

participants can readily favor over 40 different competing exchanges and alternative trading systems if they deem fee levels at a particular venue to be excessive, or rebate opportunities available at other venues to be more favorable. In such an environment, BX must continually adjust its fees to remain competitive with other exchanges. Because competitors are free to modify their own fees in response, and because market participants may readily adjust their order routing practices, BX believes that the degree to which fee changes in this market may impose any burden on competition is extremely limited. In this instance, the increase to the credit for an order that executes against a midpoint pegged order and the new tier for members that add 3.5 million or more shares (but less than 5 million shares) of non-displayed liquidity per day, plus the easing of the standards to qualify as QMM (Tier 1) enhances the Exchange's competitiveness by introducing a credit for some and reducing fees for others. Moreover, because there are numerous competitive alternatives to the use of the Exchange, it is likely that BX will lose market share as a result of the changes if they are unattractive to market participants. Accordingly, BX does not believe that the proposed rule changes will impair the ability of members or competing order execution venues to maintain their competitive standing in the financial markets.

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

No written comments were either solicited or received.

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

The foregoing change has become effective pursuant to Section 19(b)(3)(A) of the Act<sup>7</sup> and paragraph (f) of Rule 19b-4<sup>8</sup> thereunder. 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.

**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 No. SR-BX-2014-031 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-BX-2014-031. This file number should be included on the subject line if email is used. To help the Commission process and review your comments more efficiently, please use only one method.

The Commission will post all comments on the Commission's Internet Web site (<http://www.sec.gov/rules/sro.shtml>). Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for Web site viewing and printing in the Commission's Public Reference Room, 100 F Street NE., Washington, DC 20549, on official business days between the hours of 10:00 a.m. and 3:00 p.m. Copies of such filing also will be available for inspection and copying at the principal offices of the Exchange. All comments received will be posted without change; the Commission does not edit personal identifying information from submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR-BX-2014-031, and should be submitted on or before July 10, 2014.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>9</sup>

**Kevin M. O'Neill,**

*Deputy Secretary.*

[FR Doc. 2014-14314 Filed 6-18-14; 8:45 am]

**BILLING CODE 8011-01-P**

**SECURITIES AND EXCHANGE COMMISSION**

[Release No. 34-72392; File No. SR-CFE-2014-002]

**Self-Regulatory Organizations; CBOE Futures Exchange, LLC; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change Relating to the Notification and Reporting Provisions for Exchange of Contract for Related Position Transactions and Block Trades**

June 13, 2014.

Pursuant to Section 19(b)(7) of the Securities Exchange Act of 1934 ("Act"),<sup>1</sup> notice is hereby given that on May 21, 2014 CBOE Futures Exchange, LLC ("CFE" or "Exchange") filed with the Securities and Exchange Commission ("SEC" or "Commission") the proposed rule change described in Items I, II, and III below, which Items have been prepared by CFE. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons. CFE also has filed this proposed rule change with the Commodity Futures Trading Commission ("CFTC"). CFE filed a written certification with the CFTC under Section 5c(c) of the Commodity Exchange Act ("CEA")<sup>2</sup> on May 21, 2014.

**I. Self-Regulatory Organization's Description of the Proposed Rule Change**

CFE proposes to revise the notification and reporting provisions contained in CFE Rules 414 (Exchange of Contract for Related Position) ("ECRP") and 415 (Block Trading).

The scope of this filing is limited solely to the application of the rule changes to security futures traded on CFE. The only security futures currently traded on CFE are traded under Chapter 16 of CFE's Rulebook which is applicable to Individual Stock Based and Exchange-Traded Fund Based Volatility Index ("Volatility Index") security futures.

The text of the proposed rule change is attached as Exhibit 4 to the filing submitted by the Exchange but is not attached to the published notice of the filing.

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

In its filing with the Commission, CFE included statements concerning the

<sup>7</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>8</sup> 17 CFR 240.19b-4(f).

<sup>9</sup> 17 CFR 200.30-3(a)(12).

<sup>1</sup> 15 U.S.C. 78s(b)(7).

<sup>2</sup> 7 U.S.C. 7a-2(c).

