management or policies of a company and provides that a control relationship will be presumed where one person owns more than 25% of another person's voting securities. Each Fund may be deemed to be controlled by an Adviser and hence affiliated persons of each other. In addition, the Funds may be deemed to be under common control with any other registered investment company (or series thereof) advised by the Adviser or an entity controlling, controlled by or under common control with the Adviser (an ''Affiliated Fund'').

10. Applicants request an exemption from section 17(a) of the Act pursuant to sections 17(b) and 6(c) of the Act to permit persons to effectuate in-kind purchases and redemptions with a Fund when they are affiliated persons of the Fund or second-tier affiliates solely by virtue of one or more of the following: (a) Holding 5% or more, or in excess of 25%, of the outstanding Shares of one or more Funds; (b) having an affiliation with a person with an ownership interest described in (a); or (c) holding 5% or more, or more than 25%, of the shares of one or more Affiliated Funds.

11. Applicants assert that no useful purpose would be served by prohibiting these types of affiliated persons from acquiring or redeeming Creation Unit Aggregations through ''in-kind'' transactions. The deposit procedures for both in kind purchases and in-kind redemptions of Creation Unit Aggregations will be the same for all purchases and redemptions. Deposit Instruments, Redemption Instruments, and the balancing cash amounts (except for any permitted cash-in-lieu amounts) will be the same regardless of the identity of the purchaser or redeemer and the Deposit Instruments and Redemption Instruments will be valued in the same manner as Portfolio Securities. Therefore, applicants state that in-kind purchases and redemptions will afford no opportunity for the specified affiliated persons, or second-tier affiliates, of a Fund to effect a transaction detrimental to other holders of Shares. Applicants also believe that in-kind purchases and redemptions will not result in self-dealing or overreaching of the Fund.

Applicants' Conditions

Applicants agree that any order of the Commission granting the requested relief will be subject to the following conditions:

ETF Relief

1. As long as the Trust operates in reliance on the requested order, the Shares of the Funds will be listed on an Exchange.

2. Neither the Trust nor any Fund will be advertised or marketed as an open-end investment company or a mutual fund. Any advertising material that describes the purchase or sale of Creation Unit Aggregations or refers to redeemability will prominently disclose that Fund Shares are not individually redeemable and that owners of Fund Shares may acquire those Fund Shares from a Fund and tender those Fund Shares for redemption to a Fund in Creation Unit Aggregations only.

3. The Web site for the Funds, which is and will be publicly accessible at no charge, will contain the following information, on a per Share basis, for each Fund, the prior Business Day's NAV and the market closing price or the midpoint of the bid/ask spread at the time of the calculation of such NAV (''Bid/Ask Price''), and a calculation of the premium or discount of the market closing price or Bid/Ask Price against such NAV.

4. The requested relief to permit ETF operations will expire on the effective date of any Commission rule under the Act that provides relief permitting the operation of index-based exchange-traded funds.

For the Commission, by the Division of Investment Management, under delegated authority.

Kevin M. O'Neill,

Deputy Secretary.

[FR Doc. 2013–18349 Filed 7–30–13; 8:45 am]

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–70038; File No. SR–NYSEArca–2013–72]

Self-Regulatory Organizations; NYSE Arca, Inc.; Notice of Filing and Immediate Effectiveness of Proposed Rule Change Adding a New Rule To Codify Existing Price Protection Mechanisms

July 25, 2013.

Pursuant to Section 19(b)(1) [1] of the Securities Exchange Act of 1934 (the ''Act'') [2] and Rule 19b–4 thereunder,[3] notice is hereby given that, on July 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 Substance of the Proposed Rule Change

The Exchange proposes to add a new rule to codify existing price protection mechanisms. The text of the proposed rule change is available on the Exchange's Web site at *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 the Statutory Basis for, the Proposed Rule Change

1. Purpose

The Exchange is proposing to add Rule 6.60 to codify and clarify price protection mechanisms already in use on the Exchange. The Exchange has in place various price check parameter features that are designed to help maintain a fair and orderly market by preventing incoming options orders from automatically executing at potentially erroneous prices. The Exchange believes that the features assist with the maintenance of fair and orderly markets by helping to mitigate the potential risks associated with orders sweeping through multiple price points, thereby resulting in executions at prices that are away from the last sale price or best bid or offer and that are potentially erroneous. The Exchange is proposing to add a new rule to codify existing price check protection and order handling features to provide clarity on the operation of the functionality.

