

two months ending in May 2014, Penny Pilot options accounted for 81% of Total Industry Equity Option volume, while Non Penny issues accounted for only 19% of Total Industry Equity Option Volume.

For the forgoing reasons, the Exchange believes that the proposal to charge \$0.58 per contract to Broker Dealers, Professional Customers, Non NYSE Amex Options Market Makers and Firms that transact electronically in Non Penny Pilot issues is reasonable, equitable and not unfairly discriminatory. The proposed fee is also reasonable, equitable and not unfairly discriminatory because the charge will apply equally to all Broker Dealers, Professional Customers, Non NYSE Amex Options Market Makers and Firms electronically executed volumes in Non Penny Pilot issues on the Exchange.

The Exchange believes that the proposal to re-format the section of the fee schedule describing Transaction Fees into a table and delineating cost by transaction type (manual versus electronic) is reasonable, equitable and not unfairly discriminatory as the proposed change will reduce confusion and will make the fee schedule more transparent and easier for all participants to understand.

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 that is not necessary or appropriate in furtherance of the purposes of the Act. The Exchange believes the proposed fee change is reasonably designed to be fair and equitable, and therefore, will not unduly burden any particular group of market participants trading on the Exchange vis-à-vis another group (*i.e.*, Market Makers versus non-Market Makers). Specifically, the Exchange believes that Broker Dealers, Professional Customers, Non NYSE Amex Options Market Makers and Firms who are not subject to the additional dues and fees of NYSE Amex Market Makers, will not be unduly burdened by the increased transaction fee. In addition, the Exchange believes that the proposed changes will enhance the competitiveness of the Exchange relative to other exchanges. The Exchange notes that it operates in a highly competitive market in which market participants can readily favor competing venues if they deem fee levels at a particular venue to be excessive. In such an environment, the Exchange must continually review, and consider adjusting, its fees and credits

to remain competitive with other exchanges. For the reasons described above, the Exchange believes that the proposed rule change reflects this competitive environment.

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 foregoing rule change is effective upon filing pursuant to Section 19(b)(3)(A)¹³ of the Act and subparagraph (f)(2) of Rule 19b-4¹⁴ thereunder, because it establishes a due, fee, or other charge imposed by the Exchange.

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 under Section 19(b)(2)(B)¹⁵ of the Act to determine whether the proposed rule change should be approved or 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. Please include File Number SR-NYSEMKT-2014-55 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-NYSEMKT-2014-55. This file number should be included on the

¹³ 15 U.S.C. 78s(b)(3)(A).

¹⁴ 17 CFR 240.19b-4(f)(2).

¹⁵ 15 U.S.C. 78s(b)(2)(B).

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-NYSEMKT-2014-55, and should be submitted on or before August 5, 2014.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.¹⁶

Kevin M. O'Neill,
Deputy Secretary.

[FR Doc. 2014-16500 Filed 7-14-14; 8:45 am]

BILLING CODE 8011-01-P

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-72576; File No. SR-DTC-2014-06]

Self-Regulatory Organizations; The Depository Trust Company; Order Approving Proposed Rule Change To Modify the Receiver Authorized Deliver and Reclaim Processing Value Limits by Transaction

July 9, 2014.

I. Introduction

On May 30, 2014, The Depository Trust Company ("DTC") filed with the Securities and Exchange Commission ("Commission") proposed rule change SR-DTC-2014-06 ("Proposed Rule Change") pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934

¹⁶ 17 CFR 200.30-3(a)(12).

(“Act”)¹ and Rule 19b–4 thereunder.² The Proposed Rule Change was published for comment in the **Federal Register** on June 5, 2014.³ The Commission did not receive any comments on the Proposed Rule Change. This order approves the Proposed Rule Change.

