requirements on the trading floor to enhance the Exchange's audit trail.

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

Within 45 days of the date of publication 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 Exchange 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–CBOE–2014–029 on the subject line.

Paper Comments

- Send paper comments in triplicate to Secretary, Securities and Exchange Commission, 100 F Street NE., Washington, DC 20549–1090.

All submissions should refer to File Number SR–CBOE–2014–029. 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 20549–1090 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 offices of the Exchange. All comments received will be posted without change; the Commission does not edit personal identifying information from submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR–CBOE–2014–029, and should be submitted on or before April 30, 2014.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.[12]

Kevin M. O'Neill,

Deputy Secretary.

[FR Doc. 2014–07889 Filed 4–8–14; 8:45 am]

BILLING CODE 8011–01–P

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–71862; File No. SR–Topaz–2013–20]

Self-Regulatory Organizations; Topaz Exchange, LLC; Order Granting Approval of Proposed Rule Change, as Modified by Amendment No. 1, to More Specifically Address the Number and Size of Counterparties to a Qualified Contingent Cross Order

April 3, 2014.

I. Introduction

On December 18, 2013, the Topaz Exchange, LLC (d/b/a ISE Gemini) (the ''Exchange'' or ''Topaz'') filed with the Securities and Exchange Commission (''Commission''), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the ''Act''),[1] and Rule 19b–4 thereunder,[2] a proposed rule change notice to amend Rule 715 (Types of Orders) to more specifically address the number and size of counterparties to a Qualified Contingent Cross Order (''QCC Order''). The proposed rule change was published for comment in the **Federal Register** on January 7, 2014.[3] On February 18, 2014, the Commission extended the time period for Commission action to April 7, 2014.[4] On April 2, 2014, the Exchange submitted an amendment to the proposed rule change.[5] This order approves the proposed rule change, as modified by Amendment No. 1.

II. Background

As originally approved on Topaz, a QCC Order was required to be comprised of an order to buy or sell at least 1,000 contracts that is identified as being part of a qualified contingent trade (''QCT''), coupled with a contra-side order to buy or sell an equal number of contracts.[6] Following discussions regarding the QCC Order with Commission staff, the Exchange learned that Commission staff interpreted the Exchange's rules relating to QCC Orders to permit only a single order on the originating side of the QCC Order and a single order on the contra-side, with each such order comprised of a single party and meeting the 1,000 contract minimum size requirement. In a Regulatory Information Circular published by the Exchange on November 25, 2013, the Exchange explained that it had always interpreted the QCC Order definition to mean that a QCC Order must be comprised of an unsolicited order to buy or sell at least 1,000 contracts that is identified as part of a QCT, coupled with a contra-side order that could be made up of multiple orders, each of which could be less than 1,000 contracts.[7] The Exchange also stated that it would seek to amend its rules governing QCC Orders to codify its interpretation in its rules.[8]

On December 18, 2013, the Exchange filed two proposed rule changes with the Commission. In addition to this filing, the Exchange filed SR–Topaz–2013–19, a proposed rule change for immediate effectiveness to amend the definition of a QCC Order such that it must involve a single order for at least 1,000 contracts on the originating side,[9] but may consist of multiple orders on the opposite, contra-side, so long as each contra-side order is for at least

[12] 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. 71209 (December 31, 2013), 79 FR 867 (January 7, 2014).

[4] *See* Securities Exchange Act Release No. 71562 (February 18, 2014), 79 FR 10220 (February 24, 2014).

[5] The Commission notes that Amendment No. 1 is not subject to notice and comment because it does not alter the substance of the proposed rule change or raise any novel regulatory issues, but rather describes how the Exchange surveils QCC Orders. *See* Section III below.

[6] *See* Securities Exchange Act Release No. 70050 (July 26, 2013), 78 FR 46622 (August 1, 2013) (File No. 10–209).

[7] *See* ISE-Gemini Regulatory Information Circular 2013–021 (November 25, 2013).

[8] *Id.*

[9] In the case of Mini Options, the minimum size is 10,000 contracts.