Trading Collars

The Exchange applies a ''Trade Collar Protection'' mechanism that prevents the immediate execution of incoming market orders or marketable limit orders (''marketable orders'') outside of a specified parameter (referred to as a

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

[2] 15 U.S.C. 78a.

[3] 17 CFR 240.19b–4.

''Trading Collar''). Pursuant to proposed Rule 6.60(a)(3), the Trade Collar Protection mechanism is not available for quotes [4] or for orders with execution conditions IOC, AON, FOK and NOW.[5]

Trading Collars are determined by the Exchange on a class-by-class basis and, unless announced otherwise via Trader Update, are the same value as the bid-ask differential guidelines established pursuant to Rule 6.37(b)(1), as set forth in proposed Rule 6.60(a)(2). For example, Rule 6.37(b)(1) sets the bid-ask differential for an option priced less than $2.00 at $0.25. For any option that has a bid less than $2.00, the Trading Collar will be $0.25. Accordingly, if the National Best Bid and Offer (''NBBO'') for XYZ is $0.75 bid and $1.75 offer, any marketable orders the Exchange receives will be subject to a $0.25 Trading Collar.[6] If necessary to preserve a fair and orderly market,[7] the Exchange may, with the approval of two Trading Officials,[8] widen or narrow the Trading Collar for one or more option series.[9]

Trade Collar Protection applies to two scenarios. First, pursuant to proposed Rule 6.60(a)(1)(i), Trade Collar Protection prevents executions of certain incoming marketable orders when the difference between the National Best Offer (''NBO'') and the National Best Bid (''NBB'') is greater than one Trading Collar. Second, pursuant to proposed Rule 6.60(a)(1)(ii), Trade Collar Protection prevents the execution of the balance of an incoming marketable order if it were to execute at a price that is the NBO plus a Trading Collar for eligible marketable buy orders (or a price that is the NBB minus a Trading Collar for eligible marketable sell orders).

The purpose of Trade Collar Protection in the first scenario, set forth in proposed Rule 6.60(a)(1)(i), is to prevent executions when the spread between the bid and ask exceeds the bid-ask differential guidelines and to provide an opportunity to attract additional liquidity at tighter spreads by displaying the incoming marketable order at successive prices until the displayed bid and offer is equal to the bid-ask differential guideline for that option, *i.e.,* equal to the Trading Collar. Accordingly, if the difference between the NBO and the NBB is greater than one Trading Collar, the Exchange will prevent execution or routing of the incoming marketable order. Instead, pursuant to proposed Rule 6.60(a)(4)(A), the Exchange will display the incoming marketable order at a price equal to the NBO minus one Trading Collar for sell orders or the NBB plus one Trading Collar for buy orders (the ''collared order''). The Exchange will then attempt to execute or route the collared order to buy (sell) against any contra interest priced within one Trading Collar above (below) the displayed price of the collared order.[10] As set forth in proposed Rule 6.60(a)(4)(C)(iii), should market conditions prevent the order from trading or recalculating for a period of one second,[11] the order will improve its displayed price by an amount equal to an additional Trading Collar. In accordance with proposed Rule 6.60(a)(D), if the order subject to Trade Collar Protection is a limit order, the order will not be posted at a price beyond its limit. Once the limit price is reached through the re-pricing of a collared order, the order will be posted and displayed at its limit price in the Consolidated Book. Until there is an opportunity to execute consistent with the parameters of Trade Collar Protection, the Exchange will not execute or route market orders or eligible limit orders that would execute outside it. As new prices are calculated, the Exchange will continue to evaluate whether the marketable orders may execute consistent with Trade Collar Protection.

