

execution of complex order strategies, such as Box Spreads and Condors, which consist of four legs. The proposed rule change is designed to protect investors and the public interest in that the proposal amends a current rule to ensure that complex orders with three or four option legs where all legs are buying or all legs are selling only trade against other complex orders in the complex order book. The Exchange notes that prior to the Legging Filing and before the Non-Standard Strategies were codified into the Exchange's rules, the complex order strategies affected by this proposal were permitted to trade and leg into the regular market. Therefore, this proposed rule change simply adjusts Exchange rules to once again permit the execution such complex order strategies. The proposed rule change will also benefit investors and the general public because multi-legged strategies will have a greater chance of execution when they are allowed to leg into the regular market and thereby increase the execution rate for these orders thus, providing market participants with an increased opportunity to execute these orders on ISE rather than on a competing exchange.

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

The proposed rule change does not impose any burden on competition. The proposed change to amend the restriction against complex order strategies, such as Box Spreads and Condors, from legging into the regular market will allow a greater number of complex orders to be executed on the Exchange without adversely impacting risk to market makers that are quoting in the regular market.

#### *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**

Because the foregoing proposed rule change does not: (i) Significantly affect the protection of investors or the public interest; (ii) impose any significant burden on competition; and (iii) become operative for 30 days from the date on which it was filed, or such shorter time as the Commission may designate, it has

become effective pursuant to Section 19(b)(3)(A) of the Act and Rule 19b-4(f)(6) 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.

#### **IV. Solicitation of Comments**

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act. Comments may be submitted by any of the following methods:

##### *Electronic Comments*

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>); or
- Send an Email to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include File No. SR-ISE-2014-56 on the subject line.

##### *Paper Comments*

- Send paper comments in triplicate to Brent J. Fields, Secretary, Securities and Exchange Commission, 100 F Street NE., Washington, DC 20549-1090. All submissions should refer to File Number SR-ISE-2014-56. This file number should be included on the subject line if email is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet Web site (<http://www.sec.gov/rules/sro.shtml>). Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for Web site viewing and printing in the Commission's Public Reference Room, 100 F Street NE., Washington, DC 20549 on official business days between the hours of 10:00 a.m. and 3:00 p.m. Copies of the filing also will be available for inspection and copying at the principal office of the 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-ISE-2014-56 and should be submitted on or before February 2, 2015.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>13</sup>

**Brent J. Fields,**

*Secretary.*

[FR Doc. 2015-00221 Filed 1-9-15; 8:45 am]

**BILLING CODE 8011-01-P**

## **SECURITIES AND EXCHANGE COMMISSION**

**[Release No. 74006; File No. SR-NYSE-2014-73]**

### **Self-Regulatory Organizations; New York Stock Exchange LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change Amending Rule 123C To Specify That Exchange Systems May Close One or More Securities Electronically**

January 6, 2015.

Pursuant to Section 19(b)(1) <sup>1</sup> of the Securities Exchange Act of 1934 (the "Act") <sup>2</sup> and Rule 19b-4 thereunder, <sup>3</sup> notice is hereby given that December 23, 2014, New York Stock Exchange LLC ("NYSE" or the "Exchange") 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 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 Exchange proposes to amend Rule 123C to specify that Exchange systems may close one or more securities electronically if a Designated Market Maker ("DMM") registered in a security or securities cannot facilitate the close of trading as required by Exchange rules. The text of the proposed rule change is available on the Exchange's Web site at [www.nyse.com](http://www.nyse.com), at the principal office of the Exchange, on the Commission's Web site at [www.sec.gov](http://www.sec.gov), and at the Commission's Public Reference Room.

<sup>13</sup> 17 CFR 200.30-3(a)(12).

<sup>15</sup> 15 U.S.C. 78s(b)(1).

<sup>25</sup> 15 U.S.C. 78a.

<sup>37</sup> 17 CFR 240.19b-4.

