under the advisory contract(s) of any Fund in which the Investing Management Company may invest. These findings and their basis will be recorded fully in the minute books of the appropriate Investing Management Company.

11. Any sales charges and/or service fees charged with respect to shares of an Investing Fund will not exceed the limits applicable to a fund of funds as set forth in NASD Conduct Rule 2830.

12. No Fund relying on the section 12(d)(1) relief will acquire securities of any investment company or company relying on section 3(c)(1) or 3(c)(7) of the Act in excess of the limits contained in section 12(d)(1)(A) of the Act, except to the extent permitted by exemptive relief from the Commission permitting the Fund to purchase shares of other investment companies for short-term cash management purposes.

For the Commission, by the Division of Investment Management, under delegated authority.

Kevin M. O'Neill,

Deputy Secretary.

[FR Doc. 2014–19583 Filed 8–18–14; 8:45 am]

BILLING CODE 8011–01–P

SECURITIES AND EXCHANGE COMMISSION

Sunshine Act Meeting

Notice is hereby given, pursuant to the provisions of the Government in the Sunshine Act, Public Law 94–409, that the Securities and Exchange Commission will hold a Closed Meeting on Thursday, August 21, 2014 at 2 p.m.

Commissioners, Counsel to the Commissioners, the Secretary to the Commission, and recording secretaries will attend the Closed Meeting. Certain staff members who have an interest in the matters also may be present.

The General Counsel of the Commission, or her designee, has certified that, in her opinion, one or more of the exemptions set forth in 5 U.S.C. 552b(c)(3), (5), (7), 9(B) and (10) and 17 CFR 200.402(a)(3), (5), (7), 9(ii) and (10), permit consideration of the scheduled matter at the Closed Meeting.

Commissioner Gallagher, as duty officer, voted to consider the items listed for the Closed Meeting in closed session.

The subject matter of the Closed Meeting will be:

Institution and settlement of injunctive actions;

Institution settlement of administrative proceedings;

adjudicatory matters; and

Other matters relating to enforcement proceedings.

At times, changes in Commission priorities require alterations in the scheduling of meeting items.

For further information and to ascertain what, if any, matters have been added, deleted or postponed, please contact the Office of the Secretary at (202) 551–5400.

Dated: August 14, 2014.

Kevin M. O'Neill,

Deputy Secretary.

[FR Doc. 2014–19707 Filed 8–15–14; 11:15 am]

BILLING CODE 8011–01–P

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–72839; File No. SR–CBOE–2014–040]

Self-Regulatory Organizations; Chicago Board Options Exchange, Incorporated; Order Approving a Proposed Rule Change Relating to Orders That Are Tied to Stock

August 13, 2014.

I. Introduction

On April 30, 2014, 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'') [1] and Rule 19b–4 thereunder,[2] a proposed rule change regarding option orders that are tied to an order(s) for the underlying stock or a security convertible into the underlying stock. The proposed rule change was published for comment in the **Federal Register** on May 19, 2014.[3] The Commission received two comment letters regarding the proposed rule change.[4] On June 25, 2014, the Exchange extended the time for Commission action to August 4, 2014. On July 15, 2014, the Exchange submitted a letter responding to the comment letters.[5] The Commission received an additional comment letter on July 18, 2014.[6] On July 31, 2014, the Exchange extended the time for Commission action to August 15, 2014. On August 6, 2014, the Exchange submitted a second response letter.[7] This order approves the proposed rule change.

II. Description of the Proposal

The Exchange proposes to define a ''Tied to Stock Order'' and establish reporting requirements for Tied to Stock Orders. Specifically, the Exchange proposes that an order is tied to stock (and is, therefore, a Tied to Stock Order) if, at the time the Trading Permit Holder (''TPH'') representing the order on the Exchange receives or initiates the order, the TPH has knowledge that the order is coupled with an order(s) for the underlying stock or a security convertible into the underlying stock (''convertible security'' and, together with underlying stock, ''non-option'').[8] The Exchange notes that a TPH must have knowledge of the non-option order for an order to meet the definition of a Tied to Stock Order.[9] As an example, the Exchange states that if a TPH is a routing broker and receives an option order with no knowledge of a related stock component submitted separately for execution, then the routing broker TPH is not required to mark the order as a Tied to Stock Order.[10] Accordingly, the Exchange states that routing brokers do not need to take any steps to require non-TPH clients to identify orders as Tied to Stock Orders.[11]

[1] 15 U.S.C. 78s(b)(1).

