

states that this language allows bids and offers for complex orders to be expressed in any increment whatsoever.⁵ To establish a minimum quoting increment for complex orders, CBOE proposes to revise CBOE Rule 6.42(4) to state that bids and offers for complex orders may be expressed in any net price increment that may not be less than \$0.01, which CBOE may determine on a class-by-class basis and announce to Trading Permit Holders (“TPHs”) via Regulatory Circular.⁶ CBOE would notify TPHs of the minimum quoting increments for complex orders via Regulatory Circular.⁷ CBOE would not change the minimum quoting increments for complex orders on an intra-day basis.⁸

According to CBOE, many web-based services that public customers use to enter options orders do not permit the entry of orders in sub-penny increments, a limitation that other market participants may not face.⁹ CBOE believes that the proposal will establish a minimum complex order quoting increment that all market participants will be able to monitor and in which all market participants will be able to enter orders.¹⁰ In addition, because CBOE’s electronic complex order execution systems, the Complex Order Book (“COB”) and Complex Order Auction (“COA”), are not configured to permit quoting in sub-penny increments, the \$0.01 minimum increment would place electronic and manually entered complex orders on an even footing.¹¹ CBOE also believes that establishing a minimum quoting increment of \$0.01 will assure that price improvement occurs at a meaningful increment, and will prevent market participants from jumping ahead of an

existing quote by providing a *de minimus* amount of price improvement.¹²

III. Discussion and Commission Findings

After careful review, 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.¹³ In particular, the Commission finds that the proposed rule change is consistent with Section 6(b)(5) of the Act,¹⁴ 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. As discussed above, CBOE Rule 6.42(4) currently allows bids and offers for complex orders to be expressed in any increment, which potentially could permit bids and offers for complex orders to be expressed in increments smaller than \$0.01. In contrast, complex orders entered in the COB and RFR Responses to a COA auction may not be entered in increments smaller than \$0.01.¹⁵ Thus, under CBOE’s current rules, complex orders that are entered manually potentially could be entered in increments smaller than \$0.01, while complex order trading interest entered electronically in the COB and the COA may not be entered in increments smaller than \$0.01. By establishing a \$0.01 minimum quoting increment for complex orders, the proposal is designed to protect investors by establishing a consistent minimum quoting increment for complex orders that are entered manually and complex orders that are entered electronically through the COB and COA.

IV. Conclusion

It is therefore ordered, pursuant to Section 19(b)(2) of the Act,¹⁶ that the proposed rule change (SR-CBOE-2013-093) is approved.

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

Kevin M. O’Neill,
Deputy Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–70927; File No. 4–669]

Self-Regulatory Organizations; Topaz Exchange, LLC; Notice of Filing of Proposed Minor Rule Violation Plan

November 22, 2013.

Pursuant to Section 19(d)(1) of the Securities Exchange Act of 1934 (the “Act”),¹ and Rule 19d–1(c)(2) thereunder,² notice is hereby given that on November 14, 2013, Topaz Exchange, LLC (d/b/a ISE Gemini) (the “Exchange”) filed with the Securities and Exchange Commission (“Commission”) a proposed minor rule violation plan (“MRVP”) with sanctions not exceeding \$2,500 which would not be subject to the provisions of Rule 19d–1(c)(1) of the Act³ requiring that a self-regulatory organization (“SRO”) promptly file notice with the Commission of any final disciplinary action taken with respect to any person or organization.⁴ In accordance with Rule 19d–1(c)(2) under the Act,⁵ the Exchange proposes to designate certain specified rule violations as minor rule violations, and requests that it be relieved of the prompt reporting requirements regarding such violations, provided it gives notice of such violations to the Commission on a quarterly basis.

The Exchange proposes to include in its MRVP the procedures and violations currently included in Exchange Rule 1614 (“Imposition of Fines for Minor Rule Violations”), which has been

¹⁷ 17 CFR 200.30–3(a)(12).

¹ 15 U.S.C. 78s(d)(1).

² 17 CFR 240.19d–1(c)(2).

³ 17 CFR 240.19d–1(c)(1).

⁴ The Commission adopted amendments to paragraph (c) of Rule 19d–1 to allow SROs to submit for Commission approval plans for the abbreviated reporting of minor disciplinary infractions. See Securities Exchange Act Release No. 21013 (June 1, 1984), 49 FR 23828 (June 8, 1984). Any disciplinary action taken by an SRO against any person for violation of a rule of the SRO which has been designated as a minor rule violation pursuant to such a plan filed with and declared effective by the Commission shall not be considered “final” for purposes of Section 19(d)(1) of the Act if the sanction imposed consists of a fine not exceeding \$2,500 and the sanctioned person has not sought an adjudication, including a hearing, or otherwise exhausted his administrative remedies.

⁵ 17 CFR 240.19d–1(c)(2).

⁵ See Notice 78 FR at 62887.

⁶ CBOE states that the rule would allow the Exchange to establish uniform complex order quoting increments within a class, and to set and vary the minimum complex order quoting increments for different classes in response to different market conditions in those classes and to encourage more trading in those classes. CBOE notes that its rules currently allow it to establish minimum quoting increments for complex orders in options on the S&P 500 Index (“SPX”), the p.m.-settled S&P 500 Index (“SPXPM”), and on the S&P 100 Index (“OEX” and “XEO”). See Notice 78 FR at 62888 and CBOE Rule 6.42(4).