## 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 those 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 parts 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 Rule 123C to specify that Exchange systems may close one or more securities electronically if a Designated Market Maker registered in a security or securities cannot facilitate the close of trading as required by Exchange rules.

Rule 123C specifies the procedures to be followed at the close of trading on the Exchange, including procedures for the execution of closing interest,<sup>4</sup> which interest is guaranteed to participate in the closing transaction,<sup>5</sup> and the determination of the closing print(s) to be reported to the Consolidated Tape for each security. Supplementary Material .10 to Rule 123C ("Rule 123C.10") currently provides that closings may be effectuated manually or electronically. However, the current rule contemplates that closings would be facilitated by the DMM, as provided for in Rule 104(a)(3).

The Exchange proposes to amend Rule 123C.10 to provide that, if a DMM cannot facilitate the close of trading for one or more securities for which the DMM is registered, the Exchange would close those securities electronically.<sup>6</sup> Unlike DMMs, who have the obligation to trade for their own account to supply liquidity as needed to facilitate the

close,<sup>7</sup> the Exchange would not supply any liquidity when effectuating an electronic close. Without the addition of liquidity to offset an imbalance, the closing price may not be reasonably related to the last sale. To avoid closing at a price too far away from the last sale, the Exchange proposes to establish numerical guidelines to provide parameters regarding the price a security may close when the Exchange closes such security.

As proposed, the closing price of a security closed by the Exchange would not be greater than or less than the last sale price on the Exchange (the "Reference Price") by an amount within the Closing Numerical Guidelines set forth below:

Reference price	Closing numerical guideline (closing price % difference from the reference price)
Greater than \$0.00 up to and including \$25.00 .....	10
Greater than \$25.00 up to and including \$50.00 .....	5
Greater than \$50.00 .....	3

The proposed numerical guidelines are the same as those currently utilized in determining whether an execution qualifies as clearly erroneous under Rule 128.<sup>8</sup> The Exchange believes that using the same guidelines when the Exchange closes a security electronically is appropriate because it would reduce the potential for the closing price on the Exchange to be considered erroneous.

Further, the Exchange proposes to amend Rule 123C.10 to specify the eligible interest to be considered in an Exchange electronic close. Specifically, as proposed, no manually-entered Floor interest would participate in an Exchange electronic close, and if previously entered, would be ignored.<sup>9</sup>

<sup>7</sup> See Rule 104(a)(3) and 104(f)(iii).

<sup>8</sup> Rule 128 defines a clearly erroneous execution as an execution with an obvious error in any term, such as price, number of shares or other unit of trading, or identification of the security. Under the numerical guidelines set forth in Rule 128, an execution may be found to be clearly erroneous only if the price of the transaction to buy is greater, or less in the case of a sale, than the reference price by an amount that equals or exceeds the numerical guidelines for a particular transaction category. In determining whether an execution is clearly erroneous, the Exchange generally utilizes the consolidated last sale as the Reference Price.

<sup>9</sup> Manually-entered Floor interest includes interest entered by the DMM on behalf of a Floor broker and the DMM interest entered manually. The Exchange notes that, under regular trading conditions, if manually-entered Floor interest has been entered into Exchange systems, Exchange

Further, in performing a close under the proposed rule, the Exchange would consider all interest eligible to trade in the close consistent with Rule 123C(7)<sup>10</sup> and 123C(8)(a).<sup>11</sup> Under no circumstances, however, would the Exchange close a security if the closing price would be greater than or less than the Reference Price by an amount outside the Closing Numerical Guidelines. Accordingly, interest specified in Rule 123C(7)(a) would not participate in a closing trade if such interest would cause a closing price to be outside the Closing Numerical Guidelines.

