

## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-69675; File No. SR-CBOE-2013-041]

### Self-Regulatory Organizations; Chicago Board Options Exchange, Incorporated; Notice of Filing of Amendment Nos. 1 and 2 and Designation of Longer Period for Commission Action on Proposed Rule Change, as Modified by Amendment Nos. 1 and 2, To Amend Rule 6.53(u)

May 30, 2013.

On March 28, 2013, Chicago Board Options Exchange, Incorporated (“Exchange” or “CBOE”) filed with the Securities and Exchange Commission (“Commission”), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”) <sup>1</sup> and Rule 19b-4 thereunder, <sup>2</sup> a proposed rule change to amend CBOE Rule 6.53(u), which governs Qualified Contingent Cross (“QCC”) Orders. The proposed rule change would allow QCC Orders with more than one option leg to be entered in the increments specified for complex orders under CBOE Rule 6.42. The proposed rule change was published for comment in the **Federal Register** on April 16, 2013. <sup>3</sup> The Commission has received no comment letters on the proposal. On April 18, 2013, CBOE filed Amendment No. 1 to the proposed rule change. <sup>4</sup> On May 29, 2013, CBOE filed Amendment No. 2 to the proposed rule change. <sup>5</sup> The Commission is publishing

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

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

<sup>3</sup> See Securities Exchange Act Release No. 69360 (April 10, 2013), 78 FR 22591 (“Notice”).

<sup>4</sup> In Amendment No. 1, CBOE added an additional paragraph at the end of the purpose section stating that: (1) A QCC Order with multiple legs is a form of a complex order and should be able to be entered in \$0.01 increments, as non-QCC complex orders can currently be entered in \$0.01 increments; and (2) such orders still cannot trade unless they are at or between the NBBO and the opportunity to trade QCC Orders with multiple legs in \$0.01 increments provides an opportunity for price improvement at this smaller increment level. The paragraph added in Amendment No. 1 was deleted and replaced by language added in Amendment No. 2. See note 5 *infra*. The text of Amendment No. 1 is available on CBOE’s Web site (<http://www.cboe.com/AboutCBOE/CBOELegalRegulatoryHome.aspx>), at CBOE’s Office of the Secretary, and at the Commission’s Public Reference Room.

<sup>5</sup> In Amendment No. 2, CBOE replaced the paragraph added by Amendment No. 1 with two paragraphs at the end of the purpose section stating that: (1) Were it not for language in CBOE Rule 6.53(u) that limits the entry of QCC Orders to the standard increments applicable to simple orders in the options class of each leg, QCC Orders with multiple legs would be allowed to be traded in \$0.01 increments under CBOE Rule 6.42; (2) the nature of the pricing of a complex order, whether a QCC Order or otherwise, is such that the pricing is based on the relative price of one option versus

this notice to solicit comments on the proposed rule change, as modified by Amendment Nos. 1 and 2, from interested persons, and to designate a longer period for Commission action on the proposed rule change, as modified by Amendment Nos. 1 and 2.

#### I. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether the proposed rule change, as modified by Amendment Nos. 1 and 2, 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-CBOE-2013-041 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 Number SR-CBOE-2013-041. 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

another and thus the standard increment of trading of a complex order’s individual options legs is less relevant to the pricing of the complex order; (3) the proposed amendment to permit QCC Orders with more than one option leg to be entered in the increments specified for complex orders under CBOE Rule 6.42 (*i.e.*, \$0.01 increments) would put the trading of QCC Orders with multiple legs on the same footing as the trading of other types of complex orders; (4) pursuant to CBOE Rule 6.53(u)(ii), each options leg of a complex QCC Order cannot trade unless each leg provides price improvement over a public customer order resting in the electronic book and is at or between the NBBO, and to date, CBOE has never had to reject a submitted complex QCC Order because it would have violated either of these principles; and (5) permitting the trading of QCC Orders with multiple legs in \$0.01 increments would provide an opportunity for price improvement at this smaller increment level. The text of Amendment No. 2 is available on CBOE’s Web site (<http://www.cboe.com/AboutCBOE/CBOELegalRegulatoryHome.aspx>), at CBOE’s Office of the Secretary, and at the Commission’s Public Reference Room.

