

*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-NYSE-2014-45 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-NYSE-2014-45. 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-NYSE-2014-45, and should be submitted on or before September 30, 2014.

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

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

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**SECURITIES AND EXCHANGE COMMISSION**

[Release No. 34-72970; File No. SR-CBOE-2014-066]

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

September 3, 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 August 26, 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 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

<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.

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

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

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

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 a hedge altogether. As such, the Exchange believes it is in the best interest of investors to allow for price adjustments as well as nullifications. In addition, the Exchange believes it is in the nature of a fair and orderly market to allow for price adjustments rather than only cancellations because an adjustment will result in the least amount of disruption to the overall market. The Exchange also notes that current Exchange rules allow for prices of trades to be adjusted at the consent of both parties if such transactions are within the current obvious error provisions. The Exchange is now proposing to merely allow this practice for any trade.

As proposed, Rule 6.19 expressly states that trades may be subject to nullification or price adjustment only if such trades are authorized by the Exchange. The Exchange notes that this process is very similar to the process TPHs follow today for trade nullification based upon mutual consent. As described in more detail above, current Rule 6.13(d) allows two parties to agree to a trade nullification and “contact the Help Desk which will confirm the agreement and disseminate cancellation information in prescribed OPRA format.” The Exchange is only

slightly changing this procedure by expressly requiring Exchange authorization prior to the effectuation of such nullification or price adjustment. As part of the authorization process, in the case of a mutual nullification or mutual price adjustment, the Exchange will only authorize if the Exchange received verification from both parties to the trade that a mutual agreement has been made. In addition, prior to an authorization for a mutual price adjustment, the Exchange will ensure the agreed upon price would have been permissible and in compliance with all Exchange and Securities and Exchange Commission Rules, as amended, at the time the original transaction was executed.<sup>8</sup> Finally, the proposed rule will state that the format and information required by the Exchange for this submission will be released by the Exchange via Regulatory Circular. As such, prior to Rule 6.19 becoming operative, the Exchange will provide TPHs with specific requirements via an Exchange Regulatory Circular. The circular will, among other things, state specific timeframes required for requests and the format in which the requests will be accepted by the Exchange.

#### Administrative Changes

Finally, the Exchange is proposing to make administrative conforming changes to ensure Exchange rules on the subject are consistent. More specifically, the Exchange is proposing to delete the provisions in current Rules 6.13(d) and 6.25(f). The Exchange believes that deleting current Exchange Rule 6.13(d) will avoid any confusion with the proposed Rule 6.19. Because the proposed Rule 6.19 will address trade nullification and adjustments at all times, the Exchange does not believe it is still necessary to include a reference to trade nullification within the Exchange’s rule related to obvious and catastrophic errors or other places in the Exchange’s rules. Thus, the Exchange believes the proposed administrative changes are necessary to eliminate confusion given the proposed Rule 6.19.

#### Conclusion

To conclude, the Exchange believes that the proposed changes are in furtherance of the Act because the proposed Rule 6.19 will allow TPHs to agree to nullify transaction or adjusts prices of transactions to maintain a fair and orderly market. As stated above, the

Exchange intends to release a Regulatory Circular to announce the implementation of the Rule and other specifics surrounding the procedures of the implementation. In addition, prior to implementation, the Exchange will ensure it has proper policies and procedures in place to correctly administer the Rule.

#### 2. Statutory Basis

The Exchange believes the proposed rule change is consistent with the Securities Exchange Act of 1934 (the “Act”) and the rules and regulations thereunder applicable to the Exchange and, in particular, the requirements of Section 6(b) of the Act.<sup>9</sup> Specifically, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)<sup>10</sup> requirements that the rules of an exchange be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in regulating, clearing, settling, processing information with respect to, and 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. Additionally, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)<sup>11</sup> requirement that the rules of an exchange not be designed to permit unfair discrimination between customers, issuers, brokers, or dealers.

More specifically, the Exchange believes that the proposed changes are consistent with the Act as they are designed to promote just and equitable principles and protect investors and the public interest. In particular, the Exchange believes the proposed change to move the provision authorizing parties to mutually agree to nullify a trade protects investors by eliminating confusion and making the provision more clear. Because options trades are used to hedge transactions in other markets, including securities and futures, many market participants would rather adjust prices of executions rather than nullify the transactions and, thus, lose a hedge altogether. As such, the Exchange believes it is in the best interest of investors to allow for price adjustments as well as nullifications. In addition, the Exchange believes it is in the nature of a fair and orderly market to allow for price adjustments rather than only cancellations because an

<sup>6</sup> For example, the Exchange would ensure that the mutually agreed upon price would ensure that the mutually agreed upon price would not have traded through resting interest at the time of the initial execution.

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

<sup>10</sup> 15 U.S.C. 78f(b)(5).

<sup>11</sup> *Id.*

<sup>6</sup> See note 2 *supra*.

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

adjustment will result in the least amount of disruption to the overall market. Finally, the Exchange believes that the other administrative changes are just and equitable as they are merely trying to create more transparency in the Exchange's rules. Finally, the Exchange does not believe that the proposed changes are unfairly discriminatory because they will be applied to all Trading Permit Holders equally.

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

CBOE 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. In fact, the Exchange believes that the proposed rule change will foster competition as it will allow for less overall disruption to the market and encourage participation on the Exchange.

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

The Exchange neither solicited nor received comments on the proposed rule change.

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

Because the foregoing proposed rule change does not:

A. significantly affect the protection of investors or the public interest;

B. impose any significant burden on competition; and

C. become operative for 30 days from the date on which it was filed, or such shorter time as the Commission may designate, it has become effective pursuant to Section 19(b)(3)(A) of the Act<sup>12</sup> and Rule 19b-4(f)(6)<sup>13</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. If the Commission takes such action, the Commission will institute proceedings 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](mailto:rule-comments@sec.gov). Please include File Number SR-CBOE-2014-066 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-CBOE-2014-066. 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 the 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-CBOE-2014-066 and should be submitted on or before September 30, 2014.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>14</sup>

**Kevin M. O'Neill,**

*Deputy Secretary.*

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**BILLING CODE 8011-01-P**

### **SECURITIES AND EXCHANGE COMMISSION**

[Release No. 34-72961; File No. SR-NASDAQ-2014-081]

#### **Self-Regulatory Organizations; The NASDAQ Stock Market LLC; Notice of Filing of Proposed Rule Change Relating to Proposed Changes to NASDAQ Rule 4120(c) To Modify the Parameters for Releasing Securities for Trading Upon the Termination of a Trading Halt in a Security That is the Subject of an Initial Public Offering**

September 3, 2014.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on August 20, 2014, The NASDAQ Stock Market LLC ("NASDAQ" or the "Exchange") filed with the Securities and Exchange Commission ("Commission") the proposed rule change as described in Items I, II, and III 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 the Substance of the Proposed Rule Change**

NASDAQ proposes to amend NASDAQ Rule 4120(c) to modify the parameters for releasing securities for trading upon the termination of a trading halt in a security that is the subject of an initial public offering.

The text of the proposed rule change is available at <http://nasdaq.cchwallstreet.com/>, at NASDAQ's principal office, 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, NASDAQ included statements concerning the purpose of, and basis for, the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. NASDAQ has prepared summaries, set forth in Sections A, B, and C below, of the most significant aspects of such statements.

<sup>12</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>13</sup> 17 CFR 240.19b-4(f)(6).

<sup>14</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.