[2] 17 CFR 240.19b–4.

[3] *See* Securities Exchange Act Release No. 72154 (May 13, 2014), 79 FR 28787 (''Notice'').

[4] *See* letters to Elizabeth M. Murphy, Secretary, Commission, from James Ongena, Senior Vice President and General Counsel, Chicago Stock Exchange, dated June 9, 2014 (''CHX Letter''); Manisha Kimmel, Managing Director, Financial Information Forum, dated June 13, 2014 (''FIF Letter I'').

[5] *See* letter to Elizabeth M. Murphy, Secretary, Commission, from Laura G. Dickman, Senior Attorney, CBOE, dated July 15, 2014 (''CBOE Letter I'').

[6] *See* letter to Elizabeth M. Murphy, Secretary, Commission, Manisha Kimmel, Managing Director, Financial Information Forum, dated July 18, 2014 (''FIF Letter II'').

[7] *See* letter to Elizabeth M. Murphy, Secretary, Commission, from Laura G. Dickman, Senior Attorney, CBOE, dated August 6, 2014 (''CBOE Letter II'').

[8] *See* proposed CBOE Rule 6.53(y). CBOE notes that Tied to Stock Orders may be simple or complex orders and may be part of, among other things, buy-write strategies, married put strategies, delta neutral strategies, contingent strategies, and other stock-option trading strategies with definitive option orders and stock orders. *See* Notice, *supra* note 3, at 28788.

[9] *See* Notice, *supra* note 3, at 28788.

[10] *See id.*

[11] *See id.* The Exchange notes, however, that where a routing client is a TPH, and that client separates a related stock order (or is aware of a separate non-option order) prior to submitting the option order to the routing broker, the TPH client has the responsibility to mark the order as a Tied to Stock Order, and the routing broker would not have any ''re-marking'' obligation. *See id.* Nevertheless, the Exchange states that where a routing broker populates order information for orders and either elects to route the non-option order of a trading strategy separately for execution (or has knowledge of a separate non-option component), then the routing broker must mark the order as a Tied to Stock Order. *See id.* at 28788–89.

In the Notice, the Exchange states that an order is a Tied to Stock Order only if it is part of a trading strategy coupled with at least one non-option component, which trading strategy comprised a single investment decision for which the investor has the intent of execution of these orders at or near the same time.[12] The Exchange further states that an option order that is received or initiated to hedge a previously executed stock transaction is not a Tied to Stock Order.[13] In such a case, the Exchange states the option order is a separate and subsequent investment decision based on an existing stock position, without the necessary intent for execution of the option order at or near the same time as a non-option order.[14]

Under the proposal, TPHs representing Tied to Stock Orders must include an indicator on each such order upon systemization unless: (1) The order is submitted to the Exchange as part of a qualified contingent cross [15] (''QCC'') order through an Exchange-approved device; [16] (2) the order is submitted to the Exchange for electronic processing as a stock-option order; [17] (3) all of the component orders (including both option and stock or convertible security components) are systematized on a single order ticket.[18]

CBOE proposes certain reporting requirements for Tied to Stock Orders. Specifically, the Exchange proposes to adopt CBOE Rule 15.2A, which provides that, in a manner and form prescribed by the Exchange,[19] each Trading Permit Holder must, on the business day following the order execution date, report to the Exchange the following information for the executed stock or convertible security legs of QCC orders, stock-option orders, and other Tied to Stock Orders that the Trading Permit Holder executed on the Exchange that trading day: (a) Time of execution, (b) execution quantity, (c) execution price, (d) venue of execution, and (e) any other information requested by the Exchange.[20] Under the proposal, TPHs may arrange for their clearing firm to submit these reports on their behalf; provided that, if the clearing firm does not report an executed stock order, the TPHs would be responsible for reporting the information.[21]

