

- Rule 11, Section 1 is revised to take into account the fact that SBO Trades are novated upon comparison and are, therefore, legally between MBSB clearing members and FICC after comparison.

- Rule 15 is revised to clarify the current process with respect to transactions submitted to and compared by FICC, whereby in the event a member's original counterparty becomes insolvent, such member cannot unilaterally modify its obligations with respect to transactions originally entered with such counterparty.

- Rule 16 is revised to clarify the current process with respect to transactions submitted to and compared by FICC, whereby in the event a member's original counterparty becomes insolvent, such member cannot unilaterally modify its obligations with respect to transactions originally entered with such counterparty.

- Rule 17, Section 2 is revised to clarify the current process whereby when FICC ceases to act for a clearing member, such member's Trade-for-Trade Transactions<sup>16</sup> may be disposed of based upon their generic terms such as agency, product, coupon rate and maturity. The other changes are typographical corrections.

- Rule 17A is revised to clarify that in the event of FICC's default, novation is deemed to have occurred with respect to all transactions at the time such transactions are compared, whether or not such transactions are SBO-Destined Trades that would otherwise have been novated at comparison. The other changes to this provision are grammatical corrections.

### III. Discussion

Section 19(b)(2)(C) of the Act<sup>17</sup> 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 the rules and regulations thereunder applicable to such organization. Section 17A(b)(3)(F) of the Act<sup>18</sup> requires, among other things, that the rules of a clearing agency be designed to achieve several goals, including promoting the prompt and accurate clearance and settlement of securities transactions and, to the extent applicable, derivative agreements, contracts, and transactions.

The Commission concludes that the proposed rule change is consistent with the requirements of Section 17A(b)(3)(F)

of the Act, and the rules and regulations thereunder, because by moving novation for trades that enter GSD's Netting system and MBSB's TBA Netting system, the rule change, as approved, should clarify FICC's responsibilities to its members and remove potential uncertainty that previously existed due to a mismatch between the time of guaranty and the time of novation. As a result, such clarity should further facilitate the prompt and accurate clearance and settlement of securities transactions.

### IV. Conclusion

On the basis of the foregoing, the Commission finds that the proposed rule change is consistent with the requirements of the Act, particularly those set forth in Section 17A,<sup>19</sup> and the rules and regulations thereunder.

IT IS THEREFORE ORDERED, pursuant to Section 19(b)(2) of the Act,<sup>20</sup> that the proposed rule change (SR-FICC-2014-11) be, and hereby is, APPROVED.<sup>21</sup>

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>22</sup>

**Brent J. Fields,**  
Secretary.

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-74134; File No. SR-CBOE-2015-005]

### Self-Regulatory Organizations; Chicago Board Options Exchange, Incorporated; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change To Amend the Fees Schedule

January 26, 2015.

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 January 14, 2015, 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

<sup>19</sup> 15 U.S.C. 78q-1.

<sup>20</sup> 15 U.S.C. 78s(b)(2).

<sup>21</sup> In approving the proposed rule change, the Commission considered the proposal's impact on efficiency, competition, and capital formation. See 15 U.S.C. 78c(f).

<sup>22</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.

prepared by the Exchange. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

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

The Exchange proposes to amend its Fees Schedule. 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 proposes to make a number of changes to its Fees Schedule.<sup>3</sup>

##### COB Taker Surcharge

The Exchange proposes to implement a Complex Order Book ("COB") Taker Surcharge. Specifically, the Exchange proposes to adopt a \$0.05 per contract per side surcharge for non-customer complex order executions that take liquidity from the COB in all underlying classes except OEX, XEO, SPX (including SPXW), SPXpm, SRO, VIX, VXST, Volatility Indexes and binary options ("Underlying Symbol List A") and mini-options. Additionally, the Exchange proposes to provide that the COB Taker Surcharge will not be assessed on non-customer complex order executions in the Complex Order Auction ("COA"), the Automated Aim Mechanism ("AIM"), orders originating from a Floor Broker PAR, or electronic

<sup>3</sup> The Exchange initially filed the proposed fee changes on December 31, 2014 (SR-CBOE-2014-097). On January 14, 2015, the Exchange withdrew that filing and submitted this filing.

<sup>16</sup> Including "stip" trades and any other TBA transactions not intended for TBA Netting.

<sup>17</sup> 15 U.S.C. 78s(b)(2)(C).