II. Description

DTC filed the Proposed Rule Change to modify its Rules, By-Laws, and Organization Certificate (“Rules”) to lower limits against which valued Deliver Orders (“DOs”) and Payment Orders (“POs”)⁴ will be required to be accepted for receipt (i.e., “matched” for settlement) via DTC’s Receiver Authorized Delivery (“RAD”) process. With the Proposed Rule Change, DTC seeks to reduce the intraday uncertainty that may arise from reclaim transactions linked to DOs and POs and any potential credit and liquidity risk from such transactions.

Currently, as set forth in the DTC Settlement Service Guide (“Guide”), valued DOs and POs, excluding DOs of MMIs and ID transactions, in amounts above \$7.5 million and \$500,000, respectively, are subject to the RAD process, which allows a receiver of DOs and/or POs (“Receiver”) to review and reject transactions that it does not recognize prior to DTC’s processing of the transaction.⁵ In contrast, lower valued DOs and POs do not require the Receiver’s acceptance prior to processing. Instead, if the Receiver does not recognize a DO or PO it has received, the DO or PO may be returned by the Receiver to the original deliverer of the DO or PO (“Deliverer”) in a reclaim transaction (“Reclaim”). While both the Reclaim and RAD functionalities allow a Receiver to exercise control over which transactions to accept, Reclaims tend to create uncertainty because transactions may be returned late in the day, when the

Deliverer may have limited options to respond. Because Reclaims are permitted without regard to DTC’s risk management controls, a Deliverer that is subject to a Reclaim may incur a greater settlement obligation than otherwise anticipated, increasing credit and liquidity risk to the Deliverer and to DTC.⁶

Pursuant to the Proposed Rule Change, DTC will revise the Guide to reflect that: (i) With respect to valued DOs, DTC will lower the RAD threshold to \$.01 via a three-phase reduction as described below, and (ii) with respect to POs, DTC will reduce the RAD threshold to zero immediately upon implementation of the Proposed Rule Change. As such, in the first phase of implementation of the Proposed Rule Change, DTC will reduce the RAD threshold for DOs to \$100,000. In the second phase, the RAD threshold for valued DOs will be reduced to \$20,000. In the third phase, the RAD threshold for DOs will be reduced to \$.01. In addition, to further promote finality of settlement, new issues will no longer be exempt from RAD.

Also, the Guide will be updated to reflect that certain DO and PO functions will no longer be accessible through DTC’s Participant Terminal System. Instead, such functions will be accessible through a DTC web application known as “Settlement Web.” Further, the Guide will be updated via a technical change to clarify that the RAD threshold for institutional transactions remains at \$15 million, rather than at the \$7.5 million amount currently in effect for non-institutional transactions. Finally, the Guide will be revised to remove a provision that overvalued deliveries are automatically routed to RAD, as this section will become redundant upon implementation of the Proposed Rule Change since all DOs will be subject to RAD.

The effective date of the Proposed Rule Change, including the dates of the implementation phases described above,

⁶ DTC’s risk management controls, including Collateral Monitor and Net Debit Cap, are designed so that DTC can effect system-wide settlement notwithstanding the failure to settle of the largest DTC Participant or affiliated family of Participants. The Collateral Monitor tests that a Participant has adequate collateral to secure the amount of its net debit balance so that DTC may borrow funds to cover that amount for system-wide settlement if the Participant defaults. See DTC Rules, http://dtcc.com/~media/Files/Downloads/legal/rules/dtc_rules.ashx. The Net Debit Cap limits the net debit balance a Participant can incur so that the unpaid settlement obligation of the Participant, if any, cannot exceed available DTC liquidity resources. *Id.*

will be announced via a DTC Important Notice.⁷

III. Discussion

Section 19(b)(2)(C) of the Act⁸ directs the Commission to approve a proposed rule change of a self-regulatory organization if it finds that such proposed rule change is consistent with the requirements of the Act and rules and regulations thereunder applicable to such organization. Section 17A(b)(3)(F) of the Act requires, among other things, that the rules of a clearing agency be designed to promote the prompt and accurate clearance and settlement of securities transactions.⁹ In addition, Rule 17Ad–22(d)(12) of the Act requires that a clearing agency establish, implement, maintain and enforce written policies and procedures reasonably designed to ensure that final settlement occurs no later than the end of the settlement day and require that intraday or real-time finality be provided where necessary to reduce risks.¹⁰

