

the discretion of the then-existing Independent Board Members.

8. The Advisor will provide the Board, no less frequently than quarterly, with information about the profitability of the Advisor on a per Subadvised Series basis. The information will reflect the impact on profitability of the hiring or termination of any sub-advisor during the applicable quarter.

9. Whenever a sub-advisor is hired or terminated, the Advisor will provide the Board with information showing the expected impact on the profitability of the Advisor.

10. Whenever a sub-advisor change is proposed for a Subadvised Series with an Affiliated Sub-Advisor or a Wholly-Owned Sub-Advisor, the Board, including a majority of the Independent Board Members, will make a separate finding, reflected in the Board minutes, that such change is in the best interests of the Subadvised Series and its shareholders, and does not involve a conflict of interest from which the Advisor or the Affiliated Sub-Advisor or Wholly-Owned Sub-Advisor derives an inappropriate advantage.

11. No Board member or officer of a Subadvised Series, or partner, director, manager, or officer of the Advisor, will own directly or indirectly (other than through a pooled investment vehicle that is not controlled by such person), any interest in a Sub-Advisor, except for (a) ownership of interests in the Advisor or any entity, other than a Wholly-Owned Sub-Advisor, that controls, is controlled by, or is under common control with the Advisor, or (b) ownership of less than 1% of the outstanding securities of any class of equity or debt of a publicly traded company that is either a Sub-Advisor or an entity that controls, is controlled by, or is under common control with a Sub-Advisor.

12. Any new Sub-Advisory Agreement or any amendment to a Series' existing Investment Management Agreement or Sub-Advisory Agreement that directly or indirectly results in an increase in the aggregate advisory fee rate payable by the Series will be submitted to the Series' shareholders for approval.

13. Each Subadvised Series will disclose the Aggregate Fee Disclosure in its registration statement.

14. In the event the Commission adopts a rule under the Act providing substantially similar relief to that requested in the application, the requested order will expire on the effective date of that rule.

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

Kevin M. O'Neill,

Deputy Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-71758; File No. SR-ISEGemini-2014-09]

Self-Regulatory Organizations; ISE Gemini, LLC; Notice of Filing of Proposed Rule Change Related to Market Maker Risk Parameters

March 20, 2014.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the "Act"),¹ and Rule 19b-4 thereunder,² notice is hereby given that on March 10, 2014, ISE Gemini, LLC (the "Exchange" or "Topaz") filed with the Securities and Exchange Commission ("Commission") the proposed rule change as described in Items I and II below, which items have been prepared by the Exchange. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

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

The Exchange proposes to amend its rules to mitigate market maker risk by adopting an Exchange-provided risk management functionality. The text of the proposed rule change is available on the Exchange's Web site www.ise.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 self-regulatory organization 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

Pursuant to ISE Gemini Rule 804, the Exchange automatically removes a market maker's quotes in all series of an options class when certain parameter settings are triggered. Specifically, there are four parameters that can be set by market makers on a class-by-class basis. These parameters are available for market maker quotes in single options series. Market makers establish a time frame during which the system calculates: (1) The number of contracts executed by the market maker in an options class; (2) the percentage of the total size of the market maker's quotes in the class that has been executed; (3) the absolute value of the net between contracts bought and contracts sold in an options class, and (4) the absolute value of the net between (a) calls purchased plus puts sold, and (b) calls sold plus puts purchased. The market maker establishes limits for each of these four parameters, and when the limits are exceeded within the prescribed time frame, the market maker's quotes in that class are removed or curtailed.³ The Exchange also recently adopted another risk management parameter that allows market maker quotes to be removed from the trading system if a specified number of curtailment events occur across the ISE Gemini market. If the specified number of curtailment events is exceeded within the prescribed time period, the market maker's quotes in all classes in which it makes a market are automatically removed from the trading system.⁴ It is mandatory for market makers to enter values into all of the quotation risk management parameters for all options classes in which it enters quotes.

The Exchange now proposes to further enhance its risk management offering for market maker quotes. Specifically, the Exchange proposes to implement functionality to allow market maker quotes to be removed from the trading system if a specified number of curtailment events occur across ISE Gemini and International Securities Exchange, LLC ("ISE"). The Exchange notes that a single trading system

³ See Securities Exchange Act Release No. 70644 (October 9, 2013), 78 FR 62785 (October 22, 2013) (SR-Topaz-2013-06).

⁴ See Securities Exchange Act Release No. 71447 (January 30, 2014), 79 FR 6956 (February 5, 2014) (SR-Topaz-2014-04).