<sup>18</sup> 15 U.S.C. 78q-1(b)(3)(F).

executions against single leg markets. The purpose of the COB Taker Surcharge is to help offset the rebate given to complex orders under the Volume Incentive Program (“VIP”). The Exchange notes that even with the additional surcharge, the amount of Exchange fees assessed for non-customer complex order-to-complex order executions that take liquidity are less than those assessed for similar transactions on certain other exchanges.<sup>4</sup>

**CBOE Proprietary Products Sliding Scale**

The CBOE Proprietary Products Sliding Scale table provides that Clearing Trading Permit Holder Proprietary transaction fees and

transaction fees for Non-Clearing Trading Permit Holder Affiliates in OEX, XEO, SPX, SPXpm, VIX, VXST, and VOLATILITY INDEXES are reduced provided a Clearing Trading Permit Holder (“Clearing TPH”) reaches certain average daily volume (“ADV”) thresholds in all underlying symbols excluding Underlying Symbol List A and mini-options on the Exchange in a month. The Exchange proposes to implement two changes to the CBOE Proprietary Products Sliding Scale. First, the Exchange proposes to increase the current qualifying ADV thresholds. Specifically, the threshold 18,000 ADV to 71,999 ADV would be changed to 20,000 ADV to 79,999 ADV, and the threshold 72,000 ADV and above would be changed to 80,000 ADV and above.

The purpose of the proposed change is to account for increased trading volume in multi-listed products across the industry. The Exchange also proposes to make corresponding changes related to the ADV thresholds to Footnote 23, which Footnote relates to the CBOE Proprietary Products Sliding Scale. The Exchange next proposes to increase the rates set forth in the B3 and B2 tiers (for Proprietary Product Volume from 0.00% to 8.50% of total Monthly Proprietary Product Firm (F) volume) by 2 cents and 5 cents, respectively, and the rate in the A2 tier (for Proprietary Product Volume from 0.00% to 6.50% of total Monthly Proprietary Product Firm (F) volume) by 1 cent. The proposed changes are further detailed below.

Current			Proposed		
Tier	Proprietary product volume thresholds	Transaction fee per contract	Tier	Proprietary product volume thresholds	Transaction fee per contract
≥18,000 ADV ≤71,999 ADV in multi list products			≥20,000 ADV ≤79,999 ADV in multi list products		
B3	0.00%–6.50%	\$0.18	B3	0.00%–6.50%	\$0.20
B2	6.51%–8.50%	0.05	B2	6.51%–8.50%	0.10
B1	Above 8.50%	0.02	B1	Above 8.50%	0.02
≥72,000 ADV in multi list products			≥80,000 ADV in multi list products		
A2	0.00%–6.50%	0.15	A2	0.00%–6.50%	0.16
A1	Above 6.50%	0.01	A1	Above 6.50%	0.01

The purpose of increasing the Transaction Fee Per Contract rates (and thereby reducing the amount of the discount Clearing TPHs may receive on proprietary products) is to moderate the discount levels for these products in view of their growth and performance. Particularly, the Exchange does not believe it’s necessary to maintain the existing discounted rates for these tiers, but seeks to maintain an incremental incentive for Clearing TPHs to strive for the highest tier level.

**Volume Incentive Program**

The Exchange next proposes to amend the VIP rebate schedule. By way of background, under VIP, the Exchange credits each Trading Permit Holder (“TPH”) the per contract amount set

forth in the VIP table resulting from each public customer (“C” origin code) order transmitted by that TPH (with certain exceptions) which is executed electronically on the Exchange in all underlying symbols excluding Underlying Symbol List A, RUT, DJX, XSP, XSPAM, credit default options, credit default basket options and mini-options, provided the TPH meets certain volume thresholds in a month.<sup>5</sup>

The Exchange first proposes to reduce the VIP credit for complex orders in Tiers 2 and 3 from \$0.17 per contract to \$0.16. The purpose of this change is to adjust the incentive tiers accordingly as competition requires while maintaining an incremental incentive for TPH’s to strive for the highest tier level.

The Exchange next proposes to implement a cap on VIP credits at 1,000 contracts per simple order executed electronically in AIM and 1,000 contracts per leg per complex order executed electronically in AIM.<sup>6</sup> The Exchange also proposes to cap orders executed electronically in the Hybrid Agency Liaison (“HAL”) mechanism at 1,000 contracts per auction quantity.<sup>7</sup> The Exchange is proposing to implement the cap on executions via AIM because the vast majority of orders over 1,000 contracts executed via AIM are traded primarily against the submitting contra party, for which the Exchange collects minimal revenue. Additionally, in HAL, the Exchange provides a HAL Step-Up Rebate<sup>8</sup> which reduces the collected net Exchange

<sup>4</sup> See e.g., NYSE Arca, Inc. (“Arca”) Options Fees Schedule, page 7 (Electronic Complex Order Executions) which provides that for complex order-to-complex order transactions, non-customers are assessed \$0.50 in penny pilot options and \$0.85 in non-penny pilot options. Depending upon the type of market participant a CBOE TPH is, non-customer CBOE TPHs would be assessed between \$0.08 and \$0.65 (which includes the proposed surcharge) for such transactions (see CBOE Fees Schedule).

<sup>5</sup> Excluded from the VIP credit are options in Underlying Symbol List A, RUT, DJX, XSP, XSPAM, credit default options, credit default basket

options, mini-options, QCC trades, public customer to public customer electronic complex order executions, and executions related to contracts that are routed to one or more exchanges in connection with the Options Order Protection and Locked/ Crossed Market Plan referenced in Rule 6.80 (see CBOE Fees Schedule, Volume Incentive Program).