Notwithstanding the forgoing, the Exchange proposes that TPHs do not need to report information pursuant to CBOE Rule 15.2A with respect to: (a) Stock-option orders submitted to the Exchange for electronic processing, or (b) stock or convertible security orders entered into an Exchange-approved device.[22] The Exchange also proposes that market-makers (or their clearing firms) may include the information required by CBOE Rule 15.2A in the equity reports submitted pursuant to existing CBOE Rule 8.9(b).[23] For Tied to Stock Orders that are executed on multiple options exchanges, the Exchange proposes that TPHs (or their respective clearing firms) may report to the Exchange the information required by CBOE Rule 15.2A for the entire stock or convertible security component(s) rather than the portion applicable to the portion of the order that executed at the Exchange.[24] Finally, the Exchange proposes that, in lieu of the time of execution information required under proposed CBOE Rule 15.2A(a), the Exchange may accept the time of the trade report if that time is generally within 90 seconds of the time of execution.[25]

The purpose of the proposed rule change, according to the Exchange, is to enhance the Exchange's ability to effectively monitor and conduct surveillance of its market and TPHs relevant cross-market trading activity with respect to stock orders for which the execution information is not electronically captured by the Exchange's current audit trail.[26] The Exchange believes that the proposed rule change will improve its ability to conduct more timely and accurate trading analyses, market reconstructions, complex enforcement inquiries or investigations, and inspections and examinations.[27] By improving the Exchange's ability to tie an executed non-option leg to its corresponding option order, the Exchange believes the proposed rule change will help the Exchange surveil such orders for compliance with applicable rules such as Regulation SHO [28] or front-running rules.[29] The Exchange further believes that the proposed rule change will substantially decrease both the Exchange's and TPHs' administrative burden in the long-term, in having to otherwise manually gather this cross-market information and tie non-option legs to option orders in connection with the Exchange's regulatory duties.[30]

The Exchange proposes to announce the implementation date of the proposed rule change in a Regulatory Circular to be published no later than 90 days following the effective date of the proposed rule change, with such implementation date occurring no later than 180 days following the effective date.[31]

III. Summary of Comments and CBOE's Response

As previously noted, the Commission received a total of three comment letters, from two commenters, on the proposal.[32] One commenter supported the proposed rule change.[33] The other commenter expressed concerns and requested more information about implementing the proposed rule change.[34] CBOE submitted two letters responding to the comments.[35]

The first commenter, a national securities exchange, expressed support for the Exchange's proposal.[36] The

[12] *See* Notice, *supra* note 3, at 28789.

[13] *See id.*

[14] *See id.* Similarly, the Exchange states that an option transaction or position that is hedged with a subsequently received or initiated stock order would not be a Tied to Stock Order. *See id.*

[15] *See* CBOE Rule 6.53(u) (defining QCC order).

[16] The Exchange notes that the Floor Broker Workstation and PULSe workstation would currently be the only Exchange-approved devices for this proposal. *See* Notice, *supra* note 3, at n.5.

[17] *See* CBOE Rule 6.53C(a)(2) (defining a stock-option order).

[18] *See* proposed CBOE Rule 6.53(y)(i)–(iii).

[19] The Exchange proposes to announce by Regulatory Circular any determinations, including the manner and form of the report it makes pursuant to CBOE Rule 15.2A. *See* proposed CBOE Rule 15.2A, Interpretation and Policies .01. The Commission notes that the Exchange issued Regulatory Circular RG14–110, detailing the proposed technical specifications of CBOE Rule 15.2A. *See* CBOE Regulatory Circular RG14–110.

[20] *See* proposed CBOE Rule 15.2A (Reports of Execution of Stock Transactions).

[21] *See id.* The Exchange also proposes to amend CBOE Rule 6.77 governing order service firms to provide that order service firms must submit reports pursuant to CBOE Rule 15.2A with respect to the stock transactions they execute on behalf of market-makers pursuant to CBOE Rule 6.77. *See* proposed CBOE Rule 6.77(e). The Exchange notes that order service firms are TPHs (and thus would already be subject to proposed CBOE Rule 15.2A), but believes it is helpful to include all the requirements applicable to order service firms in a single Exchange rule. *See* Notice, *supra* note 3, at 28790.