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

governs the trading activity on ISE Gemini and ISE.⁵

As proposed, market makers who choose to use this risk management tool must request each exchange to set the proposed market wide parameter to govern its trading activity across both markets. Once this parameter is set, the trading system will count the number of times a market maker's pre-set curtailment occurs on each exchange, as specified in ISE Gemini Rule 804(g), and sum them together. Once the sum of the specified number of curtailment events across both markets has been reached, the trading system will remove all of the market maker's quotes in all classes on both ISE Gemini and ISE in which that market maker makes a market thereby reducing the risk to the market maker in the event the market maker is suffering from a systems issue or due to the occurrence of unusual or unexpected market activity. Any quotes sent by the market maker after the market wide parameter across both markets has been triggered will be rejected until such time that the market maker notifies the market operations staff that supports each exchange that it is ready to come out of its curtailment.⁶ In the interest of maintaining fair and orderly markets, ISE Gemini believes it is important that market makers communicate their readiness to Exchange staff in a non-automated manner, such as by email or telephone. Once notified by the market maker, the market operations staff for each exchange will reactivate the market maker's quotes on both ISE Gemini and ISE and market makers on both ISE Gemini and ISE will once again be active in the options classes in which they make markets.

To illustrate how the proposed market wide parameter would apply when set for both ISE Gemini and ISE, suppose market maker WXYZ, who is a member of both ISE Gemini and ISE, makes a market in 50 options classes on ISE Gemini and in 50 options classes on ISE, sets the proposed market wide parameter so that it is triggered at 60 curtailment events within a 30 second

time period. On a given trading day, if market maker WXYZ is curtailed, within the prescribed time period, 35 times across all the options classes in which it makes a market on ISE Gemini and 25 times across all the options classes in which it makes a market on ISE then ISE Gemini will remove all of market maker WXYZ's quotes on ISE Gemini and ISE will remove all of market maker WXYZ's quotes on ISE. The 60 curtailment events can occur in just one class or in any number of classes in which market maker WXYZ makes a market.

While the proposed risk management functionality is a useful feature that serves an important risk management purpose, it operates consistent with the firm quote obligations of a broker-dealer pursuant to Rule 602 of Regulation NMS. Specifically, any marketable orders or quotes that are executable against a market maker's quotes that are received prior to the time this functionality is engaged will be automatically executed at the price up to the market maker's size, regardless of whether such execution results in executions in excess of the market maker's pre-set parameters.

The proposed market wide parameter is meant to provide market makers with protection across both ISE Gemini and ISE from the risk of multiple executions across multiple series of an option or across multiple options. The risk to market makers is not limited to a single series in an option or even to all series in an option. Nor is this risk limited to a single market. Market makers that quote in multiple series of multiple options on multiple markets have significant exposure, requiring them to offset or hedge their overall positions. The proposed functionality will be useful for market makers, who are required to continuously quote in assigned options classes on ISE Gemini and ISE. Quoting across many series in an option or multiple options creates the possibility of executions that can create large, unintended principal positions that could expose market makers to unnecessary risk. The proposed functionality is intended to assist market makers in managing their market risk, and providing deep and liquid markets for the benefit to all investors.

While the Exchange is adopting the proposed functionality following consultation with market makers, usage of the proposed market wide parameter will not be mandatory. Further, the Exchange notes that market makers who prefer to use their own risk management systems can set values that assure the Exchange-provided parameter will not

be triggered.⁷ Accordingly, the proposal does not require members to manage their risk using the Exchange-provided tools. The Exchange will provide at least two weeks' notice to members via an Exchange circular prior to implementing the proposed functionality to allow members the opportunity to perform any system changes.

2. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Securities Exchange Act of 1934 (the "Act")⁸ in general, and furthers the objectives of Section 6(b)(5) of the Act⁹ in particular, in that it is designed to promote just and equitable principles of trade, to remove impediments to and perfect the mechanism for a free and open market and a national market system, and, in general, to protect investors and the public interest.

The Exchange currently provides market makers with a risk management tool that allows market maker quotes to be removed from the trading system if a specified number of curtailment events occur across ISE Gemini. The Exchange believes the proposed rule change is appropriate and reasonable because it enhances each Exchange's [sic] current risk management offering by allowing market makers to manage their risk across ISE Gemini and ISE and thereby strengthen their ability to manage risk across both markets. The proposed market wide parameter will protect market makers across both markets from inadvertent exposure to excessive risk and thereby allow market makers to quote aggressively and provide more liquidity with greater size to both markets which promotes just and equitable principles of trade and removes impediments to a free and open market to the benefit of investors.