The Commission finds the Proposed Rule Change is consistent with the Act. More specifically, as the Proposed Rule Change pertains to the lower RAD threshold for non-institutional transactions, the resulting limit on Reclaim transactions, and the removal of the new issue exemption, the Commission finds that the Proposed Rule Change is consistent with Section 17A(b)(3)(F) of the Act¹¹ because it will increase the number of deliveries that will require Receiver approval prior to DTC processing, which reduces the intraday uncertainty and associated risks that may arise from Reclaims, thus facilitating the prompt and accurate clearance and settlement of securities transactions. The Commission also finds these aspects of the Proposed Rule Change consistent with Rule 17Ad–22(d)(12) of the Act¹² because more

⁷ For purposes of taking into account the incremental implementation of the Proposed Rule Change as described above, beginning on an implementation date that shall be announced via DTC Important Notice (“Initial Implementation Date”) DTC will lower the RAD limit for non-institutional DOs to \$100,000 and POs to zero. From a date that is approximately two weeks following the Initial Implementation Date and that shall be announced by Important Notice, DTC will lower the RAD limit for non-institutional DOs to \$20,000. From a date that is approximately six weeks following the Initial Implementation Date and that shall be announced by Important Notice, DTC will lower the RAD limit for non-institutional DOs to \$.01.

⁸ 15 U.S.C. 78s(b)(2)(C).

⁹ 15 U.S.C. 78q–1(b)(3)(F).

¹⁰ 17 CFR 240.17Ad–22(d)(12).

¹¹ 15 U.S.C. 78q–1(b)(3)(F).

¹² 17 CFR 240.17Ad–22(d)(12).

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b–4.

³ Securities Exchange Act Release No. 72283 (May 30, 2014), 79 FR 32599 (June 5, 2014).

⁴ A DO is a book-entry movement of a particular security between two DTC participants (“Participants”). A PO is a method for settling funds related to transactions and payments not associated with a DO. For purposes of this Proposed Rule Change, the defined term “DOs” includes all valued DOs except for DOs of: (i) Money Market Instruments (“MMI”) and (ii) institutional delivery (“ID”) transactions affirmed through Omgeo, both of which are not impacted by the Proposed Rule Change.

⁵ In 2013, DTC took an initial step to address this uncertainty by lowering the RAD threshold over which transactions must be matched for DOs and POs from \$15 million and \$1 million, respectively, to the current limits mentioned above. Securities Exchange Act Release No. 69985 (July 12, 2013); 78 FR 42991 (July 18, 2013) (SR–DTC–2013–04).

transactions will be subject to DTC's risk management controls, which helps ensure that final settlement occurs no later than the end of the settlement day.

Additionally, the Commission finds the Proposed Rule Change, as it pertains to changes to DTC's Participant Terminal System and Settlement Web services, the RAD threshold for institutional transactions, and overvalued deliveries, consistent with both Section 17A(b)(3)(F) of the Act¹³ and Rule 17Ad-22(d)(12) of the Act¹⁴ because specifying the application through which Participants may access certain settlement functions, clarifying the RAD threshold of institutional transactions, and eliminating redundant provisions promotes the prompt and accurate clearance and settlement of securities transactions and improves DTC's written policies and procedures that are designed to ensure final settlement no later than the end of the settlement day.

IV. Conclusion

On the basis of the foregoing, the Commission finds that the Proposed Rule Change is consistent with the requirements of the Act and in particular with the requirements of Section 17A of the Act¹⁵ and the rules and regulations thereunder.

It is therefore ordered, pursuant to Section 19(b)(2) of the Act, that proposed rule change SR-DTC-2014-06 be, and hereby is, *approved*.¹⁶

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.¹⁷

Kevin M. O'Neill,
Deputy Secretary.