1,000 contracts.[10] In that filing, the Exchange explained,

> It was always the Exchange's intent and understanding when drafting the rule text that a QCC Order could involve multiple contra-parties of the QCC trade when the originating QCC Order consisted of at least 1,000 contracts. However, the rule language addressing the contra-side of a QCC Order is drafted from the perspective of how the QCC Order gets entered into the Exchange system. Specifically, the contra-side order to a QCC Order will always be entered as a single order, even if that order consists of multiple contra-parties who are allocated their portion of the trade in a post-trade allocation. Notwithstanding the foregoing, the literal wording of the current QCC Order rule could result in a more limited interpretation of the rule. Therefore, the Exchange now proposes to make it clear that a QCC Order must involve a single order for at least 1,000 contracts on the originating side, but that it may consist of multiple orders on the opposite, contra-side, so long as each of the contra-side orders is for at least 1,000 contracts.[11]

III. Description of the Proposed Rule Change

In this filing, the Exchange proposes to remove the requirement that contra-side orders of QCC Orders be for at least 1,000 contracts each, thus permitting multiple contra-side orders on a QCC Order with a total number of contracts equaling the originating order size, but without any size requirement for such contra-side orders. Under this proposal, the requirements for the QCC Order's originating order remain unchanged, and thus would require the originating order to be a single order for a single party of at least 1,000 contracts, and the QCC Order must also continue to satisfy all other requirements of a QCC Order under the Exchange's rules.

The Exchange believes that removing the size limit placed on contra-parties to QCC Orders may increase liquidity and, potentially, improve the prices at which QCC Orders get executed, as the Exchange states that the ability for market participants to provide liquidity in response to large sized orders is directly proportional to the size and associated risk of the resulting position. As support, the Exchange states that smaller sized trades are often done at a better price than larger sized trades, which convey more risk. The Exchange believes that the ability to pool together multiple market participants to participate on the contra-side of a trade for any size, as opposed to only allowing market participants to participate for a minimum of 1,000 contracts, would have a direct and positive impact on the ability of those market participants to provide the best price as they compete to participate in the order without being compelled to provide liquidity with a large minimum quantity. Further, the Exchange states that allowing several participants to offer liquidity to a QCC Order serves to ensure that the order receives the best possible price available in the market and argues that restricting interaction to only participants who are willing to trade a minimum of 1,000 contracts simply guarantees an inferior price because a trade will be limited to few liquidity providers who are taking on more risk as opposed to multiple liquidity providers being able to share the overall risk and trade at a better price.

In the proposal, the Exchange stresses that the concern has always been and should continue to be for the originating order—*i.e.,* the unsolicited part of the order that is seeking liquidity—and not the professional responders and providers of liquidity. The Exchange believes that allowing smaller orders to participate on the other side (*i.e.,* contra-side) of QCC Orders not only provides the best price and opportunity for a trade to occur in a tight and liquid market, but ensures that the highest possible number of liquidity providers are able to participate, and states that limiting participation only to liquidity providers who are willing to participate on the trade for 1,000 contracts conversely could result in an inferior price by shutting out some participants due to the large size and thereby minimizing the opportunity for competition and price improvement.

In Amendment No. 1, the Exchange represents that it tracks and monitors QCC Orders to determine which is the originating/agency side of the order and which is the contra-side(s) of the order to ensure that Members are complying with the minimum 1,000 contract size limitation on the originating/agency side of the QCC Order. The Exchange states that it checks to see if Members are aggregating multiple orders to meet the 1,000 contract minimum on the originating/agency side of the trade in violation of the requirements of the rule. The rule requires that the originating/agency side of the trade consist of one party who is submitting a QCC Order for at least 1,000 contracts. The Exchange represents that it enforces compliance with this portion of the rule by checking to see if a Member breaks up the originating/agency side of the order in a post trade allocation to different clearing firms, allocating less than 1,000 contracts to a party or multiple parties. For example, a Member enters a QCC Order into the system for 1,500 contracts and receives an execution. Subsequent to the execution, the Member allocates the originating/agency side of the order to two different clearing firms on a post trade allocation basis, thereby allocating 500 contracts to one clearing firm and 1,000 contracts to another clearing firm. The Exchange states that this type of transaction would not meet the requirements of a QCC Order under the current rule.