In the above example of the NBBO for XYZ being $0.75 bid and $1.75 offer with a $0.25 Trading Collar, an incoming market order to sell will be displayed at $1.50 (*i.e.,* $1.75 offer minus the $0.25 Trading Collar). For a period of one second, the Exchange will attempt to execute the sell order against any contra interest (on any market) priced $1.25 or greater (*i.e.,* $1.50 offer minus the $0.25 Trading Collar). At the expiration of one second, the Exchange will redisplay the market sell order subject to Trade Collar Protection at the next Trading Collar value of $1.25. For a period of one second, the Exchange will then attempt to execute the sell order against any contra interest priced $1.00 or greater ($1.25 offer minus the $0.25 Trading Collar). At the expiration of another one second, the Exchange will redisplay the market sell order subject to Trade Collar Protection at $1.00. Assuming the hypothetical market remained unchanged, the new market would be $0.75–$1.00. Since the market would now equal the $0.25 bid-ask differential guidelines established pursuant to Rule 6.37(b)(1), Trade Collar Protection would no longer apply and the market order would immediately execute against the $0.75 bid.

The collared order will re-price before the expiration of one second as a result of certain changes in the market. Pursuant to proposed Rule 6.60(a)(4)(C)(i), an update to the NBBO (based on another market center or an inbound quote or order on the Exchange) that improves the same side of the market as the collared order will cause the collared order to be redisplayed at the same price as the updated NBBO. In accordance with proposed Rule 6.60(a)(4)(C)(ii), an inbound limit order (which is not an IOC Order, AON Order, FOK Order or NOW Order) on the same side of the market priced better than one Trading Collar from the collared order will also become subject to Trade Collar Protection and will cause the collared order to improve by one Trading Collar (which will redisplay at the new price and additional size of the new limit

[4] Market Makers have obligations to provide liquidity through the quoting obligations set forth in Rule 6.37B. The Exchange does not believe it is necessary to provide Trade Collar Protection to quotes, as they may be priced to address dislocation in the market. The Exchange provides Market Makers with a dedicated trade protection mechanism set forth in Rule 6.40.

[5] IOC, AON, FOK or NOW are time in force indicators added to orders that notify the Exchange that the order is not eligible for Trade Collar Protection. When Trade Collar Protection does not apply, marketable orders will receive an immediate execution. The Exchange does not believe that Trade Collar Protection is necessary for orders with IOC, FOK, or NOW instructions because by definition, those orders are intended to access all availability liquidity without delay and cancel if they do not execute. Because Trade Collar Protection may hold a market or marketable limit order for execution, the Exchange believes that it would contradict the explicit instruction of a customer using IOC, FOK, or NOW instructions (immediately execute or cancel). The Exchange further believes that the Trade Collar Protection is not necessary for AON orders because by definition, an AON order must meet sufficient size before executing, and so partial executions at multiple price points would contradict the explicit instruction of a customer using an AON instruction.

[6] The bid-ask differential changes as the price increases. Rule 6.37(b)(1) sets the bid-ask differential at no more than $0.40 where the bid is $2.00 or more but does not exceed $5.00. Accordingly, if the NBBO for XYZ is $3.00 bid and $3.50 offer, any marketable orders the Exchange receives will be subject to a $0.40 Trading Collar Protection.

[7] As an example, situations of extreme market volatility or a major news announcement in an underlying security may prompt a review of the Trading Collar values.

[8] A Trading Official, as defined by Rule 6.1(b)(34) is an officer or employee of the Exchange. Trading Officials are not affiliated with OTP Holders.

[9] If the Exchange announces by Trader Update that the Trading Collars are being modified outside the bid-ask differential guidelines established pursuant to Rule 6.37(b)(1), the Exchange will publish a Trader Update that advises OTP Holders when the Trading Collars will return to the bid-ask differential guidelines set forth in Rule 6.37(b)(1). The Exchange will maintain records regarding when and why a Trading Collar may be modified and will make such records available to NYSE Regulation.

[10] *See,* proposed Rule 6.60(a)(4)(B).