The proposed rule would also specify that the provisions of Rule 123C(9)(a)(1) and 123C(9)(b) would be suspended if the Exchange closes a security electronically. Rule 123C(9)(a)(1) permits the Exchange, on a security-by-security basis, to temporarily suspend the hours of operation under Rule 52 so that offsetting interest may be solicited from both on-Floor and off-Floor participants and entered after 4:00 p.m. ET to reduce the size of the imbalance. Rule 123C(9)(b) specifies that only the DMM may request the temporary suspensions available under Rule 123C(9)(a). As proposed, if the Exchange closes a security electronically, the assigned DMM would not have the authority to invoke Rule 123C(9)(a)(1).

Similarly, the proposed rule would specify that only the Exchange would be able to invoke Rule 123C(9)(a)(2) if the Exchange closes a security electronically. Rule 123C(9)(a)(2) permits temporary suspensions of the prohibition on the cancellation or reduction of a Market on Close ("MOC")/Limit on Close ("LOC") order after 3:58 p.m. where there is a legitimate error in such an order and execution of the order would cause significant price dislocation at the close. Only the assigned DMM can request relief under Rule 123C(9)(a)(2). Under the proposed rule, in an electronic close by the Exchange, Rule 123C(9)(a)(2) would be in effect but the assigned DMM would not have authority to temporarily suspend cancellation; only

systems will not permit a DMM to close a stock electronically and the DMM would instead be required to close the security manually. The Exchange proposes to make this explicit in the text of Supplementary Material .10.

<sup>10</sup> Rule 123C(7)(a) sets forth the interest that must be executed or cancelled as part of the closing transaction as well as the order of execution. Rule 123C(7)(b) sets forth the interest that may be used to offset a closing imbalance and the order of execution (i.e., interest that is not guaranteed to participate in the closing transaction).

<sup>11</sup> Rule 123C(8) governs printing of the closing transaction where there is an order imbalance (Rule 123C(8)(a)) and where there is no order imbalance (Rule 123C(8)(b)).

<sup>4</sup> See Rule 123C(7) (Order of Execution at the Close). Rule 123C(7)(a) specifies the type of interest that must be executed in whole or in part in the closing transaction, and the allocation order of such interest.

<sup>5</sup> See Rule 123C(8).

<sup>6</sup> The proposed amendment contemplates that a DMM's inability to close securities either manually or electronically would be related to business continuity disruptions such as the physical closing of the Exchange Trading Floor or equipment and connectivity breakdowns that prevent the DMM from closing a security either manually or electronically. When a DMM is unable to close securities manually or electronically, the DMM's affirmative obligations under Rule 104 would not apply.

the Exchange would be able to invoke a temporary suspension under the rule.

Because of the technology changes associated with the proposed rule change, the Exchange proposes to announce the implementation date via Trader Update.

## 2. Statutory Basis

The Exchange believes that the proposed rule change is consistent with Section 6(b) of the Act,<sup>12</sup> in general, and furthers the objectives of Section 6(b)(5) of the Act,<sup>13</sup> in particular, because it is designed to prevent fraudulent and manipulative acts and practices, promote just and equitable principles of trade, remove impediments to and perfect the mechanism of a free and open market and a national market system, and protect investors and the public interest. The Exchange believes that permitting the Exchange to automatically close trading would remove impediments to and perfect the mechanism of a free and open market and a national market system by ensuring an orderly close if the registered DMM cannot manually or electronically facilitate the close of trading as required by Exchange rules. Similarly, the proposal promotes just and equitable principles of trade and removes impediments to and perfects the mechanism of a free and open market by providing customers and the investing public with the certainty of a close in circumstances where business continuity disruptions or other emergencies would prevent the assigned DMMs from closing a security. For the same reasons, the proposal is also designed to protect investors as well as the public interest.