With regard to order entry, the Exchange clarifies that a Member must mark the originating/agency side as the first order in the system and the contra-side(s) as the second. The Exchange states that it monitors order entries to ensure that Members are properly entering QCC Orders into the system.

IV. Discussion and Commission Findings

The Commission finds that the proposed rule change is consistent with the requirements of the Act and the rules and regulations thereunder applicable to a national securities exchange.[12] Specifically, the Commission finds that the proposed rule change is consistent with Section 6(b)(5) of the Act,[13] which requires, among other things, that the rules of a national securities exchange be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to remove impediments to and perfect the mechanism of a free and open market and a national market system and, in general, to protect investors and the public interest.

In its original approval of the QCC Order for use on the International Securities Exchange, LLC (''ISE''), the Commission noted the benefits of contingent trades to investors and the market as a whole.[14] Specifically, in providing for an exemption from certain requirements of Regulation NMS for QCTs, the Commission recognized that contingent trades can be ''useful trading tools for investors and other market participants, particularly those who trade the securities of issuers involved in mergers, different classes of shares of the same issuer, convertible securities, and *equity derivatives such as options*''

[10] *See* Securities Exchange Act Release No. 71181 (December 24, 2013), 78 FR 79718 (December 31, 2013) (SR–Topaz–2013–19).

[11] *Id.* at 79719.

[12] In approving the proposed rule change, the Commission has considered the proposed rule's impact on efficiency, competition, and capital formation. *See* 15 U.S.C

[13] 15 U.S.C. 78f(b)(5).

[14] *See* Securities Exchange Act Release No. 63955 (February 24, 2011), 76 FR 11533, 11540–11541 (March 2, 2011) (SR–ISE–2010–73) (''Original QCC Approval Order'').

[italics added].[15] In the Original QCC Approval Order, the Commission also reiterated the finding from its Original QCT Exemption that those transactions that meet the specified requirements of the QCT exemption could be of benefit to the market as a whole and a contribution to the efficient functioning of the securities markets and the price discovery process.[16]

In analyzing ISE's original QCC Order, the Commission weighed the benefits of QCTs, of which QCC Orders are a subset, against the benefits provided by the general requirement for exposure of orders in the options markets.[17] In the Original QCC Approval Order, the Commission stated that the QCC Order strikes an appropriate balance for the options market in that it is narrowly drawn and establishes a limited exception to the general principle of exposure and retains the general principle of customer priority in the options markets because QCC Orders are required to be: (1) part of a QCT under Regulation NMS; (2) for at least 1,000 contracts; (3) executed at a price at or between the national best bid or offer; and (4) cancelled if there is a Priority Customer Order on ISE's limit order book at the same price.[18] The Commission specifically noted that a QCC Order must not only be part of a QCT by satisfying each of the six underlying requirements of the NMS QCT Exemption, but must be for a minimum size of 1,000 contracts, and that these requirements provide another limit to its use by ensuring only transactions of significant size may avail themselves of this order type.[19] Given the requirements for QCC Orders, the Commission also noted its belief that those customers participating in QCC Orders would likely be sophisticated investors who should understand that their order would not be exposed for potential price improvement, and that these customers should be able to themselves assess whether the net prices they are receiving for their QCC Order are competitive.[20] The Commission also specifically noted that broker-dealers are subject to a duty of best execution for their customers' orders, and that duty does not change for QCC Orders.[21]

In considering Topaz's proposal to eliminate the minimum size requirement for the contra-side of QCC Orders, the Commission has again weighed whether the benefits of this order type, as proposed to be modified, to investors and the market outweigh the benefits provided by the general requirement for exposure of orders in the options markets. The Commission notes that Topaz's proposal does not change the requirements that a QCC Order must be: (1) part of a QCT under Regulation NMS; (2) executed at a price at or between the national best bid or offer; and (3) cancelled if there is a Priority Customer Order on Topaz's limit order book. In addition, the changes to QCC Orders under SR–Topaz–2013–19[22] permit multiple contra-side orders for QCC Orders, so long as each such contra-side order is for at least 1,000 contracts. In this filing, the only requirement that the Exchange proposes to change is to eliminate the requirement that contra-side orders of a QCC Order be for at least 1,000 contracts.