[11] The Exchange believes that displaying the order for one second before recalculating to the next Trading Collar provides an appropriate length of time to attract additional contra-side liquidity for that option.

order). A new incoming market order on the same side as a collared order will not cause the order subject to Trade Collar Protection to be recalculated (but will redisplay with the additional size of the new market order).[12] As set forth in proposed Rule 6.60(a)(6), the order that has been held subject to the Trading Collar retains priority over later arriving quotes and all orders, except those with execution conditions IOC, AON, FOK or NOW.[13]

As an example, if the NBBO is $0.25 bid and $2.00 offer with a $0.25 Trading Collar, a new incoming market order to buy 100 contracts will be displayed at $0.50. If the NBBO becomes a $1.00 bid and $2.00 offer (via an updated quote from a market maker or another market center), the market order subject to the Trading Collar will redisplay at $1.00. If, instead, a limit order to buy was received with a limit price of $1.00, the market order and the limit order will redisplay with combined size at $0.75 (for which the market order will have priority over the later arriving limit order). If, however, the limit order to buy was received with a limit price of $0.60, the market order and the limit order will redisplay with combined size at $0.60 (for which the market will have priority over the later arriving limit order).

The purpose of Trade Collar Protection in the second scenario, set forth in proposed Rule 6.60(a)(1)(ii), is to prevent an order from executing at prices away from the market after exhausting interest at or near the top of the book. Trade Collar Protection seeks to provide an opportunity for liquidity to reenter the market creating tighter spreads by displaying the partially executed marketable order instead of allowing it to further execute. When the difference between the NBB and NBO is within the bid-ask differential guidelines and after an incoming marketable order executes against the NBB or NBO, Trade Collar Protection prevents execution of the balance of that incoming order at prices that are a Trading Collar above the NBO for buy orders (or at prices that are a Trading Collar below the NBB for sell orders). Essentially, the Exchange will permit the immediate execution of an incoming marketable order up to a Trading Collar away from the NBBO. Pursuant to proposed Rule 6.60(a)(5), the balance of the partially executed order will be subject to Trade Collar Protection and will display at the last sale price. However, if there is an opportunity for trading within one Trading Collar of the last sale price, the order will continue to be displayed at the NBB (NBO) established at the time of the initial execution. Once subject to Trade Collar Protection, the order will follow the re-pricing mechanism described above.

As an example, assume the Exchange received a 1000 contract buy market order for ABC when the NBBO is $1.50–$1.60 with a $0.25 Trading Collar. The incoming 1000 contract buy market order would immediately execute against the $1.60 offer. If there is insufficient interest at the $1.60 offer to fill the order, the buy market order would execute against subsequently higher offer prices. Pursuant to Trade Collar Protection, the order would execute against all available interest up to and including $1.85 ($1.60 offer added with the $0.25 Trading Collar). The remaining balance of the order that could not be executed up to and including $1.85 would then be subject to Trade Collar Protection. The balance of the order will display at $1.85 so long as there are no offers at $2.10 or less ($1.85 plus the $0.25 Trading Collar). If, however, there is an offer at $2.10 or less, the balance of the order will display at $1.60.

The Exchange believes that Trade Collar Protection applicable to certain incoming marketable orders (*i.e.,* orders that do not include a time in force indicator) supports a fair and orderly market because it prevents the execution of orders that may be potentially erroneous while at the same time displaying such interest at sequentially tighter increments in an effort to attract contra-side interest at prices closer to the bid-ask differential for the option.

Limit Order Filter

As set forth in proposed Rule 6.60(b), the Exchange also employs a filter for incoming limit orders, pursuant to which the Exchange rejects limit orders priced a specified percentage away from the NBB or NBO. As the Exchange receives limit orders, the Exchange System will check the price of the limit order against the contra-side NBB or NBO at the time of the order entry to determine whether the limit order is within the specified percentage.

Unless determined otherwise by the Exchange and announced to OTP Holders via Trader Update, the specified percentage will be 100% for the contra-side NBB or NBO priced at or below $1.00 and 50% for contra-side NBB or NBO priced above $1.00. If the limit order is priced outside of the specified percentage, the limit order will be rejected. For example, if the NBB is $4.00, a sell order priced at or below $2.00, which is 50% below the NBB, would be rejected. Likewise, if the NBO is $0.75, a buy order priced at or above $1.50, which is 100% above the NBO, would be rejected.

