

proposed market wide parameter will protect ISE Gemini and ISE market makers from inadvertent exposure to excessive risk across both markets. Reducing such risk will enable market makers to enter quotations without any fear of inadvertent exposure to excessive risk, which in turn will benefit investors through increased liquidity for the execution of their orders. Such increased liquidity benefits investors because they receive better prices and because it lowers volatility in the options market.

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

The proposed rule change does not impose any burden on competition. The proposed rule change is meant to protect market makers from inadvertent exposure to excessive risk when trading on both ISE Gemini and ISE.

Accordingly, the proposed rule change will have no impact on competition. Market makers are not required to use the proposed functionality and may use their own risk-management systems and can enter out-of-range values so that the Exchange-provided parameters will not be triggered. Accordingly, the proposal does not require members to manage their risk using an Exchange-provided tool.

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

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

### **III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action**

Within 45 days of the publication date of this notice in the **Federal Register** or within such longer period up to 90 days (i) as the Commission may designate if it finds such longer period to be appropriate and publishes its reasons for so finding or (ii) as to which the self-regulatory organization consents, the Commission will:

- (A) By order approve or disapprove such proposed rule change; or
- (B) institute proceedings to determine whether the proposed rule change should be 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-ISEGemini-2014-09 on the subject line.

#### *Paper Comments*

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

All submissions should refer to File Number SR-ISEGemini-2014-09. 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 inspection and copying in the Commission's Public Reference Room, 100 F Street NE., Washington, DC 20549-1090, 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 ISE. 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-ISEGemini-2014-09, and should be submitted on or before April 16, 2014.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>10</sup>

**Kevin M. O'Neill,**

*Deputy Secretary.*

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<sup>10</sup> 17 CFR 200.30-3(a)(12).

### **SECURITIES AND EXCHANGE COMMISSION**

[Release No. 34-71760; File No. SR-ISE-2014-16]

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

March 20, 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 March 6, 2013, the International Securities Exchange, LLC (the "Exchange" or the "ISE") filed with the Securities and Exchange Commission the proposed rule change, as described in Items I, II, and III below, which items have been prepared by the self-regulatory organization. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

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

The ISE proposes to amend its Schedule of Fees to waive DTR approval fees charged to affiliated CMMs. The text of the proposed rule change is available on the Exchange's Web site (<http://www.ise.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 self-regulatory organization included statements concerning the purpose of, and basis for, the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. The self-regulatory organization has prepared summaries, set forth in sections A, B and C below, of the most significant aspects of such statements.

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

##### **1. Purpose**

The purpose of this proposed rule change is to amend the Schedule of Fees to waive the Designated Trading

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

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

Representative (“DTR”)<sup>3</sup> approval fees charged to affiliated Competitive Market Makers (“CMMs”). On December 23, 2013 the Exchange filed an immediately effective rule change that waived application fees for CMM applicants that share common ownership with another CMM, and adopted an incremental annual regulatory fee for such affiliated CMMs.<sup>4</sup> The purpose of that rule change was to encourage current CMMs to register additional broker dealer entities as necessary to act as Alternative Primary Market Makers (“Alternative PMMs”) for options products that have not been allocated to a willing Primary Market Maker (“PMM”).<sup>5</sup> Under the Alternative PMM program the ISE may list options that are not supported by a PMM by offering such allocations to appropriately qualified CMMs that will have all of the responsibilities and privileges of a PMM under ISE Rules with respect to appointed options classes.<sup>6</sup> The Exchange now proposes to further decrease “start-up” costs associated with the Alternative PMM program by waiving DTR approval fees for DTRs that are already registered with an affiliated CMM. The ISE charges a one-time approval fee of \$500 for each DTR associated with a market maker. Currently each CMM must pay to register its DTRs, regardless of whether those DTRs are already registered with an affiliated broker dealer entity. This fee thus increases start-up costs for CMMs that desire Alternative PMM appointments, as these CMMs may need to house those appointments in a separate broker dealer entity due to capital and other business requirements.<sup>7</sup> The Exchange therefore proposes to waive DTR approval fees for affiliated CMMs that share at least 75% common ownership as reflected on each firm’s Form BD, Schedule A. In order to qualify for this waiver the DTR must already be registered as a DTR for an affiliated CMM. This will ensure that