The Commission believes that this change to the minimum size requirement for the contra-side(s) of QCC Orders is narrowly tailored and, significantly, the Exchange's rule text clearly requires that the originating side of a QCC Order must be comprised of a single order (*i.e.,* a single party) for at least 1,000 contracts. The Commission believes that retention of the requirements that the original side be comprised of a single order from a single party and that such single order be for at least 1,000 contracts will continue to ensure that sophisticated investors, who are aware that their orders will not be exposed for price improvement, and who themselves should be able to assess whether the net prices for their QCC Orders are competitive, will initiate QCC Orders in an effort to effectuate a complex transaction that complies with all the requirements of the QCC Order.

The proposed rule change will allow multiple contra-parties with order sizes of less than 1,000 to aggregate their interest to pair against the originating side of a QCC Order to facilitate the execution of the QCC Order. The Commission believes that allowing smaller orders from multiple parties to participate on the contra-side of QCC Orders may provide a better opportunity for QCC Orders to be executed and, potentially, at better prices. The Commission acknowledges that limiting participation on the contra-side of a QCC Order only to liquidity providers who are willing to participate on the trade for 1,000 contracts, could result in less interest in the trade than if contra-side orders were not required to meet the 1,000 contract minimum, potentially diminishing the opportunity for competition and price improvement. The Commission believes that the proposed modification to the definition of QCC Order is narrowly drawn in that it does not impact the fundamental aspects of this order type, and merely permits QCC Orders to include multiple contra-parties, regardless of size on the contra-side, while preserving the 1,000 contract minimum on the originating side of a QCC Order. Accordingly, the Commission finds the proposed rule consistent with the Act.[23]

The Commission notes that, given the differing requirements as between the originating side and contra-side for QCC Orders, it is essential that the Exchange be able to clearly identify and monitor—throughout the life of a QCC Order, beginning at time of order entry on the Exchange through the post-trade allocation process—each side of the QCC Order and ensure that the requirements of the order type are being satisfied including, importantly, those relating to the originating side. The Commission believes this to be critical so that the Exchange can ensure that market participants are not able to circumvent the requirements of the QCC Order (as amended by this proposed rule change), each of which the Commission continues to believe are critical to ensuring that the QCC Order is narrowly drawn.[24] Further, the Commission notes that, in Amendment No. 1, the Exchange has made certain representations regarding its enforcement and surveillance of its Members' use of QCC Orders, including, for example, not only at the time of

[15] *See* Securities Exchange Act Release No. 54389 (August 31, 2006, 71 FR 52829, 52830 (September 7, 2006) (''Original QCT Exemption'').

[16] *See* Original QCC Approval Order, *supra* note 14 at text accompanying footnote 115.

[17] *Id.* at 11541.

[18] *Id.*

[19] *Id.*

[20] *Id.*

[21] *Id.*

[22] *See supra* note 10.

[23] The Commission notes that three commenters submitted comment letters to SR–ISE–2013–72, a proposed rule change of ISE substantively identical to, and filed contemporaneously with, SR–Topaz–2013–20. On April 2, 2014, ISE responded to the comment letters. *See http://www.sec.gov/comments/sr-ise-2013-72/ise201372.shtml. See also* Securities Exchange Act Release No. 71863 (April 3, 2014) (SR–ISE–2013–72 approval order).

[24] The Commission expects the Exchange to have the capability to enable it to surveil that such requirements are being met. Though the Exchange has stated its ability to do so in Amendment No. 1, if the Exchange is not able to have such monitoring at any point in time, the Commission would expect the Exchange to take other steps to ensure that the QCC Order cannot be improperly used. For example, if the Exchange were not able to identify and monitor which side of a QCC Order is the originating order, the Commission would expect that it would require that both sides of the QCC Order meet the more stringent requirements of the originating side, *i.e.,* that it be for a single order for at least 1,000 contracts.

order entry, but through the post-trade allocation process as well.