[FR Doc. 2014-16502 Filed 7-14-14; 8:45 am]

BILLING CODE 8011-01-P

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-72570; File No. SR-CBOE-2014-054]

Self-Regulatory Organizations; Chicago Board Options Exchange, Incorporated; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change Related To Extending AIM and FLEX AIM Pilot Programs Until July 18, 2015

July 9, 2014.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),¹ and Rule 19b-4 thereunder,² notice is hereby given that on July 1, 2014, Chicago Board Options Exchange, Incorporated ("Exchange" or "CBOE") 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 proposed rule changes propose to amend the Exchange's rules related to its Automated Improvement Mechanism ("AIM") and its Automated Improvement Mechanism ("AIM") for Flexible Exchange Options ("FLEX Options").³ The text of the proposed rule change is provided below.

(additions are underlined; deletions are [bracketed])

* * * * *

Chicago Board Options Exchange, Incorporated Rules

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Rule 6.74A. Automated Improvement Mechanism ("AIM")

Notwithstanding the provisions of Rule 6.74, a Trading Permit Holder that represents agency orders may electronically execute an order it represents as agent ("Agency Order") against principal interest or against a solicited order provided it submits the Agency Order for electronic execution

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ FLEX Options provide investors with the ability to customize basic option features including size, expiration date, exercise style, and certain exercise prices. The rules governing the trading of FLEX Options on the FLEX Request for Quote (RFQ) System platform are contained in Chapter XXIVA. The rules governing the trading of FLEX Options on the FLEX Hybrid Trading System platform are contained in Chapter XXIVB.

into the AIM auction ("Auction") pursuant to this Rule.

(a)-(b) No change.

. . . *Interpretations and Policies:*

.01-.02 No change.

.03 Initially, and for at least a Pilot Period expiring on July 18, 2014[5], there will be no minimum size requirement for orders to be eligible for the Auction. During this Pilot Period, the Exchange will submit certain data, periodically as required by the Commission, to provide supporting evidence that, among other things, there is meaningful competition for all size orders and that there is an active and liquid market functioning on the Exchange outside of the Auction mechanism. Any data which is submitted to the Commission will be provided on a confidential basis.

.04-.05 No change.

.06 Subparagraph (b)(2)(E) of this rule will be effective for a Pilot Period until July 18, 2014[5]. During the Pilot Period, the Exchange will submit certain data, periodically as required by the Commission, relating to the frequency with which early termination of the Auction occurs pursuant to this provision as well as any other provision, and also the frequency with which early termination pursuant to this provision results in favorable pricing for the Agency Order. Any data which is submitted to the Commission will be provided on a confidential basis.

.07-.08 No change.

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Rule 24B.5A. FLEX Automated Improvement Mechanism

Notwithstanding the provisions of Rule 24B.5, a FLEX Trader that represents agency orders may electronically execute an order it represents as agent ("Agency Order") against principal interest and/or against solicited orders provided it submits the Agency Order for execution into the automated improvement mechanism auction ("AIM Action") pursuant to this Rule.

(a)-(b) No change.

This rule supersedes Exchange Rule 6.74A.

. . . *Interpretations and Policies:*

.01-.02 No change.

.03 Initially, and for at least a Pilot Period expiring on July 18, 2014[5], there will be no minimum size requirement for orders to be eligible for the AIM Auction. During this Pilot Period, the Exchange will submit certain data, periodically as required by the Commission, to provide supporting evidence that, among other things, there is meaningful competition for all size orders and that there is an active and

¹³ 15 U.S.C. 78q-1(b)(3)(F).

¹⁴ 17 CFR 240.17Ad-22(d)(12).

¹⁵ 15 U.S.C. 78q-1.

¹⁶ In approving the proposed rule change, the Commission considered the proposal's impact on efficiency, competition, and capital formation. 15 U.S.C. 78c(f).

¹⁷ 17 CFR 200.30-3(a)(12).