[22] *See* proposed CBOE Rule 15.2A, Interpretation and Policies .02.

[23] *See id.* at Interpretation and Policies .03.

[24] *See id.* at Interpretation and Policies .04.

[25] *See id.* at Interpretation and Policies .05.

[26] *See* Notice, *supra* note 3, at 28790. The Exchange notes that while the Consolidated Audit Trail (''CAT'') will eventually capture the stock transaction information that is the subject of this proposal, the Exchange believes that the implementation of CAT may be several year away and that the Exchange should continue to enhance its audit trail when it identifies opportunities to do so. *See id. See also* 17 CFR 242.613 (Consolidated Audit Trail).

[27] *See* Notice, *supra* note 3, at 28790.

[28] 17 CFR 242.200 *et seq.*

[29] *See* Notice, *supra* note 3, at 28790.

[30] *See id.*

[31] *See id.*

[32] *See supra* notes 4 and 6.

[33] *See* CHX Letter, *supra* note 4.

[34] *See* FIF Letter I and FIF Letter II, *supra* notes 4 and 6.

[35] *See supra* notes 5 and 7.

[36] *See* CHX Letter, *supra* note 4, at 1.

commenter, while broadly in support of the proposal, noted that it does not believe that the proposal sufficiently addresses the complex task of identifying and linking the often numerous component trades of Tied to Stock Orders executed on different markets.[37] To this end, the commenter suggested that it would be willing, in coordination with other market participants, to mark every execution for components of a Tied to Stock Order that was submitted to the commenter's exchange with a unique stock leg trade identifier and to make such information readily available to its own members and other market participants.[38] In response, the Exchange stated that it welcomes the opportunity to coordinate with other exchanges to create further enhancements and regulatory efficiencies, but noted that such efforts would take time to implement, and the Exchange believes it is necessary to proceed with this proposal.[39]

The second commenter, an industry group, submitted two comment letters expressing concerns relating to the implementation of the proposed rule change and requesting more information from the Exchange on such implementation.[40] The first comment letter requested that the Exchange release the reporting specifications for the proposed rule change.[41] The commenter expressed concern that, without knowing the technical specifications for the proposed rule change, it would be difficult to accurately estimate the amount of time and effort that would be required of market participants affected by the proposed rule change to implement the proposal.[42] In response, the Exchange directed the commenter to a regulatory circular that included technical specifications in the form of proposed data reporting specifications for reports of the non-option components of Tied to Stock Orders.[43] The Exchange also stated that it would announce the proposed implementation date of the reporting requirements no later than 90 days following the effective date of the proposed rule change, which implementation date would be no later than 180 days following the effective date of the proposed rule change. The Exchange stated it believes this implementation schedule would provide TPHs with sufficient time to comply with the proposed rule change.[44]

Following the public release of the technical specifications relating to the proposed rule change, the second commenter expressed additional concerns about the implementation of the proposal.[45] Specifically, the commenter believed that the technology build for market participants affected by the proposed rule change will be significant.[46] The commenter noted a number of differences with, and additional information requested by, the technical specifications to the proposed rule change as compared to CBOE's existing equity reporting format for market makers under current CBOE Rule 8.9(b).[47]

In response to the second commenter, the Exchange stated that the proposed rule change will enhance CBOE's audit trail, particularly with respect to cross-market trading activity.[48] While the proposed reporting requirement may impose upfront costs on Trading Permit Holders, the Exchange asserted that this is offset by the future benefits provided by the proposed rule filing.[49] Currently, Exchange surveillances monitor Trading Permit Holders' cross-market trading activity.[50] If the surveillances detect a potential violation, the Exchange receives an alert, at which point the Exchange investigates the trading activity.[51] In connection with these efforts, the Exchange often requests transaction information on an ad hoc basis from Trading Permit Holders.[52] According to the Exchange, this is both costly and time-consuming for Trading Permit Holders, as well as the Exchange, due to the inconsistent format of the information submitted and the manual processing of such information.[53] Regularly, after receiving this information, the Exchange determines that there is a reasonable basis to conclude that no further action is warranted with respect to that surveillance alert.[54] The Exchange stated its belief that the information it will receive through the proposed stock reports, in connection with the tied to stock indicator, will significantly reduce the number of ad hoc requests it must make from Trading Permit Holders, as it will already have the stock transaction information necessary to make a similar determination with respect that surveillance alert.[55]

