policies and procedures according to their business model and the risk profile of their activities'' [44] and that requiring delivery of duplicate account statements would eliminate this flexibility. More importantly, FINRA Rule 3110 regarding broker-dealer supervision establishes the obligation for a member to include in its supervisory procedures a process for the review of securities transactions that are/is reasonably designed to identify trades that may violate the provisions of the Exchange Act, the rules thereunder, or FINRA rules prohibiting insider trading and manipulative and deceptive practices that are effected for, among other things, covered accounts.

In consolidating the overlapping rules, FINRA proposed deleting certain provisions [45] and amending other provisions. In particular, the proposed rule change would amend the definition of ''beneficial interest'' to create a rebuttable presumption that an associated person holds a beneficial interest in the financial accounts of certain related and other persons. The Commission recognizes commenters' concerns that, as a result of this change, an associated person may not always be able to obtain a spouse's duplicate account statements. Specifically, the two commenters argued that family arrangements are diverse, and that an associated person could have difficulty complying with the rule in the event of pending separation or divorce from a spouse.[46] One of the commenters also suggested that these concerns could extend, for example, to the accounts of a child of an associated person's spouse.[47] However, we believe that FINRA's proposal strikes an appropriate balance between the regulatory interests in facilitating adequate supervision over accounts in which the associated person has a beneficial interest, and the possibility that an associated person may not be able to obtain duplicate account statements in certain limited circumstances.

Another commenter argued that additional types of transactions and accounts should be excluded from the obligations of the proposed rule, asserting that they pose limited risks with respect to the need to oversee associated persons' accounts.[48] This commenter recommended that FINRA exempt transactions in ''all insurance contracts that are securities'' from the obligation to provide the employer member with duplicate account documents.[49] Although FINRA declined to except insurance products from the rule's requirements, it agreed to ''consider whether further exceptions are appropriate based on the attributes of specific insurance products.'' [50]

In sum, the Commission believes that the proposal would help protect investors and the public interest by establishing a framework through which a member can adequately supervise securities-related activities of their associated persons at firms other than the one with which they are associated.[51] We also believe this rule makes the core supervisory obligation more operationally workable for employer firms.

In addition, the proposal enables members to design a supervisory system that suits their respective business model and risk profiles. In this regard, the proposal would allow firms to decide, based on their respective business model and potential risks, whether to approve outside accounts and whether the firm wants to receive duplicate account statements and other related account documents. For example, FINRA states that members could impose obligations on their associated persons beyond those required by the proposal, such as ''tak[ing] a more expansive view of the accounts the associated person should disclose than is otherwise required by the [proposed] rule.'' [52]

The Commission believes that FINRA gave due consideration to the proposal and met the requirements of the Exchange Act. For these reasons, the Commission finds that the proposed rule change is consistent with the Exchange Act and the rules and regulations thereunder.

V. Conclusion

It is therefore ordered pursuant to Exchange Act section 19(b)(2) [53] that the proposal (SR–FINRA–2015–029), as modified by the Amendments, be and hereby is approved.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.[54]

Robert W. Errett,

Deputy Secretary.

[FR Doc. 2016–08423 Filed 4–12–16; 8:45 am]

BILLING CODE 8011–01–P

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–77554; File No. SR–CBOE–2016–023]

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

April 7, 2016.

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 April 1, 2016, 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 adopt the Frequent Trader Program. The text of the proposed rule change is available on the Exchange's Web site (*http://www.cboe.com/AboutCBOE/CBOELegalRegulatoryHome.aspx*), at

---

[44] *See* FINRA Response Letter; *also see* Notice and Order Instituting Proceedings.

[45] For example, the proposed rule would not include existing NASD rules that affect accounts over which associated persons make investment decisions or have discretionary authority to the proposed new rule. FINRA believes that the activities in these types of accounts involve private securities transactions subject to FINRA Rule 3280, making application of the proposed new rule redundant. *See* Notice and FINRA's Response Letter.