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. CFE 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

Last year, CFE implemented a two-phased expansion of extended trading hours in CBOE Volatility Index ("VIX") futures. Because the CFE Help Desk was staffed to support VIX futures trading during longer hours, CFE amended the notification and reporting provisions for ECRP transactions and Block Trades for all products traded on CFE, including security futures.<sup>3</sup>

CFE is again expanding extended trading hours in VIX futures to be nearly 24 hours a day, five days a week. As a result, the Exchange is changing the time frames during which ECRP transactions and Block Trades may be reported. Those time frames will be whenever the Exchange is open for trading VIX futures and from 3:15 p.m. to 3:30 p.m. (Chicago time) Monday through Friday. ECRP transactions and Block Trades will not be able to be consummated in a CFE contract outside of trading hours for the contract unless the transaction is fully reported to the Exchange during these time frames and by no later than the reporting deadline for these types of transactions (which is currently no later than ten minutes after the transaction is agreed upon for all CFE contracts).

The Exchange is also limiting the manner in which notification of ECRP transactions and Block Trades may be provided to the CFE Help Desk. Specifically, the manner of notification must be made by email and notification by phone will no longer be permitted.

Finally, the Exchange is clarifying that ECRP transactions and Block Trades in an expiring contract on the last trading day for that contract may not occur after the termination of

trading hours in the expiring contract on that trading day. An ECRP transaction or Block Trade in an expiring contract that occurs during the trading hours for that contract may be reported to the Exchange after those trading hours, but only if the transaction is fully reported to the Exchange by no later than the reporting deadline referenced above.

To effectuate these changes, CFE is amending the notification and reporting provisions of CFE Rule 414 (which sets forth requirements relating to ECRP transactions) and CFE Rule 415 (which sets forth requirements relating to Block Trades).

2. Statutory Basis

The Exchange believes that the proposed rule change is consistent with Section 6(b) of the Act,<sup>4</sup> in general, and furthers the objectives of Section 6(b)(5)<sup>5</sup> in particular in that it is designed to foster cooperation and coordination with persons engaged in facilitating transactions in securities, 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.

The Exchange believes that the proposed rule change would benefit investors and market participants because it would enhance CFE's ECRP and Block Trade reporting provisions by extending the time frames during which ECRP transactions and Block Trades may be reported. The Exchange also believes that requiring notification of ECRP transactions and Block Trades to be made only by email would benefit the marketplace by creating a record evidencing the parties' specific details of the trade previously agreed upon. The Exchange believes that the proposed rule change is equitable and not unfairly discriminatory because amended CFE Rules 414 and 415 would apply to all TPHs and Authorized Reporters and do not discriminate between market participants.

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

CFE 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, in that the rule change makes enhancements to CFE's Block Trade and ECRP reporting process. In addition, the Exchange believes that the expansion of the ability to report Block Trades and ECRP transactions in security futures in

conjunction with the expansion of trading hours in VIX futures will promote competition because it will provide for the reporting and dissemination of security futures Block Trades and ECRPs during additional time frames which will serve to promote additional transparency and thus potential further price competition.

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

No written comments were solicited or received with respect to the proposed rule change.

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

The proposed rule change will become operative on or after June 6, 2014.

At any time within 60 days of the date of effectiveness of the proposed rule change, the Commission, after consultation with the CFTC, may summarily abrogate the proposed rule change and require that the proposed rule change be refiled in accordance with the provisions of Section 19(b)(1) of the Act.<sup>6</sup>

**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-CFE-2014-002 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-CFE-2014-002. 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

<sup>3</sup> See Securities Exchange Act Release Nos. 70611 (October 4, 2013) (Notice of Filing and Immediate Effectiveness of a Proposed Rule Change Relating to the Notification and Reporting Provisions for Exchange of Contract for Related Position Transactions and Block Trades) (SR-CFE-2013-005) and 70789 (October 31, 2013) (Notice of Filing and Immediate Effectiveness of a Proposed Rule Change Relating to the Notification Provisions for Exchange of Contract for Related Position Transactions and Block Trades) (SR-CFE-2013-006).

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

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

<sup>6</sup> 15 U.S.C. 78s(b)(1).

amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for Web site viewing and printing in the Commission's Public Reference Room, 100 F Street NE., Washington, DC 20549, on official business days between the hours of 10:00 a.m. and 3:00 p.m. Copies of such filing also will be available for inspection and copying at the principal offices of the Exchange. All comments received will be posted without change; the Commission does not edit personal identifying information from submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR-CFE-2014-002, and should be submitted on or before July 10, 2014.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>7</sup>

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

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-72390; File No. SR-CBOE-2014-050]

### Self-Regulatory Organizations; Chicago Board Options Exchange, Incorporated; Notice of Filing of a Proposed Rule Change Relating to Trade Nullification and Price Adjustment

June 13, 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 June 3, 2014, Chicago Board Options Exchange, Incorporated (the "Exchange" or "CBOE") filed with the Securities and Exchange Commission (the "Commission") the proposed rule change as described in Items I, II, and III below, which Items have been prepared by the Exchange. The Commission is publishing this notice to

solicit comments on the proposed rule change from interested persons.

