

Section 109(b) of the Sarbanes-Oxley Act directs the PCAOB to establish a budget for each fiscal year in accordance with the PCAOB's internal procedures, subject to approval by the Commission. Rule 190 of Regulation P facilitates the Commission's review and approval of PCAOB budgets and annual accounting support fees.<sup>3</sup> This budget rule provides, among other things, a timetable for the preparation and submission of the PCAOB budget and for Commission actions related to each budget, a description of the information that should be included in each budget submission, limits on the PCAOB's ability to incur expenses and obligations except as provided in the approved budget, procedures relating to supplemental budget requests, requirements for the PCAOB to furnish on a quarterly basis certain budget-related information, and a list of definitions that apply to the rule and to general discussions of PCAOB budget matters.

In accordance with the budget rule, in March 2013 the PCAOB provided the Commission with a narrative description of its program issues and outlook for the 2014 budget year. In response, the Commission provided the PCAOB with economic assumptions and budgetary guidance for the 2014 budget year. The PCAOB subsequently delivered a preliminary budget and budget justification to the Commission. Staff from the Commission's Offices of the Chief Accountant and Financial Management dedicated a substantial amount of time to the review and analysis of the PCAOB's programs, projects and budget estimates; reviewed the PCAOB's estimates of 2013 actual spending; and attended several meetings with management and staff of the PCAOB to further develop an understanding of the PCAOB's budget and operations. During the course of this review, Commission staff relied upon representations and supporting documentation from the PCAOB. Based on this review, the Commission issued a "pass back" letter to the PCAOB. On November 25, 2013, the PCAOB approved its 2014 budget during an open meeting, and subsequently submitted that budget to the Commission for approval.

After considering the above, the Commission did not identify any proposed disbursements in the 2014 budget adopted by the PCAOB that are not properly recoverable through the annual accounting support fee, and the Commission believes that the aggregate proposed 2014 annual accounting

support fee does not exceed the PCAOB's aggregate recoverable budget expenses for 2014. The Commission also acknowledges the PCAOB's updated strategic plan and is supportive of the Board's continued work on its six new near-term priority projects. The Commission encourages the PCAOB to continue keeping the Commission and its staff apprised of developments throughout the implementation of these near-term projects and looks forward to providing views to the PCAOB as future updates are made to the plan.

The Commission understands that in recent years the PCAOB has taken significant and productive steps to improve its information technology ("IT") program. These steps include IT staffing changes, implementing stronger IT governance structures, and strengthening Board oversight over its IT program. Based upon updates provided by the PCAOB, the Commission also understands that these efforts are ongoing; and directs the Board to continue to provide in its quarterly reports to the Commission detailed information about the state of the PCAOB's IT program, including planned, estimated, and actual costs for IT projects, and the level of involvement of consultants. These reports also should continue to include: (a) a discussion of the Board's assessment of the progress and implementation of the Board actions mentioned above; and (b) the quarterly IT report that will be prepared by PCAOB staff and submitted to the Board.

The Commission also directs the PCAOB during the 2014 budget cycle to continue to include in its quarterly reports to the Commission information about the PCAOB's inspections program. Such information is to include: (a) statistics relative to the numbers and types of firms budgeted and expected to be inspected in 2014, including by location and by year the inspections that are required to be conducted in accordance with the Sarbanes-Oxley Act and PCAOB rules; (b) information about the timing of the issuance of inspections reports for domestic and non-U.S. inspections; and (c) updates on the PCAOB's efforts to establish cooperative arrangements with respective non-U.S. authorities for inspections required in those countries.

The Commission understands that the Office of Management and Budget ("OMB") has determined the 2014 budget of the PCAOB to be sequestrable under the Budget Control Act of 2011.<sup>4</sup>

Unless legislation occurs that avoids sequestration, the PCAOB's 2014 spending level would be reduced. In the event that sequestration is not avoided, we expect the PCAOB to work with the Commission and Commission staff, as appropriate, regarding the impact of sequestration on the PCAOB's 2014 spending.

The Commission has determined that the PCAOB's 2014 budget and annual accounting support fee are consistent with Section 109 of the Sarbanes-Oxley Act. Accordingly,

*It is ordered*, pursuant to Section 109 of the Sarbanes-Oxley Act, that the PCAOB budget and annual accounting support fee for calendar year 2014 are approved.

By the Commission.

**Elizabeth M. Murphy,**

*Secretary.*

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-71489; File No. SR-CBOE-2013-107]

### Self-Regulatory Organizations; Chicago Board Options Exchange, Incorporated; Notice of Withdrawal of Proposed Rule Change To Amend Its Rules Regarding Option Orders That Include a Stock Component

February 5, 2014.

On October 31, 2013, the Chicago Board Options Exchange, Incorporated (the "Exchange" or "CBOE") filed with the Securities and Exchange Commission (the "Commission"), 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> a proposed rule change to amend CBOE's rules regarding option orders that include a stock component. The proposed rule change was published for comment in the **Federal Register** on November 19, 2013.<sup>3</sup> The Commission received two comment letters regarding the proposed rule change.<sup>4</sup> On December 23, 2013, the Commission extended the time period in which to

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

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

<sup>3</sup> See Securities Exchange Act Release No. 70857 (November 13, 2013), 78 FR 69487.