<sup>6</sup> For example, a 750-lot butterfly spread would total 3,000 contracts. As each leg of the order is below 1,000 contracts, the Exchange would pay credits for each contract of each leg, totaling 3,000 contracts. If for example leg 1 of a complex order was for 600 contracts and leg 2 of the order was for

1,200 contracts, the Exchange would pay a VIP credit for a total of 1,600 contracts (i.e., all 600 contracts on leg 1 and 1,000 contracts on leg 2).

<sup>7</sup> To demonstrate this cap, consider the following: a TPH submits an order for 1500 contracts. Of the 1500 contracts, 400 contracts execute electronically against a Market-Maker quote. The remaining 1,100 contracts are executed via HAL. The Exchange would pay credits for a total of 1,400 contracts (i.e., the 400 contracts executed outside of HAL and 1,000 contracts executed in HAL).

<sup>8</sup> See CBOE Fees Schedule, Hybrid Agency Liaison (“HAL”) Step Up Rebate.

transaction fees to those market participants that qualify. The Exchange notes that generally, the parties which collect this credit have greater participation in larger orders. As such, it would not be viable for the Exchange to pay credits on contracts that do not create corresponding and offsetting revenue for the Exchange. The Exchange notes that all contracts executed in AIM (including complex AIM) and all contracts executed in HAL will continue to be counted towards the qualifying percentage thresholds, as the Exchange would like to continue to encourage the use of these price improvement mechanisms.

Finally with respect to VIP, the Exchange proposes to provide that multiple simple orders from the same TPH in the same series on the same side of the market that are received within three hundred (300) seconds and executed in AIM or HAL will be aggregated for purposes of determining the order quantity subject to the cap discussed above. For this aggregation, activity in AIM and HAL will be aggregated separately. The AIM aggregation timer will begin with an order entered into AIM and continue for 300 seconds, aggregating any other orders entered into AIM in the same series on the same side of the market by the same affiliated TPH. The HAL aggregation timer will begin at the start of a HAL auction and continue for 300 seconds, aggregating any other orders executed in HAL in the same series on the same side of the market for the same affiliated TPH. Any portion of the original order quantity that is executed outside of HAL will not be part of the aggregation or counted towards the 1,000 contract threshold. The Exchange believes this change should prevent TPHs from breaking up their orders in order to avoid the fee cap.

Finally, the Exchange proposes to relocate the language currently set forth in the Notes section of the VIP table to a new footnote (Footnote 36). In light of the additional language being added to the current Notes section of the VIP table, the Exchange believes the relocation of the existing language to a new and separate footnote will make the Fees Schedule easier to read. No substantive changes to the relocated language are being made.

#### SPX Customer Large Trade Discount

The Customer Large Trade Discount program (the "Discount") provides a discount in the form of a cap on the quantity of customer ("C" origin code") contracts that are assessed transactions fees in certain options classes. The Discount table in the Fees Schedule sets

forth the quantity of contracts necessary for a large customer trade to qualify for the Discount, which varies by product. Currently, under the "Products" section in the Discount table, the following S&P products for which the Discount is in effect are listed: "SPX, SPXw, SPXpm, SRO." Customer transaction fees for each of these products are currently only charged up to the first 10,000 contracts. The Exchange proposes to raise the quantity of SPX, SPXw, SPXpm, and SRO contracts necessary for a large customer trade to qualify for the Discount from 10,000 contracts per order to 15,000 contracts per order. The purpose of the proposed rule change is to moderate the discount level for Customer (C) orders in the SPX product group in view of its mature and established position in the industry.

#### Facility Fees Communications

The Exchange proposes to increase the Exchangefone relocation fee from \$116 to \$129. The Exchange contracts with a vendor to provide the Exchangefone relocations, and this vendor has increased its fees, so the Exchange proposes to increase the Exchangefone relocation fee to reflect the increased vendor cost.

The Exchange also proposes to eliminate certain telecommunication fees. The Exchange currently assesses monthly fees for three types of services the Exchange offers related to PhoneMail: (i) Basic Service, (ii) PhoneMail with Outcall and (iii) PhoneMail with Outcall & Pager. The Exchange notes that no TPHs have availed themselves of these services in a number of years. As such, the Exchange believes offering such services is no longer necessary and proposes to accordingly delete all fees for and references to such services from the Fees Schedule.

#### Floor Broker Workstation and PULSe Workstation

The Exchange proposes raising the Floor Broker Workstation ("FBW") fee from \$350 per month (per login ID) to \$400 per month (per login ID). The Exchange's vendor that provides the FBW charges the Exchange more than \$350 per month (per login ID) for the FBW (actually, more than \$350 per month (per login ID), and the Exchange had been subsidizing those costs for FBW users. However, it is no longer economically feasible to subsidize those costs to that great an extent. As such, the Exchange proposes increasing the FBW fee to \$400 per month (per login ID), which still includes a subsidy for FBW users (though smaller).

