-marketable MPL-ALO Order, however, could trigger a discretionary trade.⁴ An MPL-ALO Order would only be eligible to trade against incoming contra-side interest and would not interact with contra-side interest resting in the book. A resting MPL-ALO Order would not be eligible to trade when arriving same-side interest triggered a trade with contra-side interest. An MPL-ALO Order would have to be at least one round lot.

An MPL Order would not be eligible for manual executions, including openings, re-openings, or closing transactions. As such, MPL Orders would not be available to be designated as Limit "On-the-Open" ("LOO") or Limit "At-the-Close" ("LOC") Orders. As fully undisplayed interest, MPL Orders would not be visible to the DMM on the Floor under any circumstances.

B. MPL Order Interaction With CCS Interest

The CCS is a liquidity schedule setting forth various price points at which the DMM is willing to interact with incoming orders. CCS interest will either execute at the price at which the full size of the order can be satisfied ("completion price") or at the next price that is one minimum price variation ("MPV") higher (in the case of an order to sell) or lower (in the case of an order to buy). The Exchange has stated that it believes that CCS interest cannot be designated as an MPL Order because MPL Orders are priced at the midpoint of the PBBO and could be priced less than one MPV above or below the completion price.

While, under the proposal, CCS interest cannot be designated as an MPL

⁴ Under the proposal, an MPL-ALO Order triggering a discretionary trade would be the "liquidity provider," and the triggered discretionary order would be the "liquidity taker."

¹⁹ 17 CFR 200.30-3(a)(12).

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ See Securities Exchange Act Release No. 70955 (November 27, 2013), 78 FR 72965.

Order, CCS interest would be eligible to interact with MPL Orders. Currently, CCS interest is eligible to trade inside the Exchange BBO at a price representing (1) the non-displayable reserve interest of Reserve Orders⁵ or (2) the reserve interest of Floor broker agency interest files. The Exchange is proposing to expand this list by amending NYSE MKT Rule 1000(f)(1)(B)—Equities to include MPL Orders.

C. Proposed MPL Order Interaction With d-Quotes

MPL Orders would not be available for d-Quotes⁶ since the Exchange proposes to allow d-Quotes with a midpoint modifier as described below. MPL Orders would not be available for pegging interest since pegging interest is set to track the PBB or the PBO as the PBB changes, while MPL Orders would always be priced at the midpoint of the PBB.

The Exchange proposes to make a midpoint modifier available for d-Quotes that would have a discretionary range up to the midpoint of the PBB.⁷

In order to accommodate the use of a midpoint modifier, the Exchange is proposing to amend Rule 70.25(b)(ii)—Equities, which states that the minimum price range for a d-Quote is the minimum price variation set forth in Exchange Rule 62—Equities. Rule 62—Equities sets the minimum price variation at \$0.01 for stocks priced greater than \$1.00. However, with the midpoint modifier, a d-Quote can have a minimum price variation of \$0.005. Therefore, the Exchange is proposing to amend this restriction by excepting d-Quotes with a midpoint modifier.

D. Incorporation of MPL Orders Into Retail Liquidity Program

Retail Orders or Retail Price Improvement Interest, as defined in NYSE MKT Rule 107C—Equities, could not be designated as MPL Orders. MPL Orders, however, could interact with incoming Retail Orders.

⁵ A Reserve Order means a limit order entered into Exchange systems that may contain displayable and non displayable interest. See NYSE MKT Rule 13—Equities.

⁶ See NYSE MKT Rule 70.25—Equities (defining d-Quotes as discretionary instructions with respect to a Floor broker's agency interest file (e-Quotes)).

⁷ The Exchange notes that the MPL Order and the midpoint modifier are distinct functionalities. An MPL Order would always be priced at the midpoint of the PBB and would execute at that price. A d-Quote designated with a midpoint modifier would use its discretion to execute up to the midpoint but could execute at a less-aggressive price. As such, a d-Quote with a midpoint modifier would operate as a d-Quote that updated with changes in the PBB to set the discretionary price range to the midpoint of the PBB.