In response to the second commenter's concern about the technical specifications required by the proposed rule change, the Exchange stated that it currently permits Clearing Trading Permit Holders (or Market-Makers to the extent a Clearing Trading Permit Holder does not report a trade on behalf of a Market-Maker) to submit CBOE Rule 8.9(b) Reports in one of two different formats (currently, each Clearing Trading Permit Holder may determine which format to use).[56] The gap analysis that FIF performed was done with the ''older format'' for CBOE Rule 8.9(b) reports, while the proposed stock reporting format is substantially similar to the ''newer format.''[57] CBOE pointed out that it is in the process of migrating the reports from the older format to the newer format and intends to phase out the older format, and the proposed stock reporting requirement is based on the newer format (which in the future will be the required format for CBOE Rule 8.9(b) reports).[58]

The Exchange stated that it is reviewing FIF's questions regarding some of the elements of the proposed stock reporting format and, if it deems necessary to provide additional detail regarding those and other elements, may issue another Regulatory Circular.[59] The Exchange emphasized, however, that while the proposed reporting requirement format includes more fields than the older format of CBOE Rule 8.9(b) reports, neither proposed CBOE Rule 15.2A, Interpretation and Policy .03 nor Regulatory Circular RG 14–110 requires Trading Permit Holders to include those additional fields on CBOE Rule 8.9(b) reports to the extent Market-Makers rely on proposed Interpretation and Policy .03 to satisfy the proposed stock reporting requirement.[60] Therefore, regardless of whether a Market Maker (or its Clearing Trading Permit Holder) uses the older format or newer format for CBOE Rule 8.9(b) reports, those reports will satisfy the proposed stock reporting requirement even though they may not include all of the data elements set forth in Regulatory Circular RG 14–110.[61] According to the Exchange, to the extent CBOE Rule

[37] *See id.*

[38] *See id.*

[39] *See* CBOE Letter I, *supra* note 5, at 2.

[40] *See* FIF Letter I, *supra* note 4, and FIF Letter II, *supra* note 6.

[41] *See* FIF Letter I, *supra* note 4, at 2.

[42] *See id.*

[43] *See* CBOE Letter I, *supra* note 5. *See also* CBOE Regulatory Circular RG14–110.

[44] *See* CBOE Letter I, *supra* note 5, at 1–2.

[45] *See* FIF Letter II, *supra* note 6.

[46] *See id.* at 2.

[47] *See id.* at 2–6. *See also, supra* note 23 and accompanying text.

[48] *See* CBOE Letter II, *supra* note 7 at 2.

[49] *See id.*

[50] *See id.* at 3.

[51] *See id.*

[52] *See id.*

[53] *See* CBOE Letter II, *supra* note 7 at 3.

[54] *See id.*

[55] *See id.*

[56] *See id.* at 1.

[57] *See id.* at 2.

[58] *See id.*

[59] *See* CBOE Letter II, *supra* note 7 at 2.

[60] *See id.*

[61] *See id.*

8.9(b) reports include information for all stock transactions of Market Makers, Market Makers will have no additional requirements under proposed CBOE Rule 15.2A.[62]

The Exchange acknowledged that while other Trading Permit Holders that are not subject to CBOE Rule 8.9(b) may have to perform system work to comply with proposed CBOE Rule 15.2A, this work will likely overlap with system work related to reports required by CBOE Rule 17.2, Interpretation and Policy .04.[63] CBOE reiterated that it will accept feedback from Trading Permit Holders regarding the timing of the implementation date, but the Exchange believed the proposed time frame provides Trading Permit Holders that need to perform system work to be able to comply with the proposed rule change with sufficient time to do so.[64]