⁷ See Notice 78 FR at 62888.

⁸ See *id.* at note 4.

⁹ See Notice 78 FR at 62887.

¹⁰ See *id.*

¹¹ See Notice 78 FR at 62887–62888. See also CBOE Rules 6.53C(c)(ii) and 6.53C(d)(iii)(1) (providing for quoting increments of no less than \$0.01 in the COB and Requests for Responses (“RFRs”) in increments of no less than \$0.01 in the COA). CBOE notes that the \$0.01 minimum increment would prevent sophisticated market participants from manually entering complex order quotations in sub-penny amounts. See Notice 78 FR at 62888, note 5.

¹² See Notice 78 FR at 62888.

¹³ In approving this proposal, the Commission has considered the proposed rule’s impact on efficiency, competition, and capital formation. See 15 U.S.C. 78c(f).

¹⁴ 15 U.S.C. 78f(b)(5).

¹⁵ See CBOE Rules 6.53C(c)(ii) and (d)(iii)(1).

¹⁶ 15 U.S.C. 78s(b)(2).

incorporated by reference from the International Securities Exchange's rule book.⁶ According to the Exchange's MRVP, under Rule 1614, the Exchange may impose a fine (not to exceed \$2,500) on any Member, or person associated with or employed by a Member, for any rule listed in Rule 1614(d).⁷ The Exchange shall serve the person against whom a fine is imposed with a written statement setting forth the rule or rules violated, the act or omission constituting each such violation, the fine imposed, and the date by which such determination becomes final or by which such determination must be contested. If the person against whom the fine is imposed pays the fine, such payment shall be deemed to be a waiver of such person's right to a disciplinary proceeding and any review of the matter under the Exchange rules. Any person against whom a fine is imposed may contest the Exchange's determination by filing with the Exchange a written answer, at which point the matter shall become a disciplinary proceeding.

The Exchange proposes that, as set forth in Exchange Rule 1614(d), violations of the following rules would be appropriate for disposition under the MRVP: Rule 412 (Position Limits); Rule 415 (Reports Related to Position Limits); Rule 1403 (Focus Reports); Rule 1404 (Requests for Trade Data); Conduct and Decorum Policies; Rule 717 (Order Entry); Rule 803 (Quotation Parameters); Rule 805 (Execution of Orders in Appointed Options); Rule 419 (Mandatory Systems Testing); and Rule 1100 (Exercise of Options Contracts).

Upon the Commission's declaration of effectiveness of the MRVP, the Exchange will provide to the Commission a quarterly report for any actions taken on minor rule violations under the MRVP. The quarterly report will include: the Exchange's internal file number for the case, the name of the individual and/or organization, the nature of the violation, the specific rule provision violated, the sanction imposed, the number of times the rule violation occurred, and the date of the disposition.

The Exchange also proposes that, going forward, to the extent that there are any changes to the rules applicable to the Exchange's MRVP, the Exchange requests that the Commission deem

such changes to be modifications to the Exchange's MRVP.

I. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning the Exchange's proposed MRVP, including whether the proposed MRVP 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 No. 4-669 on the subject line.

Paper Comments

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

All submissions should refer to File No. 4-669. 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 MRVP that are filed with the Commission, and all written communications relating to the proposed MRVP 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 proposed MRVP 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 No. 4-669 and should be submitted on or before December 20, 2013.

II. Date of Effectiveness of the Proposed Minor Rule Violation Plan and Timing for Commission Action

Pursuant to Section 19(d)(1) of the Act and Rule 19d-1(c)(2) thereunder,⁸ after December 20, 2013, the Commission may, by order, declare the Exchange's proposed MRVP effective if the plan is consistent with the public interest, the protection of investors, or otherwise in furtherance of the purposes of the Act. The Commission in its order may restrict the categories of violations to be designated as minor rule violations and may impose any other terms or conditions to the proposed MRVP, File No. 4-669, and to the period of its effectiveness, which the Commission deems necessary or appropriate in the public interest, for the protection of investors or otherwise in furtherance of the purposes of the Act.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.⁹

Kevin M. O'Neill,
Deputy Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-70926; File No. SR-NASDAQ-2013-141]

Self-Regulatory Organizations; The NASDAQ Stock Market LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change Relating to NOM Market Maker Penny Pilot Options Rebate To Add Liquidity

November 22, 2013.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),¹ and Rule 19b-4 thereunder,² notice is hereby given that on November 13, 2013, The NASDAQ Stock Market LLC ("NASDAQ" or "Exchange") filed with the Securities and Exchange Commission ("SEC" or "Commission") the proposed rule change as described in Items I, II, and III, below, which Items have been prepared by NASDAQ. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

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

NASDAQ proposes to modify Chapter XV, entitled "Options Pricing," at

⁸ 15 U.S.C. 78s(d)(1); 17 CFR 240.19d-1(c)(2).

⁹ 17 CFR 200.30-3(a)(44).

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

⁶ As noted above, the Exchange received its grant of registration on July 26, 2013, which included approving the rules that govern the Exchange.

⁷ While Rule 1614 allows the Exchange to administer fines up to \$5,000, the Exchange is only seeking relief from the reporting requirements of paragraph (c)(1) of Rule 19d-1 for fines administered under Rule 1614(d) that do not exceed \$2,500.