The Exchange proposed that MPL Orders be available to interact with Retail Orders within the Retail Liquidity Program ("Retail Program"), a pilot program.⁸ The Exchange proposes to permit all Retail Orders to interact with, in addition to available contra-side RPIs, available contra-side MPL Orders. When determining the price to execute a Retail Order, Exchange systems would consider all eligible RPIs and MPL Orders. If the only interest were MPL Orders, the Retail Order would execute against one or more MPL Orders at the midpoint of the PBB. If the only interest were RPIs, then the execution would occur against one or more RPIs at the price level that completes the incoming order's execution. If both RPIs and MPL Orders were present on the book, then Exchange systems would determine the price level at which the incoming Retail Order could be executed in full ("clean-up price"). If the clean-up price were equal to the midpoint of the PBB, RPIs would receive priority over MPL Orders, and Retail Orders would execute against both RPIs and MPL Orders at the midpoint. If the clean-up price were worse than the midpoint of the PBB, the Retail Order would execute first with the MPL Orders at the midpoint of the PBB, and any remaining quantity of the Retail Order would execute with the RPIs at the clean-up price. If the clean-up price were better than the midpoint of the PBB, then the Retail Order would execute against the RPIs at the clean-up price and would ignore the MPL Orders.

III. Discussion and Commission's Findings

After careful review, the Commission finds that the proposed rule change is consistent with the requirements of the Act and the rules and regulations thereunder applicable to a national

⁸ Under the Retail Program, retail liquidity providers ("Providers") are able to provide potential price improvement in the form of a non-displayed order that is priced better than the PBB, called a Retail Price Improvement Order ("RPI"). Retail Member Organizations ("RMOs") can submit a Retail Order to the Exchange, which interacts, to the extent possible, with available contra-side RPIs. Retail Orders may be designated as Type 1, Type 2, or Type 3. A Type 1 Retail Order interacts with available contra-side RPIs and does not interact with other available contra-side interest in Exchange systems or route to other markets. A Type 2 Retail Order interacts with available contra-side RPIs and any remaining portion of the Retail Order is executed as a Regulation NMS-compliant Immediate or Cancel Order pursuant to NYSE MKT Rule 13—Equities. A Type 3 Retail Order interacts first with available contra-side RPIs and any remaining portion of the Retail Order is executed as an NYSE MKT Immediate or Cancel Order pursuant to Rule 13—Equities.

securities exchange.⁹ In particular, the Commission finds that the proposed rule change is consistent with Section 6(b)(5) of the Act,¹⁰ which requires, among other things, that the rules of a national securities exchange be designed to promote just and equitable principles of trade, to remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general, to protect investors and the public interest and that the rules of a national securities exchange not be designed to permit unfair discrimination between customers, issuers, brokers, or dealers.

The Commission finds that the proposed rule change is consistent with the requirements of the Act. The Commission believes that the proposed MPL Order is designed to enhance order execution opportunities on the Exchange by providing market participants with an additional order type to interact with other trading interests. The Commission also believes that the proposed MPL Orders is designed to allow for additional opportunities for investors to trade at the midpoint of the PBB, which may provide price improvement to incoming orders. Additionally, the Commission believes that the proposed introduction of the MPL Order could provide market participants with better control over their execution costs and with a means to offer price improvement opportunities. The Commission notes that other exchanges offer similar functions as the MPL Order.¹¹

The Commission believes that it is appropriate for the Exchange not to allow DMMs to enter MPL Orders through CCS, because CCS interest must observe the MPV in certain circumstances, but MPL Orders would be tied to the midpoint of the protected NBBO and could therefore have prices that do not observe the MPV. Further, the Commission believes that it is appropriate not to allow d-Quotes to enter MPL Orders, as d-Quotes would have a mid-point modifier that would provide a functionality similar to MPL Orders.¹² Finally, the Commission

⁹ In approving this proposed rule change, the Commission notes that it has considered the proposed rule's impact on efficiency, competition, and capital formation. See 15 U.S.C. 78c(f).

¹⁰ 15 U.S.C. 78f(b)(5).

¹¹ See e.g., NYSE Arca Equities Rule 7.31(h)(5). See also EDGA Exchange, Inc. Rule 11.5(c)(7); BATS Exchange, Inc. Rule 11.9(c)(9); and NASDAQ Stock Market LLC Rule 4751(f)(4).

¹² The Commission notes that pegging interests would also conflict with the nature of MPL Order, since pegging interests are orders that are pegged to

believes that allowing MPL Orders to interact with retail orders in the Retail Program is designed to expand the potential for price improvement to retail investors.

Therefore, the Commission finds that the proposed rule change is consistent with the requirements of the Act.

IV. Conclusion

It is therefore ordered, pursuant to Section 19(b)(2) of the Act,¹³ that the proposed rule change (SR-NYSEMKT-2013-84) be, and it hereby is, approved.