[46] *See* SIFMA Letter; FOLIO*fn* Letter.

[47] *See* FOLIO*fn* Letter.

[48] *See* Sutherland Letter.

[49] *Id.*

[50] *See* FINRA Response Letter; *see also* Order Instituting Proceedings.

[51] FINRA Rule 3110(d) (Transaction Review and Investigation) requires that a member's supervisory procedures include a process for reviewing securities transactions effected in, among others, accounts of their associated persons, reasonably designed to identify trades that may violate the provisions of the Exchange Act, its regulations, or FINRA rules prohibiting insider trading and manipulative and deceptive devices. *See* FINRA Response Letter.

[52] *See* FINRA Response Letter; *see also* FINRA Response Letter (stating that ''the rule [does not] limit the employer member's discretion to set requirements with respect to the holding of outside accounts''); *see also* FINRA Response Letter (stating that ''the rule does not prevent employer members from crafting policies and procedures that require associated persons to disclose the types of transactions and accounts specified under [proposed FINRA Rule 3210.03] and to provide related information'').

Similarly, FINRA notes that ''the rule does not limit the discretion of executing members to craft policies and procedures with respect to the account activity of persons associated with other firms.'' *See* FINRA Response Letter.

[53] 15 U.S.C. 78s(b)(2).

[54] 17 CFR 200.30–3(a)(12).

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

[2] 17 CFR 240.19b–4.

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 the Statutory Basis for, the Proposed Rule Change

1. Purpose

The Exchange proposes to amend its Fees Schedule, effective April 1, 2016. Specifically, the Exchange proposes to adopt a program that offers transaction fee rebates to Customers (origin code ''C'') that meet certain volume thresholds in CBOE VIX Volatility Index options (''VIX options'') and S&P 500 Index options (''SPX''), weekly S&P 500 options (''SPXW'') and p.m.-settled SPX Index options (''SPXpm'') (collectively referred to as ''SPX options'') provided the Customer registers for the program (the ''Frequent Trader Program'' or ''Program''). A Customer for purposes of this program would be any non-Trading Permit Holder, non-broker dealer non-Professional.

To participate in the Frequent Trader Program, Customers would have to register with the Exchange at the Frequent Trader Web site by providing certain information such as their name and contact information. Once registered, the Customer would be provided a unique identification number (''FTID'') that can be affixed to each of its orders.[3] The FTID allows the Exchange to identify and aggregate all electronic and manual trades during both the Regular Trading Hours and Extended Trading Hours sessions from that Customer for purposes of determining whether the Customer meets any of the various volume thresholds. The Customer would have to provide its FTID to the Trading Permit Holder (''TPH'') submitting that Customer's order to the Exchange (''executing agent'' or ''executing TPH'') and that executing TPH would have to enter the Customer's FTID on each of that Customer's orders. The Exchange notes that it would be the responsibility of the Customer to request that the executing TPH affix its FTID to its order(s), but that it would be voluntarily for the executing TPH to do so. The Exchange would then aggregate the Customer's volume (for which their FTID was entered) on a monthly basis for each of VIX and SPX options. If the Customer meets the thresholds shown below, it would receive a rebate on its VIX and/or SPX options transaction fees, respectively, as indicated below.[4] The Exchange notes that although all executed contracts with an FTID will count towards the qualifying volume thresholds, the rebates will be based on the actual amount of fees assessed in accordance with the Fees Schedule (*e.g.*, if a Customer submits a VIX order for 30,000 contracts, pursuant to the current Fees Schedule, that customer would be assessed fees for only the first 15,000 contracts under the Customer Large Trade Discount Program. Therefore, while all 30,000 contracts would count when determining the tier, the customer's rebate would be based on the amount of the fees assessed for 15,000 contracts, not on the value of the total 30,000 contracts executed). The thresholds and rebates are as follows:

VIX			SPX, SPXW, SPXpm		
Tier	Monthly VIX contracts traded	VIX fee rebate (percent)	Tier	Monthly SPX, SPXW, SPXpm contracts traded	SPX, SPXW, SPXpm fee rebate (percent)
1	5,000–9,9999	5	1	12,000–19,999	5
2	10,000–19,999	10	2	20,000–49,999	10
3	20,000 and above	15	3	50,000 and above	15

The Exchange notes that the highest achieved threshold rebate rate will apply from the first executed contract (*e.g.,* if a Customer executes 14,000 VIX contracts in a month, the Tier 2 10% rebate rate would apply to all 14,000 VIX contracts). The Exchange believes the tiered program incentivizes the sending of Customer orders to the Exchange while maintaining an incremental incentive for Customer's to strive for the highest tier level. The Exchange also notes that the volume thresholds for SPX options is higher than for VIX in light of its mature and established position in the industry.

Lastly, the Exchange proposes to provide that it will distribute a customer's rebate pursuant to the customer's instructions, which may include receiving the rebate as a direct payment or via a distribution to one or more of its executing Clearing Trading Permit Holders.

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.[5] Specifically, the Exchange believes the proposed rule change is consistent with the section 6(b)(5)[6] 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

[3] The Exchange notes that it will not disclose the list or details of customers who have a FTID to any party, and there will be no public record of FTID owners. Any personal information provided to the Exchange in connection with the Frequent Trader Program will be handled in a manner consistent with the Frequent Trader Program Privacy Policy, a copy of which can be accessed through the Frequent Trader Program Web site at *https://www.cboe.com/ftid/registration.aspx.*

[4] The Exchange notes that only transaction fees would be discounted (*i.e.*, no other surcharges, such as the Customer Priority Surcharges, would be rebated or discounted).

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

[6] 15 U.S.C. 78f(b)(5).

investors and the public interest. The Exchange also believes the proposed rule change is consistent with section 6(b)(4) of the Act,[7] which provides that Exchange rules may provide for the equitable allocation of reasonable dues, fees, and other charges among its Trading Permit Holders.

The adoption of the Frequent Trader Program is reasonable because it will allow Customers who register for the program an opportunity to receive certain rebates for reaching certain trading volume thresholds. The Exchange notes that it is voluntary for Customers to choose whether or not to register for the program and whether to request that their unique FTID be appended to their orders. The Program is also voluntary for executing TPHs who have the option of choosing not to participate (*i.e.,* they may decline to append FTID numbers on Customer orders). Additionally, the Exchange notes that incentive programs based on Customer volume already exist elsewhere within the industry.[8]

The Exchange believes it's equitable and not unfairly discriminatory to establish the program for Customers only because this is designed to attract a greater number of customer VIX and SPX orders. This increased volume creates greater trading opportunities that benefit all market participants. Specifically, while only Customer orders qualify for the proposed rebates under the Frequent Trader Program, an increase in customer order flow will bring greater volume and liquidity, which benefit all market participants by providing more trading opportunities and tighter spreads. Moreover, the options industry has a long history of providing preferential pricing to Customers. In addition the Exchange believes the proposed program is equitable and not unfairly discriminatory because any Customer (that is not a CBOE TPH, broker-dealer or Professional) may avail itself of this program provided it registers with the Exchange.

The Exchange believes limiting the Program to VIX and SPX options is equitable and not unfairly discriminatory because the Exchange has expended considerable time and resources in developing these products. The Frequent Trader Program is designed to encourage greater customer VIX and SPX options trading, which, along with bringing greater VIX and SPX options trading opportunities to all market participants, would bring in more fees to the Exchange, and such fees can be used to recoup the Exchange's costs and expenditures from developing and maintaining VIX and SPX options. The Exchange believes it's equitable and not unfairly discriminatory to establish higher threshold tiers for the SPX product group because the SPX product group has reached a mature and established level while VIX has not.