For the foregoing reasons, the Commission believes that the proposed rule change is consistent with the Act.

It is therefore ordered, pursuant to Section 19(b)(2) of the Act [25] that the proposed rule change (SR–Topaz–2013–20), as modified by Amendment No. 1, be, and it hereby is, approved.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.[26]

Kevin M. O'Neill,

Deputy Secretary.

[FR Doc. 2014–07891 Filed 4–8–14; 8:45 am]

BILLING CODE 8011–01–P

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–71860; File No. SR–CBOE–2014–035]

Self-Regulatory Organizations; Chicago Board Options Exchange, Incorporated; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change To Fix Technical Errors

April 3, 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 April 1, 2014, Chicago Board Options Exchange, Incorporated (the ''Exchange'' or ''CBOE'') filed with the Securities and Exchange Commission (the ''Commission'') the proposed rule change as described in Items I, II, and III below, which Items have been prepared by the Exchange. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

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

The Exchange proposes to fix technical errors in its rules. 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 an administrative change to correct an inadvertent typographical error in Interpretation and Policy .03 in Rule 4.21. Additionally, the Exchange proposes to make an administrative change to correct the erroneous failure to delete Interpretation and Policy .01 from Exchange Rule 8.93. The Exchange proposes to make the proposed changes so the text properly reflects the intention of the Exchange to remove Rule 8.93 in its entirety and to fix the typographical error in Rule 4.21. Both the inadvertent typographical error and the erroneous failure to delete part of Rule 8.93 are explained below.

In Interpretation and Policy .03 of Rule 4.21, there is an inadvertent typographical error where the word ''United'' (as in ''the United States of America'') was instead spelled as ''Unites.'' The Exchange is proposing to correct this erroneous typographical error to avoid any confusion and to better reflect the intention of the Exchange for this interpretation and policy to say ''United States,'' rather than ''Unites States.''

The Exchange recently filed a rule change, SR–CBOE–2013–110, to eliminate the e-DPM program from the Exchange rules.[3] As part of that filing, there was an erroneous failure to delete Rule 8.93 in its entirety, unintentionally failing to remove Interpretation and Policy .01 from the corresponding rule. This error can be found in the remaining text of Rule 8.93 under the Interpretations and Policies section, where the phrase ''[w]hen the underlying security for a class is in a limit up-limit down state, as defined in Rule 6.3A, e-DPMs shall have no quoting obligations in the class'' was inadvertently not deleted along with the rest of Rule 8.93. The Exchange is now proposing to amend this error to more accurately reflect the intention and practice of the Exchange and to avoid any confusion.

2. Statutory Basis

The Exchange believes the proposed rule change is consistent with the Act and the rules and regulations thereunder applicable to the Exchange and, in particular, the requirements of Section 6(b) of the Act.[4] Specifically, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5) [5] requirements that the rules of an exchange be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in securities, to remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general, to protect investors and the public interest. Additionally, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5) [6] requirement that the rules of an exchange not be designed to permit unfair discrimination between customers, issuers, brokers, or dealers.

In particular, the proposed rule change is consistent with these provisions as it will more accurately reflect the intentions of the Exchange to eliminate Rule 8.93 and the corresponding e-DPM program and also correct the inadvertent typographical error in Interpretation and Policy .03 of Rule 4.21. There are no substantive changes being made in the proposed rule changes, and thus, the current practices of the Exchange will remain the same. The Exchange believes the proposed rule changes will help to avoid confusion, thereby removing impediments to and perfecting the mechanism of a free and open market and a national market system.

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

CBOE does not believe that the proposed rule changes will impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. The

[25] 15 U.S.C. 78s(b)(2).

[26] 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. 34–71227 (Jan. 2, 2014), 79 FR 1398 (Jan. 8, 2014) (order approving SR–CBOE–2013–110).

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

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

[6] *Id.*