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

Kevin M. O'Neill,

Deputy Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-71325; File No. SR-CME-2014-01]

Self-Regulatory Organizations; Chicago Mercantile Exchange Inc.; Notice of Filing and Immediate Effectiveness of Proposed Rule Change Regarding Modifications to CME Rule 8G802.B.2

January 16, 2014.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act" or "Exchange Act"),¹ and Rule 19b-4 thereunder,² notice is hereby given that on January 8, 2014, Chicago Mercantile Exchange Inc. ("CME") filed with the Securities and Exchange Commission ("Commission") the proposed rule change described in Items I, II and III below, which Items have been prepared primarily by CME. CME filed the proposal pursuant to Section 19(b)(3)(A) of the Act,³ and Rule 19b-4(f)(4)(ii)⁴ thereunder so that the proposal was 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

CME is filing a proposed rule change that is limited to its business as a

the PBB or PBO as the PBBO changes. See NYSE MKT Rule 13—Equities.

¹³ 15 U.S.C. 78s(b)(2).

¹⁴ 17 CFR 200.30-3(a)(12).

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ 15 U.S.C. 78s(b)(3)(A).

⁴ 17 CFR 240.19b-4(f)(4)(ii).

derivatives clearing organization. More specifically, the proposed rule change would make amendments to CME Rule 8G802.B.2 ("IRS Product Limited Recourse") to clarify that a CME Bankruptcy Event is also a Termination Event for IRS.

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

In its filing with the Commission, CME included statements concerning the purpose 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. CME 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

CME is registered as a derivatives clearing organization with the Commodity Futures Trading Commission and currently offers clearing services for many different futures and swaps products. The purpose of this proposed rule change is to make amendments to CME IRS rules that will clarify and harmonize CME rules across its IRS and CDS offerings. This filing does not involve any proposed changes to CME CDS rules. Although these changes will be effective on filing, CME plans to operationalize the proposed changes on January 16, 2014.

Currently, CME's Chapter 8H rules, providing for limited recourse for CDS, provide that a CME Bankruptcy Event (as defined in the Rules) is also a CDS Termination Event (as defined in CME Rule 8H802.B.2). CME's Chapter 8G rules, providing for limited recourse for IRS, inadvertently do not similarly include a CME Bankruptcy Event as an IRS Termination Event (as defined in CME Rule 8H802.B.2). The intent under both rule chapters is for the limited recourse provisions to work similarly in the event of a CME Bankruptcy Event. In order to harmonize the provisions, CME is proposing a clarifying amendment to CME Rule 8G802.B.2.

The changes that are described in this filing are limited to CME's business as a derivatives clearing organization clearing products under the exclusive jurisdiction of the Commodity Futures Trading Commission ("CFTC") and do not materially impact CME's security-based swap clearing business in any

way. CME notes that it has already submitted the proposed rule change that is the subject of this filing to its primary regulator, the CFTC, in CME Submission 13-590.

CME believes the proposed rule change is consistent with the requirements of the Exchange Act including Section 17A of the Exchange Act.⁵ The proposed rule change clarifies that a CME Bankruptcy Event is also a Termination Event for purposes of CME's IRS clearing offering. The purpose of the proposed changes is to clarify the limited recourse nature of CME's clearing offering and to harmonize CME's IRS rules with its CDS rules; these purposes are designed to promote the prompt and accurate clearance and settlement of securities transactions and, to the extent applicable, derivatives agreements, contracts, and transactions, to assure the safeguarding of securities and funds which are in the custody or control of the clearing agency or for which it is responsible, and, in general, to protect investors and the public interest consistent with Section 17A(b)(3)(F) of the Exchange Act.⁶

Furthermore, the proposed changes are limited in their effect to swaps products offered under CME's authority to act as a derivatives clearing organization. These products are under the exclusive jurisdiction of the CFTC. As such, the proposed CME changes are limited to CME's activities as a derivatives clearing organization clearing swaps that are not security-based swaps or mixed swaps; CME notes that the policies of the CFTC with respect to administering the Commodity Exchange Act are comparable to a number of the policies underlying the Exchange Act, such as promoting market transparency for over-the-counter derivatives markets, promoting the prompt and accurate clearance of transactions and protecting investors and the public interest.

Because the proposed changes are limited in their effect to swaps products offered under CME's authority to act as a derivatives clearing organization, the proposed changes are properly classified as effecting a change in an existing service of CME that:

(a) primarily affects the clearing operations of CME with respect to products that are not securities, including futures that are not security futures, and swaps that are not security-based swaps or mixed swaps; and

(b) does not significantly affect any securities clearing operations of CME or

⁵ 15 U.S.C. 78q-1.

⁶ 15 U.S.C. 78q-1(b)(3)(F).