<sup>4</sup> See letters to Elizabeth M. Murphy, Secretary, Commission, from Manisha Kimmel, Executive Director, Financial Information Forum, dated December 10, 2013; and Ellen Greene, Vice President, Securities Industry and Financial Markets Association, dated December 16, 2013.

<sup>4</sup> See "OMB Report Pursuant to the Sequestration Transparency Act of 2012" (Pub. L. 112-155), page 218 of 224 at: <http://www.whitehouse.gov/sites/>

<sup>3</sup> 17 CFR 202.190.

either approve the proposed rule change, disapprove the proposed rule change, or institute proceedings to determine whether to disapprove the proposed rule change, to February 17, 2014.<sup>5</sup> On January 31, 2014, the Exchange withdrew the proposed rule change (SR-CBOE-2013-107).

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>6</sup>

**Kevin M. O'Neill,**  
*Deputy Secretary.*

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-71480; File No. SR-BOX-2014-07]

### Self-Regulatory Organizations; BOX Options Exchange LLC; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to Amend the Fee Schedule

February 5, 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 23, 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 on the BOX Market LLC ("BOX") options facility to remove the reference to the Nasdaq 100 Index (NDX) as well as to modify language in the footnotes. 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 remove the reference to the Nasdaq 100 Index (NDX) and to modify language in the footnotes.

Because the Exchange has delisted the Nasdaq 100 Index (NDX),<sup>5</sup> the Exchange proposes to remove the reference to NDX from the BOX Fee Schedule. Currently, Section I Exchange Fees of the BOX Fee Schedule provides for a surcharge to be applied to options on any index traded on BOX; which includes a \$0.22 per contract surcharge for options on NDX. The Exchange has since delisted options on NDX and they are no longer traded on BOX. As such, no related surcharge will apply, and the Exchange is proposing to remove the reference to the BOX Fee Schedule.

In addition, the Exchange is proposing to amend the language in footnotes 6 and 7 in Sections I.A. and I.B. of the Fee Schedule. The Exchange recently added these footnotes to permit the Exchange to adjust the average daily volume calculation for any trading day on which the Exchange is closed for trading due to an early closing or a market-wide trading halt.<sup>6</sup> The Exchange proposes to modify the language in these footnotes to state "For purposes of calculating monthly ADV,

BOX will count as a half day any day that the market closes early for a holiday observance." The Exchange believes this proposed change will reduce investor confusion by clarifying when the Exchange will make adjustments to the monthly Average Daily Volume ("ADV") calculation.

Specifically, all days where the Exchange closes early for holiday observance will be counted as a half day in the monthly ADV calculation. While Participants are always aware in advance of early close days, these are typically low volume days and the Exchange believes counting these days as a full day for purposes of the ADV calculation would not be fair to Participants. This will clarify that the Exchange will not make any adjustments to the ADV calculation on days where trading in all securities was halted for a period of time. While certain exchanges remove these days from their ADV calculations,<sup>7</sup> the Exchange believes that the timing and impact of trading halts can vary substantially, and removing these days entirely from the ADV calculation is not always appropriate. Since trading halts occur very rarely, the Exchange believes it is reasonable to always include these days in the ADV calculation and that doing so will reduce investor confusion about what instances qualify for the ADV adjustment.

###### 2. Statutory Basis

The Exchange believes that the proposal is consistent with the requirements of Section 6(b) of the Act, in general, and Section 6(b)(4) and 6(b)(5) of the Act,<sup>8</sup> in particular, in that it provides for the equitable allocation of reasonable dues, fees, and other charges among BOX Participants and other persons using its facilities and does not unfairly discriminate between customers, issuers, brokers or dealers. In particular, this proposed change removes from the BOX Fee Schedule a reference to a fee that is no longer applicable since options on NDX have been delisted and are no longer traded on BOX. Additionally, the proposed modification to the language in footnotes 6 and 7 will provide greater clarity to the Exchange's procedures for making adjustments in calculating monthly ADV on days when the market

<sup>5</sup> See Securities Exchange Act Release No. 71178, 78 FR 79534 (December 30, 2013).

<sup>6</sup> 17 CFR 200.30-3(a)(31).

<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> See Securities Exchange Act Release No. 71084 (December 16, 2013), 78 FR 77185 (December 20, 2013) (SR-BOX-2013-58) (Notice of Filing and Immediate Effectiveness).

<sup>6</sup> See Securities Exchange Act Release No. 71025 (December 6, 2013), 78 FR 75644 (December 12, 2013) (SR-BOX-2013-55) (Notice of Filing and Immediate Effectiveness).

<sup>7</sup> NASDAQ OMX PHLX, LLC ("PHLX"), NASDAQ Options Market ("NOM") and the International Securities Exchange, LLC ("ISE") all exclude days from their respective ADV calculations if there is a trading halt in all securities or the exchange is honoring a market-wide trading halt declared by another market.

<sup>8</sup> 15 U.S.C. 78f(b)(4) and (5).