Additionally, the Exchange proposes to establish a FBW fee for an updated version of FBW ("FBW2"), which will be made available shortly to all TPHs. The fee for FBW2 will be the same as the existing FBW fee (*i.e.*, \$400 per month (per login ID). The Exchange also proposes adopting a fee waiver for the months of January and February 2015. Additionally, the Exchange proposes to provide that, after March 1, 2015 the monthly fee for FBW2 login IDs will be waived for the first month.<sup>9</sup> The purpose of the proposed fee waivers is to give new users time to become familiar with and fully acclimated to the new FBW workstation functionality. The Exchange notes that after February 2015 (and absent an applicable fee waiver noted above), TPHs will be charged each of \$400 for FBW and FBW2 (*i.e.*, total of \$800) if such users continue to use both FBW and FBW2.

The Exchange also proposes raising the PULSe On-Floor Workstation ("PULSe") fee. Currently, the Exchange charges a fee of \$350 per month for the first 10 users of a TPH workstation and \$100 per month for all subsequent users. TPHs may also make the workstation available to their customers, which may include non-broker dealer public customers and non-TPH broker dealers (referred to herein as "non-TPHs"). For such non-TPH workstations, the Exchange charges a fee of \$350 per month per workstation. The Exchange proposes raising the PULSe On-Floor Workstation fee from \$350 per month to \$400 per month for both TPH and non-TPH workstations. The Exchange expended significant resources developing PULSe, and intends to recoup some of those costs. Further, because PULSe and FBW serve similar functions, the Exchange desires to assess equivalent fees for each so as not to offer a pricing advantage for one over the other.

#### Proprietary Registration Fees

The Exchange next proposes to raise the Initial Proprietary Registration fee from \$50 to \$65 and the Annual Proprietary Registration fee from \$25 to \$40. The Initial Proprietary Registration fee is payable by any TPH organization for the registration of any associated person on WebCRD<sup>10</sup> with the Proprietary Trader registration. The Annual Proprietary Registration fee is payable annually by any TPH organization for each associated person

<sup>9</sup> For example, if a user adds a new login ID in March 2015, the user will receive a fee waiver for that login ID for March 2015.

<sup>10</sup> WebCRD is the Central Registration Depository system which is operated by the Financial Industry Regulatory Authority, Incorporated ("FINRA").

that the TPH organization maintains registered on WebCRD with the Proprietary Trader registration. By way of background, the Exchange adopted these fees in conjunction with the implementation of the then new Proprietary Trading registration requirement (the "Proprietary Trading Registration Program" or "Program"). These fees were adopted to recoup some of the costs expended to maintain the Program. The Exchange notes that the Proprietary Trading Registration Program continues to require on-going work, including testing and monitoring of the WebCRD system, as well as consideration of new applicants. In order to offset these increasing costs, the Exchange proposes to increase the Initial Proprietary Registration fee and the Annual Proprietary Registration fee.

**CBOE Command Connectivity Changes**

Next, the Exchange proposes to increase Network Access Port fees. By way of background, CBOE market participants can access the Exchange's trading systems via Network Access Ports, and can elect for a Network Access Port (or Ports) of either 1 gigabit per second ("Gbps") or 10 Gbps. Currently, the Exchange assesses a fee of \$500 per month for a 1 Gbps Network Access Port and a fee of \$3,000 per month for a 10 Gbps Network Access Port. The Exchange has expended significant resources setting up, providing and maintaining this connectivity, and the costs related to such provision and maintenance has increased. The Exchange desires to recoup such increased costs. Therefore, the Exchange proposes to amend its Network Access Port fees to increase the fee for a 1 Gbps Network Access Port to \$750 per month and for a 10 Gbps Network Access Port to \$3,500 per month. These new fee amounts are still within the range of, and in some cases less than, similar fees assessed by other exchanges.<sup>11</sup>

The "Notes" section that describes the Network Access Port fees provides detail which states that "Separate Network Access Port fees are assessed for unicast (orders, quotes) and multicast (market data) connectivity (*i.e.*, if a TPH uses the 1 Gbps Network Access Port for unicast and multicast connectivity, the TPH will be charged

\$1,000 per month and if a TPH uses the 1 Gbps Disaster Recovery Network Access Port for unicast and multicast connectivity, the TPH will be charged \$500 per month.)". The example provided above that states that, if a TPH uses the 1 Gbps Network Access Port for unicast and multicast connectivity, the TPH will be charged \$1,000 per month, is based on the current 1 Gbps Network Access Port fee of \$500 per month. Because the Exchange herein proposes to increase the fee for a 1 Gbps Network Access Port to \$750 per month, the Exchange needs to also update the example to state that "if a TPH uses the 1 Gbps Network Access Port for unicast and multicast connectivity, the TPH will be charged \$1,500 per month . . ." The proposed change will accurately reflect the proposed new fee amount and provide correct guidance to market participants reading the Fees Schedule.