The second commenter also argued that there are an insignificant number of transactions that would qualify as Tied to Stock Orders that would justify the time and costs of implementing the proposed rule change.[65] While the Exchange acknowledged that it does not know the exact volume of tied to stock transactions, the Exchange stated that its self-regulatory obligations require it to monitor all types of trading activity, including order types that may represent a smaller amount of the Exchange's volume.[66] The Exchange stated that it has identified an area in which it can enhance its audit trail, and the proposed rule change is intended to implement that enhancement.[67] While it may cover an area that involves a smaller transaction volume, the Exchange believed the enhancement is reasonable and appropriate to assist in its efforts to monitor that area for potential violations of federal rules and regulations and Exchange rules.[68]

The second commenter also expressed concerns that floor brokers, whom the commenter believes will be significantly impacted by the proposed rule change, may not fully understand the details of the proposal.[69] The Exchange responded that the rule filing states that *each Trading Permit Holder* must comply with the proposed reporting requirement for the executed stock or convertible security legs of ''tied to stock orders *that the Trading Permit Holder executed on the Exchange that trading day''* (emphasis added).[70] This includes Trading Permit Holders that act as floor brokers.[71]

The second commenter expressed support for the other comment letter in favor of the proposed rule change that offered to work in coordination with other market participants to further enhance all market participants' ability to link disparate components of Tied to Stock Orders executed across various exchanges and marketplaces.[72] The Exchange stated that it welcomes the opportunity to coordinate with other exchanges to identify methods that may create further enhancements and regulatory efficiencies with respect to such activity.[73] However, the Exchange asserted that this type of cooperative effort would take time to implement.[74] The Exchange noted that its current proposal identifies an opportunity to enhance CBOE's audit trail in the short-term, and it is necessary to proceed with the rule filing as proposed.[75] To the extent there is an industry-wide effort to identity further opportunities for enhancements in the future, the Exchange stated that it will gladly cooperate with such an effort and further modify its rules as appropriate in coordination with such an effort.[76]

Finally, the second commenter urged the Commission to consider requiring the release of specifications prior to rule adoption in order to allow for a more comprehensive evaluation of the implementation impact of rulemaking as part of the comment period process.[77] CBOE responded to these concerns by stating that the proposed rule change is consistent with current and longstanding practice of announcing the form and manner of reporting requirements by Regulatory Circular to accommodate the technical detail of and regular changes to these formats.[78] The Exchange believed that it generally provides sufficient implementation time for changes to reporting formats to accommodate Trading Permit Holders and will continue to do so.[79] According to the Exchange, technology is constantly changing, and the Exchange regularly evaluates ways in which it may improve reporting formats to both its and Trading Permit Holders' benefits.[80] When the Exchange identifies such improvements, it releases updates to the format.[81] If exchanges were required to submit the form and manner of reporting requirements for Commission approval, the frequency with which they would need to seek this approval would render any benefits of improved formats moot.[82] The Exchange stated that it appreciates any feedback on reporting formats for its releases, whether it is the initial format or an update to the existing format.[83] However, like other rules, the proposed rule change provides the Exchange with authority to issue and modify the reporting format by Regulatory Circular.[84]

IV. Discussion and Commission 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 securities exchange.[85] In particular, the Commission finds that the proposed rule change is consistent with Section 6(b)(5) of the Act,[86] which requires, among other things, that the rules of a national securities exchange be designed to prevent fraudulent and manipulative acts and practices, 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. The

[62] *See id.*

[63] *See id.*

[64] *See id.*

[65] *See* FIF Letter II, *supra* note 6, at 7. The commenter also noted that the Exchange already has reporting requirements with respect to QCC orders, and questioned the need for this proposed rule change, which, in the commenter's view, would only incrementally improve the Exchange's audit trail. *See id.* at 7. The Exchange responded that while Regulatory Circular 13–102 does include a reporting requirement for QCC transactions, the proposed rule change will supersede that requirement upon implementation to achieve the enhancements described above. The Exchange stated that it expects the ''extensive implementation effort'' referenced by FIF to ultimately be required for other regulatory reporting requirements to which all Trading Permit Holders will be subject under CBOE Rule 17.2, Interpretation and Policy .04, as well as the transition from the older format to newer format of CBOE Rule 8.9(b) Reports. In addition, the Exchange stated that it expects any implementation effort to be offset by the ability of Market-Makers (through their Clearing Trading Permit Holders if they so choose) to satisfy the proposed stock reporting requirement through CBOE Rule 8.9(b) Reports (whether the older or newer format is used) and fewer costly and time-consuming ad hoc requests for information. *See* CBOE Letter II, *supra* note 7, at 4.