<sup>3</sup> DTRs may be: (i) Individual Members registered with the Exchange as market makers, or (ii) officers, partners, employees or associated persons of Members that are registered with the Exchange as market makers. See Rule 801(b)(1). Market maker quotations and orders may be submitted to the Exchange’s System only by DTRs. A DTR is permitted to enter quotes and orders only for the account of the market maker with which the DTR is associated. See Rule 801(a).

<sup>4</sup> See Exchange Act Release No. 71213 (December 31, 2013), 79 FR 863 (January 7, 2014) (SR-ISE-2013-70).

<sup>5</sup> PMM allocations are voluntary and require the consent of the PMM being allocated the options class. See ISE Rule 802.

<sup>6</sup> See Exchange Act Release No. 59250 (January 14, 2009), 74 FR 4062 (January 22, 2009) (SR-ISE-2008-90).

<sup>7</sup> See supra note 2.

CMMs will only have to pay once to register their DTRs across affiliated CMM memberships, and will encourage current CMMs to participate in the Alternative PMM program. The Exchange believes that this waiver is appropriate since the incremental cost associated with processing the new DTR approval is negligible for traders that have already registered with an affiliated broker dealer entity.

## 2. Basis

The Exchange believes that the proposed rule change is consistent with the provisions of Section 6 of the Act,<sup>8</sup> in general, and Section 6(b)(4) of the Act,<sup>9</sup> in particular, in that it is designed to provide for the equitable allocation of reasonable dues, fees, and other charges among its members and other persons using its facilities.

The Exchange believes that it is reasonable and equitable to waive the DTR approval fees for traders already associated with an affiliated CMM due to the negligible cost of processing these approvals. This waiver will allow affiliated CMMs to become members without incurring additional “start-up” fees that do not reflect the limited resources expended by the ISE, and will thereby encourage current CMMs to register additional affiliated CMMs as necessary to act as Alternative PMMs. The Exchange does not believe that it is unfairly discriminatory to apply the proposed fee waiver only to CMMs. As explained above, these fee changes are being proposed in order to encourage CMMs to seek Alternative PMM appointments. The Exchange believes that reducing these costs for affiliated CMMs will encourage more CMMs to register additional affiliated broker dealers as CMMs in order to quote options classes as Alternative PMMs. Greater participation in the Alternative PMM program will benefit all market participants that trade on the Exchange as it will allow the ISE to list additional options products, which will be supported by the Alternative PMMs. Alternative PMMs have all the responsibilities of regular PMMs, including, among other things, conducting the opening rotation on a daily basis and providing continuous quotations in appointed options classes.

## B. Self-Regulatory Organization’s Statement on Burden on Competition

In accordance with Section 6(b)(8) of the Act,<sup>10</sup> the Exchange does not believe that the proposed rule change will

impose any burden on intermarket or intramarket competition that is not necessary or appropriate in furtherance of the purposes of the Act. The proposed rule change should have little competitive impact as it merely aligns the DTR approval fees for affiliated CMMs with the cost of processing DTR registrations. While the proposed rule change only applies to CMMs, the Exchange does not believe that this will impose a significant burden on competition as all market participants that trade on the Exchange will benefit from the resulting allocation of options classes to Alternative PMMs. The Exchange operates in a highly competitive market in which market participants can readily direct their order flow to competing venues. In such an environment, the Exchange must continually review, and consider adjusting, its fees to remain competitive with other exchanges. For the reasons described above, the Exchange believes that the proposed fee changes reflect this competitive environment.

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

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

## III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A)(ii) of the Act<sup>11</sup> and subparagraph (f)(2) of Rule 19b-4 thereunder,<sup>12</sup> because it establishes a due, fee, or other charge imposed by ISE.