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 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-2013-041, and should be submitted on or before June 26, 2013.

#### II. Designation of a Longer Period for Commission Action

Section 19(b)(2) of the Act <sup>6</sup> provides that within 45 days of the publication of notice of the filing of a proposed rule change, or within such longer period up to 90 days as the Commission may designate if it finds such longer period to be appropriate and publishes its reasons for so finding or as to which the self-regulatory organization consents, the Commission shall either approve the proposed rule change, disapprove the proposed rule change, or institute proceedings to determine whether these proposed rule changes should be disapproved. The 45th day for this filing is May 31, 2013.

The Commission is extending the 45-day time period for Commission action on the proposed rule change, as modified by Amendment Nos. 1 and 2. The Commission finds that it is appropriate to designate a longer period within which to take action on the proposed rule change so that it has sufficient time to consider and take action on the Exchange’s proposed rule change, as modified by Amendment Nos. 1 and 2.

Accordingly, pursuant to Section 19(b)(2)(A)(ii)(I) of the Act <sup>7</sup> and for the reasons stated above, the Commission designates July 15, 2013, as the date by which the Commission should either approve or disapprove, or institute proceedings to determine whether to disapprove, the proposed rule change,

<sup>6</sup> 15 U.S.C. 78s(b)(2).

<sup>7</sup> 15 U.S.C. 78s(b)(2)(A)(ii)(I).

as modified by Amendment Nos. 1 and 2, File Number SR-CBOE-2013-041.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>8</sup>

**Kevin M. O'Neill,**  
*Deputy Secretary.*

[FR Doc. 2013-13277 Filed 6-4-13; 8:45 am]

BILLING CODE 8011-01-P

## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-69674; File No. SR-NYSEArca-2013-54]

### Self-Regulatory Organizations; NYSE Arca, Inc.; Notice of Filing and Immediate Effectiveness of Proposed Rule Change Amending Exchange Rule 6.91 To Remove Provisions Governing How the Complex Matching Engine Handles Electronic Complex Orders That Contain a Stock Leg

May 30, 2013.

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, on May 17, 2013, NYSE Arca, Inc. (the "Exchange" or "NYSE Arca") filed with the Securities and Exchange Commission (the "Commission") the proposed rule change as described in Items I and II 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 the Substance of the Proposed Rule Change

The Exchange proposes to amend Exchange Rule 6.91 to remove provisions governing how the Complex Matching Engine ("CME") handles Electronic Complex Orders that contain a stock leg. 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, and at the Commission's Public Reference Room.

#### II. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, the self-regulatory organization included statements concerning the purpose of, and basis for, the proposed rule change

and discussed any comments it received on the proposed rule change. The text of 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 Statutory Basis for, the Proposed Rule Change

##### 1. Purpose

The Exchange is proposing to amend NYSE Arca Rule 6.91 to delete provisions governing CME functionality for Electronic Complex Orders<sup>4</sup> containing a stock leg submitted to the Exchange by OTP Holders. Exchange Rule 6.91(a) provides that Electronic Complex Orders that are entered into the NYSE Arca system are routed to the CME for possible execution. Provisions governing the functioning of the CME were originally incorporated in Rule 6.91 in 2008.<sup>5</sup> The Rule, amended in 2011,<sup>6</sup> states that the execution of the stock component of a Complex Order must be executed consistent with the rules of the stock execution venue, and sets out the priority ranking used by Exchange systems to execute Stock/Option Orders,<sup>7</sup> Stock/Complex Orders,<sup>8</sup> and the option components of such orders.