The Exchange believes it will not be unreasonably burdensome for market makers who choose to utilize the proposed functionality to set values into the proposed risk parameter, as all market makers currently utilize the Exchange's risk management functionality, all of which are mandatory, as noted above. Moreover, the Exchange is proposing this rule change at the request of its market makers to further reduce their risk in the event the market maker is suffering from a systems issue or due to the occurrence of unusual or unexpected market activity. As discussed above, the

⁵ See Exchange Act Release No. 70050 (July 26, 2013), 78 FR 46622 (August 1, 2013) (In the Matter of the Application of Topaz Exchange, LLC for Registration as a National Securities Exchange). Section D. *Trading System*, 4. Order Display, Execution, and Priority discusses variously the similarities between ISE Gemini and ISE.

⁶ *Id.* Pursuant to a facilities management agreement entered into by Topaz Exchange with ISE, ISE provides certain services, for example, business management services, facilities management services, IT services, fiscal services, as well as Commission and other regulatory compliance services and other legal services, such as surveillance programs, legal programs, systems and other operational services, which include services provided by the market operations staff.

⁷ For example, a market maker could set the value for the total number of curtailment events across both markets at a high number so as not to trigger the Exchange-provided parameter.

⁸ 15 U.S.C. 78f(b).

⁹ 15 U.S.C. 78f(b)(5).

proposed market wide parameter will protect ISE Gemini and ISE market makers from inadvertent exposure to excessive risk across both markets. Reducing such risk will enable market makers to enter quotations without any fear of inadvertent exposure to excessive risk, which in turn will benefit investors through increased liquidity for the execution of their orders. Such increased liquidity benefits investors because they receive better prices and because it lowers volatility in the options market.

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

The proposed rule change does not impose any burden on competition. The proposed rule change is meant to protect market makers from inadvertent exposure to excessive risk when trading on both ISE Gemini and ISE. Accordingly, the proposed rule change will have no impact on competition. Market makers are not required to use the proposed functionality and may use their own risk-management systems and can enter out-of-range values so that the Exchange-provided parameters will not be triggered. Accordingly, the proposal does not require members to manage their risk using an Exchange-provided tool.

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

The Exchange has not solicited, and does not intend to solicit, comments on this proposed rule change. The Exchange has not received any unsolicited written comments from members or other interested parties.

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

Within 45 days of the publication date of this notice in the **Federal Register** or within such longer period up to 90 days (i) as the Commission may designate if it finds such longer period to be appropriate and publishes its reasons for so finding or (ii) as to which the self-regulatory organization consents, the Commission will:

- (A) By order approve or disapprove such proposed rule change; or
- (B) institute proceedings to determine whether the proposed rule change should be disapproved.

IV. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether the proposed rule

change is consistent with the Act. Comments may be submitted by any of the following methods:

Electronic Comments

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>); or
- Send an email to rule-comments@sec.gov. Please include File Number SR-ISEGemini-2014-09 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-ISEGemini-2014-09. 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 inspection and copying in the Commission's Public Reference Room, 100 F Street NE., Washington, DC 20549-1090, on official business days between the hours of 10:00 a.m. and 3:00 p.m. Copies of such filing also will be available for inspection and copying at the principal office of the ISE. 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-ISEGemini-2014-09, and should be submitted on or before April 16, 2014.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.¹⁰

Kevin M. O'Neill,

Deputy Secretary.

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¹⁰ 17 CFR 200.30-3(a)(12).

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-71760; File No. SR-ISE-2014-16]

Self-Regulatory Organizations; International Securities Exchange, LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Amend the Schedule of Fees

March 20, 2014.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the "Act"),¹ and Rule 19b-4 thereunder,² notice is hereby given that on March 6, 2013, the International Securities Exchange, LLC (the "Exchange" or the "ISE") filed with the Securities and Exchange Commission the proposed rule change, as described in Items I, II, and III below, which items have been prepared by the self-regulatory organization. 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 ISE proposes to amend its Schedule of Fees to waive DTR approval fees charged to affiliated CMMs. The text of the proposed rule change is available on the Exchange's Web site (<http://www.ise.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 self-regulatory organization 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 self-regulatory organization 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 purpose of this proposed rule change is to amend the Schedule of Fees to waive the Designated Trading

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.