The Exchange believes that the proposed amendment to Rule 123C.10 to provide that closings effectuated by the Exchange would be within a proposed numerical guideline would remove impediments to and perfect the mechanism of a free and open market because having such guidelines provides transparency regarding the range of potential prices that a security may close in such scenario. The Exchange further believes that the proposed numerical guidelines, which are based on existing guidelines for clearly erroneous executions, would remove impediments to and perfect the mechanism of a fair and orderly market because in the absence of a DMM supplying liquidity, the proposed guidelines would reduce the possibility for closing prices to not [sic] be executed at potentially erroneous prices,

thereby protecting investors and the public. Similarly, the Exchange believes that excluding interest eligible for the close that would cause an execution to occur outside the proposed numerical guidelines, even if such interest would otherwise be required to be included in a close effectuated by a DMM, and permitting the Exchange to cancel or reduce an MOC/LOC order after 3:58 p.m. where there is a legitimate error and execution of the order would cause significant price dislocation at the close, would remove impediments to and perfect the mechanism of a fair and orderly market because it would assure that the Exchange could effectuate the close within the proposed specified price ranges. The proposed rule therefore promotes just and equitable principles of trade because it provides transparency to entering firms of whether interest would be eligible to participate in a closing transaction effectuated by the Exchange.

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

The Exchange 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. The proposed rule change is not intended to address competitive issues but rather enable the Exchange to close trading where circumstances would prevent a DMM from facilitating a close.

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

No written comments were solicited or received with respect to the proposed rule change.

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

The Exchange has filed the proposed rule change pursuant to Section 19(b)(3)(A)(iii) of the Act<sup>14</sup> and Rule 19b-4(f)(6) thereunder.<sup>15</sup> Because the proposed rule change does not: (i) Significantly affect the protection of investors or the public interest; (ii) impose any significant burden on competition; and (iii) become operative prior to 30 days from the date on which it was filed, or such shorter time as the Commission may designate, if consistent with the protection of investors and the public interest, the proposed rule change has become effective pursuant to Section 19(b)(3)(A)

of the Act and Rule 19b-4(f)(6)(iii) thereunder.

A proposed rule change filed under Rule 19b-4(f)(6)<sup>16</sup> normally does not become operative prior to 30 days after the date of the filing. However, pursuant to Rule 19b-4(f)(6)(iii),<sup>17</sup> the Commission may designate a shorter time if such action is consistent with the protection of investors and the public interest.

At any time within 60 days of the filing of such 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 shall institute proceedings under Section 19(b)(2)(B)<sup>18</sup> of the Act to determine whether the proposed rule change should be approved or disapproved.

## **IV. Solicitation of Comments**

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act. Comments may be submitted by any of the following methods:

### *Electronic Comments*

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>); or
- Send an email to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include File Number SR-NYSE-2014-73 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-NYSE-2014-73. 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

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

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

<sup>14</sup> 15 U.S.C. 78s(b)(3)(A)(iii).

<sup>15</sup> 17 CFR 240.19b-4(f)(6).

<sup>16</sup> 17 CFR 240.19b-4(f)(6).

<sup>17</sup> 17 CFR 240.19b-4(f)(6)(iii).

<sup>18</sup> 15 U.S.C. 78s(b)(2)(B).

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 such 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-NYSE-2014-73 and should be submitted on or before February 2, 2015.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>19</sup>

**Brent J. Fields,**  
Secretary.

[FR Doc. 2015-00222 Filed 1-9-15; 8:45 am]

BILLING CODE 8011-01-P

## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-74000; File No. SR-Phlx-2014-83]

### Self-Regulatory Organizations; NASDAQ OMX PHLX LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change Relating to Port Fees

January 6, 2015.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the "Act"),<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on December 24, 2014, NASDAQ OMX PHLX LLC ("Phlx" 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 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 modify Section VII entitled "Other Member Fees" of the Phlx Pricing Schedule

("Pricing Schedule"). Specifically, the Exchange proposes to amend the Port Fees in Section VII of the Pricing Schedule in order to increase the Order Entry Port Fee, establish a CTI Port Fee, and delete the Real-Time Risk Management Fee.

While the changes proposed herein are effective upon filing, the Exchange has designated that the amendments be operative on January 2, 2015.