[66] *See* CBOE Letter II, *supra* note 7, at 4.

[67] *See id.*

[68] *See id.*

[69] *See* FIF Letter II, *supra* note 6, at 7.

[70] *See* CBOE Letter II, *supra* note 7, at 4.

[71] *See id.*

[72] *See* FIF Letter II, *supra* note 6, at 7.

[73] *See* CBOE Letter II, *supra* note 7 at 4.

[74] *See id.*

[75] *See id.*

[76] *See id.*

[77] *See* FIF Letter II, *supra* note 6, at 8.

[78] *See* CBOE Letter II, *supra* note 7, at 3.

[79] *See id.*

[80] *See id.*

[81] *See id.*

[82] *See id.*

[83] *See id.*

[84] *See* CBOE Letter II, *supra* note 7, at 3–4.

[85] In approving this proposal, the Commission has considered the proposed rule's impact on efficiency, competition, and capital formation. *See* 15 U.S.C. 78c(f).

[86] 15 U.S.C. 78f(b)(5).

Commission believes that the stated objective of the proposal—to obtain sufficient trade data to effectively monitor cross-market trading activity—would further the purposes of the Act. Specifically, by better enabling the Exchange to surveil for compliance with Regulation SHO and frontrunning rules, the proposal is reasonably designed to help prevent fraudulent and manipulative acts and practices and to protect investors and the public interest.

The Commission notes that the proposed rule change also allows for a TPH to arrange for its clearing firm to report Tied to Stock Orders on its behalf. The Commission also notes that the Exchange has stated that regardless of whether a Market Maker (or its Clearing Trading Permit Holder) uses the older format or newer format for CBOE Rule 8.9(b) reports, those reports will satisfy the proposed stock reporting requirement even though they may not include all of the data elements set forth in Regulatory Circular RG 14–110. According to the Exchange, to the extent CBOE Rule 8.9(b) reports include information for all stock transactions of Market Makers, Market Makers will have no additional requirements under proposed Rule 15.2A. Under the proposed rule change, the Commission believes that it would be reasonable for the Exchange to anticipate a reduction in the number of ad hoc requests it must make from Trading Permit Holders, as the proposed rule change is designed to provide the Exchange with the non-option transaction information necessary to make a ''no further action is warranted'' determination with respect to a particular surveillance alert.

V. Conclusion

It is therefore ordered, pursuant to Section 19(b)(2) of the Act,[87] that the proposed rule change (SR–CBOE–2014–040) is approved.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.[88]

Kevin M. O'Neill,

Deputy Secretary.

[FR Doc. 2014–19582 Filed 8–18–14; 8:45 am]

BILLING CODE 8011–01–P

[87] 15 U.S.C. 78s(b)(2).

[88] 17 CFR 200.30–3(a)(12).

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–72831; File No. SR–NASDAQ–2014–077]

Self-Regulatory Organizations; The NASDAQ Stock Market LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change Relating to Rebates and Fees in Penny and Non-Penny Pilot Options

August 13, 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 30, 2014, The NASDAQ Stock Market LLC (''NASDAQ'' or ''Exchange'') filed with the Securities and Exchange Commission (''SEC'' or ''Commission'') the proposed rule change as described in Items I and II below, which Items have been prepared by NASDAQ. 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

NASDAQ proposes to modify Chapter XV, entitled ''Options Pricing,'' at Section 2 governing pricing for NASDAQ members using the NASDAQ Options Market (''NOM''), NASDAQ's facility for executing and routing standardized equity and index options. Specifically, NOM proposes to: (i) Amend the Customer[3] Fee for Removing Liquidity in Penny Pilot Options;[4] (ii) amend certain Penny Pilot Options Rebates to Add Liquidity and Non-Penny Pilot Options Fees for Adding Liquidity applicable to Firms,[5] Non-NOM Market Makers[6] and Broker Dealers;[7] and (iii) amend NOM Market Maker[8] Penny Pilot Options Rebates to Add Liquidity.