## 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>12</sup> Specifically, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)<sup>13</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 facilitation 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 Section 6(b)(4) of the Act,<sup>14</sup> which requires that Exchange rules provide for the equitable allocation of reasonable dues, fees, and other charges among its Trading Permit Holders and other persons using its facilities.

The Exchange believes that the proposal to adopt a \$0.05 per contract per side surcharge for noncustomer complex order executions that remove liquidity from the COB is reasonable because although a surcharge is being added, the total amount assessed to these transactions is still within the range of fees paid by other market

participants for similar transactions.<sup>15</sup> Further, other exchanges assess higher fees for complex orders than for noncomplex ones.<sup>16</sup> Applying the COB Taker Surcharge to all market participants except customers is equitable and not unfairly discriminatory because other market participants generally prefer to execute their orders against customer orders. By exempting customer orders, the COB Taker Surcharge will not discourage the sending of customer orders, and therefore there should still be plenty of customer orders for other market participants to trade with. Further, the options industry has a long-standing practice of assessing preferable fee structures to customers. Excluding from the COB Taker Surcharge options in Underlying Symbol List A is equitable and not unfairly discriminatory because the Exchange has devoted a lot of resources to develop its proprietary options classes, and therefore does not desire to risk discouraging the trading of such proprietary singly-listed options classes. Excluding mini-options from the COB Taker Surcharge is reasonable because the Exchange does not currently pay VIP credit for mini-options, so the economic differential which the COB taker fee is addressing (*i.e.*, offsetting the VIP complex order credits) is not present for mini-options. Excluding mini-options from the COB Taker Surcharge is not unfairly discriminatory because it will apply to all TPHs. Limiting the COB Taker Surcharge to orders entered electronically is equitable and not unfairly discriminatory because the Exchange has expended considerable resources to develop its electronic trading platforms and seeks to recoup the costs of such expenditures. The Exchange believes it is reasonable and not unfairly discriminatory to exclude complex orders that originate from a Floor Broker PAR station because such transactions are already subject to Floor Brokerage fees.<sup>17</sup> Additionally, Floor Brokers ensure that the difficult-to-execute orders (such as large and complex

<sup>15</sup> See *e.g.*, NYSE Arca, Inc. ("Arca") Options Fees Schedule, page 7 (Electronic Complex Order Executions) which provides that for complex order-to-complex order transactions, non-customers are assessed \$0.50 in penny pilot options and \$0.85 in non-penny pilot options. Depending upon the type of market participant a CBOE TPH is, non-customer CBOE TPHs would be assessed between \$0.08 and \$0.65 (which includes the proposed surcharge) for such transactions (*see* CBOE Fees Schedule).

<sup>16</sup> See ISE Schedule of Fees, Section I (which lists regular Maker rebates and fees and Taker fees for Select Symbols) as compared to Section II (which lists complex order fees and rebates for Select Symbols). Market participants are assessed higher fees for executing complex orders.

<sup>17</sup> See CBOE Fees Schedule, Floor Brokerage Fees.

<sup>11</sup> See International Securities Exchange, LLC ("ISE") Schedule of Fees, Section VIII.B., which lists Network Ethernet fees of \$750 per month for 1 Gigabit and \$4,000 per month for 10 Gigabits, and a Network Ethernet—Low Latency fee of \$7,000 per month for 10 Gigabits, and *see also* Miami International Securities Exchange LLC ("MIAX") Options Fees Schedule, Section 5(a), which lists connectivity fees of \$1,000 per month for 1 Gbps and \$5,000 per month for 10 Gbps.

<sup>12</sup> 15 U.S.C. 78f(b).

<sup>13</sup> 15 U.S.C. 78f(b)(5).

<sup>14</sup> 15 U.S.C. 78f(b)(4).

orders) are able to be executed manually by accessing the CBOE's in-person market-maker crowds, while also helping to achieve price improvement and the Exchange does not want to discourage this activity. The Exchange notes that a similar exemption exists for the Hybrid 3.0 Surcharge. The Exchange believes that it is equitable and not unfairly discriminatory to only assess this surcharge to those removing liquidity from the market ("Takers") and not Makers because the Exchange wants to continue to encourage market participation and price improvement. The Exchange next notes that when a Market-Maker submits a quote, the Market-Maker does not know whether it will trade with a simple or complex order. As such, the Exchange believes it is reasonable, equitable and not unfairly discriminatory to exclude electronic executions against single leg markets because it wants to encourage Market-Makers to continue to provide trading opportunities and tight spreads, which they may be discouraged to do if there is a possibility they will be assessed a surcharge if and when their quotes fills against a complex order. Finally, the Exchange believes it's reasonable, equitable and not unfairly discriminatory to exclude from the COB Taker Surcharge executions in COA and AIM because the Exchange wants to continue to encourage price improvement via these functionalities and because this exclusion is applicable to all TPHs.