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

The Exchange proposes to amend Exchange rules regarding trade nullification and price adjustment. The text of the proposed rule change is available on the Exchange's Web site (<http://www.cboe.com/AboutCBOE/CBOELegalRegulatoryHome.aspx>), at the Exchange's Office of the Secretary, and at the Commission's Public Reference Room.

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

In its filing with the Commission, the Exchange included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. The Exchange has prepared summaries, set forth in sections A, B, and C below, of the most significant aspects of such statements.

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

###### 1. Purpose

The Exchange is proposing to add Rule 6.19, "Trade Nullification and Price Adjustment Procedure."<sup>3</sup> As proposed, Rule 6.19 will allow for transactions to be nullified if both parties to the transaction agree to the nullification and allow the price of executions to be adjusted if the price adjustment is agreed to by both parties to the transaction and authorized by the Exchange.<sup>4</sup> The Exchange is also proposing to make other conforming administrative changes to streamline the rules governing this subject within the Exchange's rules.

###### Background

Currently, pursuant to Exchange Rules 6.13(d) and 6.25(f), the Exchange

<sup>3</sup> The Exchange notes that this proposal is only intended to be effective until the joint efforts by the exchanges to create uniform trade nullification and adjustment rules are approved and in effect. Once the uniform rule has been approved and is effective, the Exchange will amend its rules appropriately.

<sup>4</sup> The Exchange notes that, as proposed, Rule 6.19 will only apply to trades that were executed on the Exchange and, as such, any orders that were either fully or partially routed to, or executed, on another Exchange will not be subject to the proposed Rule 6.19.

allows for parties to agree to nullify an execution. Rule 6.13(d) also states that once both parties agree to the trade nullification, one party must "contact the Help Desk which will confirm the agreement and disseminate cancellation information in prescribed OPRA format." In addition, the Exchange currently allows for a mutual price adjustment for trades that meet the obvious error requirements pursuant to Exchange Rules 6.25(a)(1)(i) and 6.25(a)(1)(ii) if those mutual agreements are done within specific timeframes.<sup>5</sup> The Exchange is now proposing to relocate the aforementioned trade nullification language and add a provision to allow parties to mutually adjust prices of executions outside of those done in obvious error.

###### Proposed New Rule 6.19

The Exchange is proposing to add Rule 6.19, "Trade Nullification and Price Adjustment Procedure," which would: (a) Allow for any trades on the Exchange to be nullified if both parties to the trade agree to such nullification, and (b) allow for prices of executions to be adjusted if the price adjustment is agreed upon by both parties of the trade and authorized by the Exchange.<sup>6</sup>

As stated above, the Exchange currently allows for trades to be nullified based upon mutual agreement.<sup>7</sup> With the proposed addition of Rule 6.19, the Exchange is only moving the location of this provision to eliminate confusion. The Exchange believes that having the provision as a standalone rule will make it easier for Trading Permit Holders ("TPHs") to locate. In addition, the Exchange believes this administrative change will streamline the provisions surrounding this notion to put in one place.

The Exchange is also proposing, however, to add a provision to allow TPHs to mutually agree to adjust a price of an execution. The Exchange believes this provision is necessary given the benefits of adjusting a trade price rather than nullifying the trade completely. Because options trades are used to hedge transactions in other markets, including securities and futures, many TPHs, and their customers, would rather adjust prices of executions rather than nullify the transactions and, thus, lose

<sup>5</sup> See Exchange Rule 6.25(a)(1)(i) which allows executions that are erroneous to be adjusted to an agreed upon price within ten (10) minutes where no party to the transaction is a non-broker-dealer customer. See also 6.25(a)(1)(ii) which allows parties to adjust an erroneous transaction to a mutually agreed upon price within thirty (30) minutes where at least one party is a non-broker-dealer customer.

<sup>6</sup> See note 4 *supra*.

<sup>7</sup> See Exchange Rules 6.13(d) and 6.25(f).

<sup>7</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.