While the changes proposed herein are effective upon filing, the Exchange has designated that the amendments be operative on August 1, 2014.

The text of the proposed rule change is available on the Exchange's Web site at *http://www.nasdaq.cchwallstreet.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 Exchange has prepared summaries, set forth in sections A, B, and C below, of the most significant aspects of such statements.

[1] 15 U.S.C. 78s(b)(1).

[2] 17 CFR 240.19b–4.

[3] The term ''Customer'' applies to any transaction that is identified by a Participant for clearing in the Customer range at The Options Clearing Corporation (''OCC'') which is not for the account of broker or dealer or for the account of a ''Professional'' (as that term is defined in Chapter I, Section 1(a)(48)).

[4] The Penny Pilot was established in March 2008 and in October 2009 was expanded and extended through December 31, 2014. *See* Securities Exchange Act Release Nos. 57579 (March 28, 2008), 73 FR 18587 (April 4, 2008) (SR–NASDAQ–2008–026) (notice of filing and immediate effectiveness establishing Penny Pilot); 60874 (October 23, 2009), 74 FR 56682 (November 2, 2009) (SR–NASDAQ–2009–091) (notice of filing and immediate effectiveness expanding and extending Penny Pilot); 60965 (November 9, 2009), 74 FR 59292 (November 17, 2009) (SR–NASDAQ–2009–097) (notice of filing and immediate effectiveness adding seventy-five classes to Penny Pilot); 61455 (February 1, 2010), 75 FR 6239 (February 8, 2010) (SR–NASDAQ–2010–013) (notice of filing and immediate effectiveness adding seventy-five classes to Penny Pilot); 62029 (May 4, 2010), 75 FR 25895 (May 10, 2010) (SR–NASDAQ–2010–053) (notice of filing and immediate effectiveness adding seventy-five classes to Penny Pilot); 65969 (December 15, 2011), 76 FR 79268 (December 21, 2011) (SR–NASDAQ–2011–169) (notice of filing and immediate effectiveness extension and replacement of Penny Pilot); 67325 (June 29, 2012), 77 FR 40127 (July 6, 2012) (SR–NASDAQ–2012–075) (notice of filing and immediate effectiveness and extension and replacement of Penny Pilot through December 31, 2012); 68519 (December 21, 2012), 78 FR 136 (January 2, 2013) (SR–NASDAQ–2012–143) (notice of filing and immediate effectiveness and extension and replacement of Penny Pilot through June 30, 2013); 69787 (June 18, 2013), 78 FR 37858 (June 24, 2013) (SR–NASDAQ–2013–082); 71105 (December 17, 2013), 78 FR 77530 (December 23, 2013) (SR–NASDAQ–2013–154) and 72244 (May 23, 2014), 79 FR 31151 (May 30, 2014) (SR–NASDAQ–2014–056). *See also* NOM Rules, Chapter VI, Section 5.

[5] The term ''Firm'' or (''F'') applies to any transaction that is identified by a Participant for clearing in the Firm range at OCC.

[6] The term ''Non-NOM Market Maker'' or (''O'') is a registered market maker on another options exchange that is not a NOM Market Maker. A Non-NOM Market Maker must append the proper Non-NOM Market Maker designation to orders routed to NOM.

[7] The term ''Broker-Dealer'' or (''B'') applies to any transaction which is not subject to any of the other transaction fees applicable within a particular category.

[8] The term ''NOM Market Maker'' means a Participant that has registered as a Market Maker on NOM pursuant to Chapter VII, Section 2, and must also remain in good standing pursuant to Chapter VII, Section 4. In order to receive NOM Market Maker pricing in all securities, the Participant must be registered as a NOM Market Maker in at least one security.