The Exchange believes the proposal to change the qualifying volume thresholds for the reduced fees in the CBOE Proprietary Products Sliding Scale is reasonable because the changes account for the increase in multi-listed trading volumes since the ADV thresholds were established. The Exchange believes it is equitable and not unfairly discriminatory because the proposed changes to the qualifying volume thresholds apply to all Clearing TPHs.

The Exchange believes increasing the rates in the B3, B2 and A2 tiers of the CBOE Proprietary Products Sliding Scale (and thereby reducing the overall discount) is reasonable because it still provides Clearing TPHs an opportunity to receive notable discounted rates on classes in Underlying Symbol list A for reaching certain qualifying volume thresholds that they would not otherwise receive (now just a smaller discount). Additionally, the Exchange notes that lower fees for executing more contracts is equitable and not unfairly discriminatory because it provides market participants with an incentive to execute more contracts on the Exchange.

This brings greater liquidity and trading opportunity, which benefits all market participants. The Exchange believes that the proposed change is not unfairly discriminatory because it will apply to all Clearing TPHs that meet the qualifying volume thresholds. The Exchange also believes offering lower fees under the CBOE Proprietary Products Sliding Scale to Clearing TPHs and not other CBOE market participants is equitable and not unfairly discriminatory because Clearing TPHs must take on certain obligations and responsibilities, such as clearing and membership with the Options Clearing Corporation, as well as significant regulatory burdens and financial obligations, that other market participants are not required to undertake.

The Exchange believes it's reasonable to reduce the VIP credit for complex orders in Tiers 2 and 3 from \$0.17 per contract to \$0.16 because it is decreasing a mere \$0.01 and it still provides an opportunity for TPHs to receive credits for complex orders for reaching certain qualifying volume thresholds that they would not otherwise receive (now just a smaller discount). The Exchange believes the proposed change is equitable and not unfairly discriminatory because it applies to all TPHs that meet the qualifying volume thresholds.

The Exchange believes that the proposal to implement a cap on VIP credits at 1,000 contracts per simple order and 1,000 contracts per leg per complex order for orders executed electronically in AIM and a cap of 1,000 contracts per auction quantity for orders executed in HAL is reasonable because in both cases the exchange collects little or no net transaction fees from the contra parties, and as such, the Exchange does not wish to also provide a credit on these transactions as it would result in the Exchange paying for such transactions without collecting any revenue (a net negative), which would not be economically prudent. Additionally, the Exchange believes the proposed cap is equitable and not unfairly discriminatory because it applies to all TPHs.

The Exchange believes it's reasonable, equitable and not unfairly discriminatory to provide that all contracts executed in AIM (including complex AIM) and all contracts executed in HAL will continue to be counted towards the percentage thresholds because the Exchange would like to continue to encourage the use of these price improvement mechanisms and because the proposed change would apply to all TPHs. The Exchange also

believes its reasonable, equitable and not unfairly discriminatory to provide that multiple simple orders from the same TPH in the same series on the same side of the market that are received within three hundred (300) seconds will be aggregated for purposes of determining the order quantity subject to the cap, as the Exchange believes this should prevent TPHs from breaking up their orders in order to avoid the fee cap and it would apply to all TPHs.

The Exchange believes the relocation of the current language in the Notes section of the VIP table to a new Footnote of the Fees Schedule will make the Fees Schedule easier to read and avoid potential confusion, thereby removing impediments to and perfecting the mechanism of a free and open market and a national market system, and, in general, protecting investors and the public interest.

The Exchange believes that raising the discount threshold for SPX (including SPXw), SPXPM and SROs is reasonable because customers will still be receiving a discount for large trades that they would not otherwise receive. This change is equitable and not unfairly discriminatory because all customers whose large trades qualify for the Discount will still receive it and the SPX product group has reached a mature and established level since its introduction while other products, such as VIX, have not.

The Exchange believes that the increased Exchangefone relocation fee is reasonable because the increase is being enacted to reflect an increase in the amount that a vendor charges the Exchange to provide the Exchangefone relocations. The Exchange believes that this change is equitable and not unfairly discriminatory because the increased Exchangefone relocation fee will apply to all market participants who request an Exchangefone relocation. Additionally, the Exchange believes the deletion of the PhoneMail services and fees is reasonable, equitable and not unfairly discriminatory because it merely removes fees associated with outdated services that have not been used by TPHs in a number of years.

Increasing the PULSe fee from \$350 per month to \$400 per month for the first 10 users of a TPH workstation and from \$350 to \$400 per month per workstation for non-TPH workstations is reasonable because the Exchange expended significant resources developing PULSe and desires to recoup some of those costs. Moreover, the Exchange will be assessing the same amount for the FBW, which is a similar product. This change is equitable and

not unfairly discriminatory because all market participants who desire to use PULSe will be assessed the same fee, and because the same amount is being assessed for use of a similar product, the FBW.