The text of the proposed rule change is available on the Exchange's Web site at <http://nasdaqomxphlx.cchwallstreet.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 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 purpose of this filing is to amend the Port Fees in Section VII of the Pricing Schedule in order to increase the Order Entry Port Fee, establish a CTI Port Fee, and remove the Real-Time Risk Management Fee.<sup>3</sup>

Today, all Port Fees on the Exchange are located in subsection B of Section VII of the Pricing Schedule. These Port Fees include Order Entry Port Fees, Real-time Risk Management Fees, and Active SQF Port Fees, which are not amended by this proposal. Each of the amended fees is discussed below.

###### Order Entry Port Fee

The Order Entry Port Fee is a connectivity fee related to routing

<sup>3</sup> The Real-Time Risk Management Fee was adopted well over a decade ago for members receiving option trading information on-line (*i.e.*, electronically) from the Exchange. See Securities Exchange Act Release No. 43719 (December 13, 2000), 65 FR 80975 (December 22, 2000) (SR-Phlx-00-97) (notice of filing and immediate effectiveness). This fee is, as discussed, being deleted as the CTI Port Fee, which is also used on other exchanges, is added.

orders to the Exchange via an external order entry port. Phlx members access the Exchange's network through order entry ports. A Phlx member may have more than one order entry port. Today, the Exchange assesses members an Order Entry Port Fee of \$550 per month, per mnemonic.<sup>4</sup> The current practice will continue whereby the Order Entry Port Fee will be waived for mnemonics that are used exclusively for Complex Orders<sup>5</sup> where one of the components of the Complex Order is the underlying security. Member organizations will continue not being assessed an Order Entry Port Fee for additional ports acquired for only ten business days for the purpose of transitioning technology.<sup>6</sup>

The Exchange proposes to increase the Order Entry Port Fee of \$550 per month, per mnemonic to \$600 per month, per mnemonic, as described below. This is exactly the same as a rule change filed by NASDAQ Options Market ("NOM") proposing to assess \$600 for Order Entry Port Fees as of January 2, 2015.<sup>7</sup>

###### Real-Time Risk Management Fee

The Exchange is eliminating the Real-time Risk Management Fee from subsection B of Section VII of the Pricing Schedule, entitled "Port Fees." The proposal to delete the Real-Time Risk Management Fee results in a price reduction to member organizations and members (clearing firms,<sup>8</sup> Specialists,<sup>9</sup> and Market Makers<sup>10</sup>),

<sup>4</sup> Mnemonics are codes that identify member organization order entry ports.

<sup>5</sup> A Complex Order is any order involving the simultaneous purchase and/or sale of two or more different options series in the same underlying security, priced at a net debit or credit based on the relative prices of the individual components, for the same account, for the purpose of executing a particular investment strategy. Furthermore, a Complex Order can also be a stock-option order, which is an order to buy or sell a stated number of units of an underlying stock or exchange-traded fund ("ETF") coupled with the purchase or sale of options contract(s). See Exchange Rule 1080, Commentary .08(a)(i).

<sup>6</sup> Similarly, member organizations will continue to be required to provide the Exchange with written notification of the transition and all additional ports which were provided at no cost will be removed at the end of the ten business days.

<sup>7</sup> See Securities Exchange Act Release No. 73843 (December 16, 2014) (SR-NASDAQ-2014-122) (not yet published).

<sup>8</sup> A "clearing firm" is a member organization that meets the requirements of Rule 165(c).

<sup>9</sup> A "Specialist" is an Exchange member who is registered as an options specialist pursuant to Rule 1020(a).

<sup>10</sup> A "Market Maker" includes Registered Options Traders (Rule 1014(b)(i) and (ii)), which includes Streaming Quote Traders (Rule 1014(b)(ii)(A)) and Remote Streaming Quote Traders (Rule 1014(b)(ii)(B)).

<sup>19</sup> 17 CFR 200.30-3(a)(12).

<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 17 CFR 240.19b-4.