At any time within 60 days of the filing of such proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act. If the Commission takes such action, the Commission 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

<sup>8</sup> 15 U.S.C. 78f.

<sup>9</sup> 15 U.S.C. 78f(b)(4).

<sup>10</sup> 15 U.S.C. 78f(b)(8).

<sup>11</sup> 15 U.S.C. 78s(b)(3)(A)(ii).

<sup>12</sup> 17 CFR 240.19b-4(f)(2).

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 No. SR-ISE-2014-16 on the subject line.

*Paper Comments*

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

All submissions should refer to File Number SR-ISE-2014-16. 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 ISE. All comments received will be posted without change; the Commission does not edit personal identifying information from submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR-ISE-2014-16 and should be submitted by April 16, 2014.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>13</sup>

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

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<sup>13</sup> 17 CFR 200.30-3(a)(12).

## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-71759; File No. SR-ISE-2014-09]

### Self-Regulatory Organizations; International Securities Exchange, LLC; Notice of Filing of Proposed Rule Change Related to Market Maker Risk Parameters

March 20, 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 March 10, 2014, the International Securities Exchange, LLC (the "Exchange" or the "ISE") filed with the Securities and Exchange Commission ("Commission") the proposed rule change as described in Items I and II 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 its rules to mitigate market maker risk by adopting an Exchange-provided risk management functionality. The text of the proposed rule change is available on the Exchange's Web site [www.ise.com](http://www.ise.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 self-regulatory organization has prepared summaries, set forth in Sections A, B and C below, of the most significant aspects of such statements.

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

##### 1. Purpose

Pursuant to ISE Rules 722 and 804, the Exchange automatically removes a market maker's quotes in all series of an

options class when certain parameter settings are triggered. Specifically, there are four parameters that can be set by market makers on a class-by-class basis. These parameters are available for market maker quotes in single options series and for market maker quotes in complex instruments on the complex order book. Market makers establish a time frame during which the system calculates: (1) The number of contracts executed by the market maker in an options class; (2) the percentage of the total size of the market maker's quotes in the class that has been executed; (3) the absolute value of the net between contracts bought and contracts sold in an options class, and (4) the absolute value of the net between (a) calls purchased plus puts sold, and (b) calls sold plus puts purchased. The market maker establishes limits for each of these four parameters, and when the limits are exceeded within the prescribed time frame, the market maker's quotes in that class are removed or curtailed.<sup>3</sup> The Exchange also recently adopted another risk management parameter that allows market maker quotes to be removed from the trading system if a specified number of curtailment events occur across the ISE market. If the specified number of curtailment events is exceeded within the prescribed time period, the market maker's quotes in all classes in which it makes a market are automatically removed from the trading system.<sup>4</sup> It is mandatory for market makers to enter values into all of these quotation risk management parameters for all options classes in which it enters quotes.

The Exchange now proposes to further enhance its risk management offering for market maker quotes. Specifically, the Exchange proposes to implement functionality to allow market maker quotes to be removed from the trading system if a specified number of curtailment events occur across ISE and ISE Gemini, LLC ("ISE Gemini").<sup>5</sup> The Exchange notes that a single trading system governs the trading activity on ISE and ISE Gemini.<sup>6</sup>

<sup>1</sup> See Securities Exchange Act Release No. 70132 (August 7, 2013), 78 FR 49311 (August 13, 2013) (SR-ISE-2013-38).

<sup>2</sup> See Securities Exchange Act Release No. 71446 (January 30, 2014), 79 FR 6951 (February 5, 2014) (SR-ISE-2014-04).

<sup>3</sup> ISE Gemini recently changed its name from Topaz Exchange, LLC to ISE Gemini, LLC. See Exchange Act Release No. 71586 (February 20, 2014), 79 FR 10861 (February 26, 2014) (SR-Topaz-2014-06).

<sup>4</sup> See Exchange Act Release No. 70050 (July 26, 2013), 78 FR 46622 (August 1, 2013) (In the Matter of the Application of Topaz Exchange, LLC for Registration as a National Securities Exchange).

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

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