Increasing the FBW fee from \$350 per month (per login ID) to \$400 per month (per login ID) is reasonable because the Exchange is charged by the vendor that provides the FBW more than \$350 per month (per login ID) and simply wants to reduce the extent to which the Exchange subsidizes such costs. This change is equitable and not unfairly discriminatory because all market participants who desire to use the FBW will be assessed the same fee.

Implementing a \$400 per month (per login ID) for FBW2 is reasonable because the Exchange will be charged by the vendor that provides FBW2 more than \$400 per month (per login ID) and again simply wants to reduce the extent to which the Exchange subsidizes these costs. This change is equitable and not unfairly discriminatory because all market participants who desire to use FBW2 will be assessed the same fee. The Exchange believes it is reasonable to provide a waiver for the months of January 2015 and February 2015 because it allows new users time to become familiar with and fully acclimated to the new FBW functionality and incentivizes the users to begin this process as soon as the new functionality becomes available. The Exchange believes it is reasonable to provide a waiver for the first month for a new login ID beginning March 1, 2015, because it allows a new user after February 2015 to fully acclimate to the new FBW functionality. The Exchange believes that the proposed changes regarding the fee waivers are equitable and not unfairly discriminatory because it applies to all new users of FBW2.

Increasing the Initial Proprietary Registration Fee from \$50 to \$65 and the Annual Proprietary Registration fee from \$25 to \$40 is reasonable because the Exchange continually expends resources in maintaining the Proprietary Trading Registration Program and desires to recoup some of the increasing costs. This change is equitable and not unfairly discriminatory because all market participants who register for the Proprietary Trader registration will be assessed the same fee.

The Exchange believes that the proposed changes to the Network Access Port fees are reasonable because the Exchange has expended significant resources setting up, providing and maintaining this connectivity, and the costs related to such provision and maintenance have increased. The

Exchange merely desires to recoup such increased costs. The Exchange believes that the proposed changes to the Network Access Port fees are equitable and not unfairly discriminatory because the newly-increased fees will, as before, be applied in the same manner to all CBOE market participants (in that all CBOE market participants who seek a 1 Gbps Network Access Port will be assessed the new \$750 per port per month fee, and all CBOE market participants who seek a 10 Gbps Network Access Port will be assessed the new \$3,500 per port per month fee). Assessing a higher fee for 10 Gbps connectivity than for 1 Gbps connectivity is equitable and not unfairly discriminatory because 10 Gbps connectivity is more robust than 1 Gbps connectivity, and requires more costly equipment and maintenance, and the Exchange must recoup the costs related to providing such connectivity. Further, these new fee amounts are still within the range of, and in some cases less than, similar fees assessed by other exchanges.<sup>18</sup>

The Exchange believes that the proposed change to the example provided in the Notes section that describes the Network Access Port fees serves 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 by preventing any potential confusion regarding the application of the Network Access Port fees and the proposed new fee amounts.

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

The Exchange does not believe that the proposed rule changes will impose any burden on competition that are not necessary or appropriate in furtherance of the purposes of the Act. The Exchange does not believe that the proposed rule change will impose any burden on intramarket competition that is not necessary or appropriate in furtherance of the purposes of the Act because, while different fees and rebates are assessed to different market participants in some circumstances, these different market participants have different obligations and different circumstances (as described in the "Statutory Basis" section above). For

<sup>18</sup> See ISE Schedule of Fees, Section VIII.B., which lists Network Ethernet fees of \$750 per month for 1 Gigabit and \$4,000 per month for 10 Gigabits, and a Network Ethernet—Low Latency fee of \$7,000 per month for 10 Gigabits, and see also MIA Options Fees Schedule, Section 5(a), which lists connectivity fees of \$1,000 per month for 1 Gbps and \$5,000 per month for 10 Gbps.

example, Clearing TPHs have clearing obligations that other market participants do not have. Market-Makers have quoting obligations that other market participants do not have. There is a history in the options markets of providing preferential treatment to Customers, as they often do not have as sophisticated trading operations and systems as other market participants, which often makes other market participants prefer to trade with Customers. Further, the Exchange fees and rebates, both current and those proposed to be changed, are intended to encourage market participants to bring increased volume to the Exchange (which benefits all market participants), while still covering Exchange costs (including those associated with the upgrading and maintenance of Exchange systems).

The Exchange does not believe that the proposed rule changes will impose any burden on intermarket competition that is not necessary or appropriate in furtherance of the purposes of the Act because the proposed changes are intended to promote competition and better improve the Exchange's competitive position and make CBOE a more attractive marketplace in order to encourage market participants to bring increased volume to the Exchange (while still covering costs as necessary). Further, the proposed changes only affect trading on CBOE. To the extent that the proposed changes make CBOE a more attractive marketplace for market participants at other exchanges, such market participants are welcome to become CBOE market participants.

#### *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 written comments on the proposed rule change.

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

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A) of the Act<sup>19</sup> and paragraph (f) of Rule 19b-4<sup>20</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

<sup>19</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>20</sup> 17 CFR 240.19b-4(f).