<sup>4</sup> An "Electronic Complex Order" is any Complex Order, as defined in Exchange Options Rule 6.62(e), or Stock/Option Order or Stock/Complex Order, as defined in Rule 6.62(h) (*see, infra*, footnotes 6 and 7). Rule 6.62(e) defines a Complex Order as any order involving the simultaneous purchase and/or sale of two or more different option series in the same underlying security, for the same account, in a ratio that is equal to or greater than one-to-three (.333) and less than or equal to three-to-one (3.00) and for the purpose of executing a particular investment strategy. Exchange Options Rule 6.62 governs Complex Orders, Stock/Option Orders and Stock/Complex Orders on the Exchange and Rule 6.92 lists definitions applicable to intermarket linkage.

<sup>5</sup> See Securities Exchange Act Release No. 58174 (July 16, 2008), 73 FR 42640 (July 22, 2008) (SR-NYSEArca-2008-54) (order granting approval).

<sup>6</sup> See Securities Exchange Act Release No. 63660 (Jan. 6, 2011), 76 FR 2183 (Jan. 12, 2011) (SR-NYSEArca-2010-124) (notice of filing and immediate effectiveness).

<sup>7</sup> A Stock/Option Order is defined in Rule 6.62(h)(1) as an order to buy or sell a stated number of units of an underlying stock or a security convertible into the underlying stock coupled with the purchase or sale of options contract(s) on the opposite side of the market representing either (A) the same number of units of the underlying stock or convertible security, or (B) the number of units of the underlying stock necessary to create a delta neutral position, but in no case in a ratio greater than eight options contracts per unit of trading of the underlying stock or convertible security established for that series by the Clearing Corporation.

<sup>8</sup> A Stock/Complex Order is defined in Rule 6.62(h)(2) as the purchase or sale of a Complex

The Exchange is proposing to amend Rule 6.91 to delete provisions governing how the CME processes Electronic Complex Orders that contain a stock leg. Two types of Electronic Complex Orders, Stock/Option Orders and Stock/Complex Orders, contain a stock leg. Rule 6.91(a)(2)(i) provides that "the CME will accept an incoming Electronic Complex Order and will automatically execute it against Electronic Complex Orders in the Consolidated Book." Rule 6.91(a)(2)(ii) further provides that "[i]f an Electronic Complex Order in the CME is not marketable against another Electronic Complex Order it will automatically execute against individual orders or quotes residing in the Consolidated Book," subject to specified conditions. The CME, however, rejects Electronic Complex Orders that contain a stock leg. The development and implementation of the technology supporting the CME's capability to accept Electronic Complex Orders that contain a stock leg has taken longer than anticipated to complete and is not yet available. The Exchange is therefore proposing to delete from the Rule those provisions that permit the CME to accept Electronic Complex Orders that contain a stock leg.

The Exchange expects that this CME functionality will not be ready until the Fall of 2013. The Exchange therefore believes it is appropriate to delete from Rule 6.91 provisions governing the described functionality until such time as it is ready to be implemented. In addition, the Exchange is proposing the deletion of Commentary .03 to Rule 6.91 to conform the Rule's Commentary to the proposed amendments to the Rule. When the CME functionality to support the acceptance of a Stock/Option Order or Stock/Complex Order is ready to be implemented, the Exchange will file a rule proposal to add back the provisions relating to the functionality, amended as necessary to reflect how such functionality would operate. The use of Stock/Option and Stock/Complex Orders in open outcry trading on the Exchange Floor remains available to OTP Holders and is not impacted by the proposed amendment to Rule 6.91,

Order coupled with an order to buy or sell a stated number of units of an underlying stock or a security convertible into the underlying stock ("convertible security") representing either (A) the same number of units of the underlying stock or convertible security as are represented by the options leg of the Complex Order with the least number of options contracts, or (B) the number of units of the underlying stock necessary to create a delta neutral position, but in no case in a ratio greater than eight-to-one (8.00), where the ratio represents the total number of units of the underlying stock or convertible security in the option leg to the total number of units of the underlying stock or convertible security in the stock leg.

<sup>8</sup> 17 CFR 200.30-3(a)(12) and (31).

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

<sup>2</sup> 15 U.S.C. 78a.

<sup>3</sup> 17 CFR 240.19b-4.