The Exchange believes that this mechanism will prevent the entry of limit orders that have similar market impact as market orders because they are priced so far away from the prevailing market price that execution of such orders could cause significant price dislocation in the market. The Exchange also believes that this mechanism will further serve to mitigate the occurrence of executions that are potentially erroneous.

2. Statutory Basis

The statutory basis for the proposed rule change is Section 6(b)(5) of the Securities Exchange Act of 1934 (the ''Act''), in general, and furthers the objectives of Section 6(b)(5)[14] which requires the rules of an exchange 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. The proposed rule change also is designed to support the principles of Section 11A(a)(1)[15] of the Act in that it seeks to assure fair competition among brokers and dealers and among exchange markets. The Exchange believes that the proposed rule assists with the maintenance of fair and orderly markets by helping to mitigate the potential risks associated with orders sweeping through multiple price points, thereby resulting in executions at prices that are away from the last sale price or best bid or offer and that are potentially erroneous, thereby protecting investors from receiving executions away from the prevailing prices at any given time. Specifically, the Exchange believes that holding and displaying certain incoming marketable orders for options with a bid-ask differential wider than one Trading Collar at successive Trading Collar prices removes impediments to and perfects the mechanism of a free and open market by preventing executions at potentially erroneous prices while at the same time seeking to attract contra-side liquidity for a tighter market. The Exchange believes that the maintenance of fair and orderly markets is further enhanced by

[12] *See,* proposed Rule 6.60(a)(4)(C)(iv).

[13] As stated above, orders with execution conditions IOC, AON, FOK and NOW are not eligible for Trade Collar Protection. As such, marketable orders with these conditions will receive an immediate execution (even if there is an order held subject to the Trading Collar).

[14] 15 U.S.C. 78f(b)(5).

[15] 15 U.S.C. 78k–1(a)(1).

the ability to adjust the thresholds of Trade Collar Protection to react to market conditions. In addition, the Exchange believes that preventing executions of incoming marketable orders at prices that are not [sic] more than one Trading Collar outside of the NBBO and rejecting incoming limit orders that are priced specified parameters away from the NBBO also assures that executions will not occur at erroneous prices, thereby promoting a fair and orderly market. Similarly, the Exchange believes that rejecting limit orders priced a specified percentage away from the NBBO removes impediments to and perfects the mechanism of a free and open market by reducing the potential for executions at erroneous prices.

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 not necessary or appropriate in furtherance of the purposes of the Act. The Exchange believes the proposal will provide market participants with additional protection from anomalous executions. Thus, the Exchange does not believe the proposal creates any significant impact on competition.

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 [16] and Rule 19b–4(f)(6) thereunder.[17] 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.

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) [18] of the Act to determine whether the proposed rule change should be approved or disapproved.

[16] 15 U.S.C. 78s(b)(3)(A)(iii).

[17] 17 CFR 240.19b–4(f)(6).

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–NYSEArca–2013–72 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–NYSEArca–2013–72. 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 Section, 100 F Street NE., Washington, DC 20549–1090. Copies of the filing will also be available for inspection and copying at the NYSE's principal office and on its Internet Web site at *www.nyse.com*. 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–NYSEArca–2013–72 and should be submitted on or before August 21, 2013.

[18] 15 U.S.C. 78s(b)(2)(B).

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.[19]

Kevin M. O'Neill,

Deputy Secretary.

[FR Doc. 2013–18346 Filed 7–30–13; 8:45 am]

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–70039; File No. SR–CBOE–2013–071]

Self-Regulatory Organizations; Chicago Board Options Exchange, Incorporated; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change Relating to the Technical Disconnect Functionality

July 25, 2013.

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 July 12, 2013, 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 is proposing to amend its rules to codify the Technical Disconnect Mechanism. The text of the proposed rule change is also 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.

[19] 17 CFR 200.30–3(a)(12).

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

[2] 17 CFR 240.19b–4. The Commission notes that the Exchange filed the proposed rule change pursuant to Section 19(b)(3)(A)(ii) of the Act (15 U.S.C. 78s(b)(3)(A)(ii)) and Rule 19b–4(f)(5) thereunder (17 CFR 240.19b–4(f)(5)), which renders the proposal effective upon filing with the Commission.