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-2015-005 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-2015-005. 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-2015-005 and should be submitted on or before February 20, 2015.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>21</sup>

**Jill M. Peterson,**  
Assistant Secretary.

[FR Doc. 2015-01753 Filed 1-29-15; 8:45 am]

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-74142; File Nos. SR-FICC-2014-810; SR-NSCC-2014-811; SR-DTC-2014-812]

### Self-Regulatory Organizations; Fixed Income Clearing Corporation; National Securities Clearing Corporation; the Depository Trust Company; Notice of No Objection to Advance Notices, as Amended, To Amend and Restate the Third Amended and Restated Shareholders Agreement, Dated as of December 7, 2005

January 27, 2015.

On November 5, 2014, Fixed Income Clearing Corporation ("FICC"), National Securities Clearing Corporation ("NSCC"), and The Depository Trust Company ("DTC," together with FICC and NSCC, "Clearing Agencies") filed with the Securities and Exchange Commission ("Commission") advance notices SR-FICC-2014-810, SR-NSCC-2014-811 and SR-DTC-2014-812 ("Advance Notices"), pursuant to Section 806(e)(1) of the Payment, Clearing, and Settlement Supervision Act of 2010 ("Clearing Supervision Act")<sup>1</sup> and Rule 19b-4(n)(1)(i) under the Securities Exchange Act of 1934.<sup>2</sup> On November 17, 2014, the Clearing Agencies each filed Amendments No. 1 to the Advance Notices.<sup>3</sup> On November 17, 2014 FICC withdrew Amendment No. 1 and filed Amendment No. 2 to advance notice SR-FICC-2014-810.<sup>4</sup> The Advance Notices, as amended, were published for comment in the **Federal Register** on December 11, 2014.<sup>5</sup> On December 31, 2014, the Commission published notice of its extension of the review period for the Advance Notices.<sup>6</sup>

<sup>21</sup> 17 CFR 200.30-3(a)(12).

<sup>1</sup> 12 U.S.C. 5465(e)(1).

<sup>2</sup> 17 CFR 240.19b-4(n)(1)(i).

<sup>3</sup> NSCC and DTC filed Amendment Nos. 1 to provide additional description of the changes proposed in advance notices SR-NSCC-2014-811 and SR-DTC-2014-812, respectively.

<sup>4</sup> FICC withdrew Amendment No. 1 to advance notice SR-FICC-2014-810 due to an error in filing the amendment. FICC filed Amendment No. 2 to advance notice SR-FICC-2014-810 in order to provide additional description of the changes proposed in the advance notice.

<sup>5</sup> Release No. 34-73755 (Dec. 5, 2014), 79 FR 73665 (Dec. 11, 2014).

<sup>6</sup> Release No. 34-73975 (Dec. 31, 2014), 80 FR 918 (Jan. 7, 2015).

The Commission did not receive any comments on the Advance Notices. This publication serves as notice of no objection to the Advance Notices, as amended.

#### I. Description of the Advance Notices

The Advance Notices are a proposal by the Clearing Agencies, which are wholly owned subsidiaries of the Depository Trust and Clearing Corporation ("DTCC"), to amend and restate their Third Amended and Restated Shareholders Agreement, dated as of December 7, 2005 ("Existing Shareholders Agreement")<sup>7</sup> — a single agreement covering all of the Clearing Agencies and their respective members and participants ("Members"). The Clearing Agencies state that the proposed revisions to the Existing Shareholders Agreement ("Revised Shareholders Agreement") are the product of a comprehensive review by DTCC of its ownership, governance, and capital structure, undertaken for the purposes of increasing the financial resources available to support the conduct of the businesses of the Clearing Agencies and enhancing regulatory risk management.

With the Advance Notices of the Revised Shareholders Agreement, the Clearing Agencies propose: (1) To issue new common stock of DTCC ("Common Shares"), which mandatory common shareholders ("Mandatory Shareholders")<sup>8</sup> will be required to purchase, upon approval by the DTCC Board of Directors ("Board") and two-thirds of Mandatory Shareholders; (2) to buyback such newly issued Common Shares From Mandatory Shareholders, at the Board's discretion and approval; (3) to modify the formula for allocating Common Shares among shareholders ("Common Shareholders"); (4) to modify the formula for pricing the Common Shares; (5) to remove restrictions on the frequency with which DTCC can reallocate Common Shares; and (6) make other conforming and technical changes. Details of these proposed changes are summarized below.

<sup>7</sup> When the changes proposed in the Advance Notices become effective, the title of the Existing Shareholders Agreement will become the "Fourth Amended and Restated Shareholders Agreement."

<sup>8</sup> Pursuant to the Existing Shareholders Agreement and the rules of each of the Clearing Agencies, some Members, generally full-service Members, are required to own Common Shares (*i.e.*, Mandatory Shareholders) while other Members, generally limited-service Members, are permitted but not required to own such shares ("Voluntary Shareholders"). Further, certain Members are not permitted to purchase and own Common Shares or become parties to the Existing Shareholders Agreement.