The Exchange believes it's reasonable, equitable and not unfairly discriminatory to include all of a customer's VIX and SPX executed contracts with an FTID towards the respective qualifying thresholds because the Exchange wishes to support and encourage customers to provide greater order flow in these classes, which allows for price improvement and has a number of positive impacts on the market system. The Exchange also believes however, that it's reasonable, equitable and not unfairly discriminatory to base the rebate off the amount of transaction fees that would be assessed pursuant to the Fees Schedule (as opposed to being based off the ''theoretical'' fee value of all contracts executed) because the Exchange does not want to provide rebates on contracts for which it is not also collecting transaction fees.

Lastly, the Exchange believes it's reasonable, equitable and not unfairly discriminatory to provide Customers a choice as to how their payment is delivered. Providing Customers with the option of requesting to receive their rebates under the Frequent Trader Program as separate direct payments or via a distribution to one or more of its executing Clearing Trading Permit Holders will provide Customers with a convenient manner in which to receive their rebates, which perfects the mechanism for a free and open market.

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 because, while the rebates apply only to Customers, the Program is designed to encourage increased Customer VIX and SPX options volume, which provides greater trading opportunities for all market participants. Additionally, there is a history in the options markets of providing preferential treatment to Customers. The Exchange believes that the proposed rule change will not cause an unnecessary burden on intermarket competition because VIX and SPX products are only traded 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 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[9] and paragraph (f) of Rule 19b–4[10] 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.* Please include File Number SR–CBOE–2016–023 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–2016–023. 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

[7] 15 U.S.C. 78f(b)(4).

[8] *See e.g.*, CBOE Fees Schedule, the Volume Incentive Program; and NASDAQ PHLX LLC Pricing Schedule, Section B. Customer Rebate Program.

[9] 15 U.S.C. 78s(b)(3)(A).

[10] 17 CFR 240.19b–4(f).

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–2016–023, and should be submitted on or before May 4, 2016.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.[11]

Robert W. Errett,

Deputy Secretary.

[FR Doc. 2016–08427 Filed 4–12–16; 8:45 am]

BILLING CODE 8011–01–P

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–77553; File No. SR–CBOE–2016–009]

Self-Regulatory Organizations; Chicago Board Options Exchange, Incorporated; Order Approving a Proposed Rule Change Relating to LMMs and DPMs

April 7, 2016.

I. Introduction

On February 8, 2016, Chicago Board Options Exchange, Incorporated (the ''Exchange'' or ''CBOE'') filed with the Securities and Exchange Commission (the ''Commission''), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (''Act'' or ''Exchange Act'')[1] and Rule 19b–4 thereunder,[2] a proposed rule change to amend its rules relating to Lead Market-Makers (''LMMs''), Designated Primary Market-Makers (''DPMs'') and Supplemental Market-Makers (''SMMs''). The proposed rule change was published for comment in the **Federal Register** on February 26, 2016.[3] The Commission received no comments on the proposal. This order approves the proposed rule change.

II. Description of the Proposed Rule Change[4]

The Exchange proposes to (i) reorganize, simplify and make consistent certain text relating to LMM and DPM obligations generally, (ii) amend its Rules related to LMMs, (iii) delete outdated references in its Rules to SMMs and other obsolete language and (iv) make other clarifying changes.

Specifically, the Exchange proposes to make modifications to Rules 8.15 (pertaining to LMMs in Hybrid 3.0 classes), 8.15A (pertaining to LMMs in Hybrid classes) and 8.85 (pertaining to DPMs) to modify the descriptions of certain obligations of LMMs and DPMs (*e.g.,* obligations related to quote accuracy, bid/ask differentials, minimum size and trading rotations, competitive markets and promotion of the Exchange, and material operational or financial change notifications) to be more consistent with each other.[5] The Exchange notes that LMMs and DPMs have substantially similar functions and obligations (including the same continuous quoting obligations, along with the same participation entitlement percentages), and therefore, having consistent language with respect to these obligations will simplify its rules and reflect the similar roles served by LMMs and DPMs.[6]

Of significance, CBOE proposes to change the opening quoting obligations of LMMs and DPMs. CBOE Rules 8.15A(b)(iv) and 8.85(a)(xi) require LMMs and DPMs, respectively, to ensure that a trading rotation is initiated *promptly* following the opening of the underlying security in 100% of the series of each allocated class by entering opening quotes as necessary. The Exchange proposes to modify the opening quote requirement to require that opening quotes must be entered within *one minute* in any series that is not open due to the lack of a quote. The proposed rule change also modifies the Rules' language to provide that the timing of the opening quoting obligation begins after the initiation of an opening rotation on the Exchange rather than after the opening of the underlying security.[7]

CBOE also proposes to impose a continuous quoting obligation on LMMs in Hybrid 3.0 classes.[8] LLMs in Hybrid classes currently must provide continuous electronic quotes in the lesser of 99% of the non-adjusted option series or 100% of the non-adjusted option series minus one call-put pair, with the term ''call-put pair'' referring to one call and one put that cover the same underlying instrument and have the same expiration date and exercise price.[9] According to CBOE, its rules currently do not prescribe for LMMs a continuous electronic quoting requirement for Hybrid 3.0 classes, though CBOE has historically assumed a requirement of at least 90% of the series of each appointed class for 99% of the time.[10] CBOE now proposes to codify for LMMs a continuous quoting requirement for Hybrid 3.0 classes to be identical to the existing requirement for LMMs assigned to Hybrid classes.[11]

The Exchange also proposes modifications to Rules 8.15, 8.15A, 8.83 and 8.85 as they relate to the Off-Floor DPM and Off-/On-Floor LMM programs. For instance, CBOE proposes to amend Rule 8.83(g) to conform Hybrid 3.0 classes to Hybrid classes by providing that in a Hybrid 3.0 class in which an Off-Floor DPM has been appointed, the Exchange also would be permitted to appoint an On-Floor LMM, which would be eligible to receive a participation entitlement under current

[11] 17 CFR 200.30–3(a)(12).

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

[2] 17 CFR 240.19b–4.

[3] *See* Securities Exchange Act Release No. 77200 (February 22, 2016), 81 FR 9910 (''Notice'').

[4] A more detailed description of the proposed rule change appears in the Notice. *See* Notice, *supra* note 3.

[5] *See* Notice, *supra* note 3, at 9913.

[6] *See id.* Currently, the primary difference between LMMs and DPMs relates to their appointment terms. An LMM receives an appointment for a limited term (*e.g.,* one month), while a DPM serves in that role until it resigns or the Exchange removes it from that role pursuant to Rule 8.90.

[7] *See* Notice, *supra* note 3, at 9913.

[8] *See* Notice, *supra* note 3, at 9915.

[9] *See* CBOE Rule 8.15A(b)(i).

[10] *See* Notice, *supra* note 3, at 9915.

[11] *See id.* As proposed, this obligation would not apply to intra-day add-on series on the day during which such series are added for trading, and would apply to an LMM's appointed classes collectively. CBOE would determine compliance with an LMM's continuous electronic quoting obligation on a monthly basis (however, determining compliance with this obligation on a monthly basis would not relieve an LMM from meeting this obligation on a daily basis, nor would it prohibit the Exchange from taking disciplinary action against an LMM for failing to meet these obligations each trading day). Further, the proposed Rule would provide that when the underlying security for a class is in a limit up-limit down state, LMMs in Hybrid 3.0 classes would have no quoting obligations in the class. The Exchange represents that these obligations are identical to the obligations currently imposed on LMMs in Hybrid classes, as well as DPMs in Hybrid 3.0 classes. *See* Notice, *supra* note 3, at 9915.