

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 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-2013-085, and should be submitted on or before October 1, 2013.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>10</sup>

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

[FR Doc. 2013-21931 Filed 9-9-13; 8:45 am]

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-70317; File No. SR-NYSEArca-2013-42]

### Self-Regulatory Organizations; NYSE Arca, Inc.; Notice of Filing of a Proposed Rule Change Amending Rule 6.72 To Make Permanent the Penny Trading Program for Options

September 4, 2013.

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 August 20, 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, 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 proposes to amend Rule 6.72 to make permanent the penny trading program for options. 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 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 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 purpose of this filing is to amend Rule 6.72 to make permanent the penny trading program in options (the "Program"), which was approved on a limited pilot basis on January 23, 2007 (the "Penny Pilot" or, the "Pilot"), and has been expanded and extended numerous times since.<sup>3</sup>

<sup>3</sup> Exchange Act Release No. 55156 (January 23, 2007) 72 FR 4759 (February 1, 2007) (NYSEArca-2006-73); Release No. 56150 (July 26, 2007) 72 FR 42460 (August 2, 2007) (NYSEArca-2007-56); Release No. 56568 (September 27, 2007) 72 FR 56422 (October 3, 2007) (NYSEArca-2007-88); Release No. 59628 (March 26, 2009) 74 FR 15025 (NYSEArca-2009-26); Release No. 60224 (July 1, 2009) 74 FR 32991 (July 9, 2009) (NYSEArca-2009-61); Release No. 60711 (September 23, 2009) 74 FR 49419 (September 28, 2009) (NYSEArca-2009-44); Release No. 61061 (November 24, 2009) 74 FR 62857 (December 1, 2009) (NYSEArca-2009-44); Release No. 63376 (November 24, 2010) 75 FR 75527 (December 3, 2010) (NYSEArca-2010-104); Release No. 65977 (December 15, 2011) 76 FR 79234 (NYSEArca-2011-93); Release No. 67307 (June 28, 2012) 77 FR 40110 (July 6, 2012) (NYSEArca-2012-65); Release No. 68426 (December 13, 2012) 77 FR 75224 (December 19, 2012) (NYSEArca-2012-135); Release No. 69106 (March 11, 2013) 78 FR 16552 (March 15, 2013)

NYSE Arca, having demonstrated the benefits of options trading in pennies for customers through numerous studies, proposes to make the Program permanent, but on a reduced level. NYSE Arca proposes that the Program be limited to the 150 most active multiply listed options classes.

#### Analysis of the Current Program

Under the Penny Pilot, the Program is currently available for 363 listed options classes. NYSE Arca conducted an analysis of penny trading in options to determine the effectiveness of the Penny Pilot within the full range of the Pilot issues. Since the Pilot was expanded over the time period of November 2009 to August 2010, the Exchange reviewed data from the last two full calendar years.

The Exchange determined that, while the overall Pilot was of great benefit to Customers and provide [sic] greater opportunities to all market participants, the benefits have been concentrated in the 150 most active Penny Pilot issues (the "Top 150"), and that the Pilot issues outside of the Top 150 (the "Bottom 203")<sup>4</sup> not only failed to reap a benefit from penny trading, but resulted in more technology overhead costs to provide for capacity and speed for quote activity, and lagged the overall market in volume and in various performance statistics. As part of its analysis, the Exchange reviewed quote-to-volume ratios for the Top 150, the Bottom 203, and the Top 200 non-Penny Pilot issues.<sup>5</sup>

The Exchange found the following:

#### QUOTE TO VOLUME RATIO [January to October 2012]

Segment	Quote/Contract
Top 50 Penny Pilot Issues .....	176 to 1.
Top 150 Penny Pilot Issues .....	216 to 1.
Top 200 Non Penny Issues .....	514 to 1.
Bottom 203 .....	589 to 1.

The Exchange believes that the quote-to-volume ratios demonstrate that the

(NYSEArca-2013-22); Release No. 69790 (June 18, 2013) 78 FR 37853 (June 24, 2013) (NYSE Arca-2013-59).

<sup>4</sup> For purposes of consistency, the study was conducted on issues that were in the Penny Pilot as of the end of 2012 and added to the Pilot no later than January 2011, thus excluding 9 issues. One other issue was excluded due to extenuating circumstances of the underlying. The total number of issues studied was 353. For a more detailed discussion on methodology, see NYSE U.S. Options Report on Penny Trading in Options 2012, attached as Exhibit 3 to the proposing Rule change.

<sup>5</sup> Study period was January through October, 2012. The time frame was chosen to allow for a year over year comparison period in which the Penny Pilot was completely rolled out to 363 issues.

<sup>10</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.

reduced minimum price variation ("MPV") applicable to issues in the Penny Pilot provides significant efficiencies in the most active names, but provides a great deal of unnecessary quote traffic in the less active issues. Indeed, the non-Penny Pilot issues studied were 12.7% more efficient than the Bottom 203.

The Exchange also found that trading volume in Penny Pilot issues is almost all concentrated in the Top 150. In 2011, 89.1% of Penny Pilot volume was in the Top 150, and continued at a rate of 90.8% for 2012.

From 2011 to 2012, trading volumes in the Top 150 declined 11.6%, whereas the Bottom 203 declined 26.9%. Given a year-over-year decline in options industry volume of 12.2%, the Bottom 203 underperformed the industry by 14.7%.

The Exchange anticipates that there may be some investor concern regarding a widening of the minimum price variation in some issues. But the Exchange believes that such concerns are offset by the significant widths and lack of liquidity of market spreads in lower tier Penny Pilot issues as well as the availability of mechanisms for price improvement in today's modern options industry. First, notwithstanding the smaller MPV for Penny Pilot issues, it has not contributed to market spreads less than \$0.05 in most Penny Pilot issues. For example, in April 2012, the average NBBO spread in the Top 10 most active Penny Pilot issues was \$0.25, while the spread in the 20 least active Penny Pilot issues was \$0.60. And, despite the wider spread, the average size at the NBBO in the less active names is often less than 25 contracts. The Exchange believes that an MPV of \$0.05 or higher for an issue with a \$0.60 spread is not an unreasonable ratio.

Second, if a market participant is interested in an execution in a penny increment, such opportunities are available with certain price improvement mechanisms. For example, the Price Improvement Period ("PIP")<sup>6</sup> of the BOX Options Exchange LLC ("BOX") auction process provides an opportunity for penny incremented price improvement for series with a \$0.05 MPV. From December 2012 to February 2013, 69.2% of the contracts submitted to the PIP in series with a \$0.05 MPV received price improvement, while only 17.4% of the contracts submitted to the PIP in \$0.01 series

were price improved.<sup>7</sup> With a number of exchanges now offering auction price improvement mechanisms, Customers wishing to trade an order within the NBBO in an increment finer than \$0.05 and for size greater than the average NBBO may do so through competitive mechanisms.

The Exchange considers that given the existing quote width in most Penny Pilot series, a change in MPV resulting from reducing the number of issues available for penny trading will be unlikely to have any material impact on spread widths.

#### Proposal for a Permanent Program

NYSE Arca proposes the Penny Pilot for Options be approved as a permanent program, but on a smaller scale. The Exchange proposes reducing the number of issues in the Program to the 150 most active issues currently in the Program effective the monthly expiration three months following approval of this filing. The Exchange does not propose to change any aspects of the structure of the Program other than the number of underlying issues in the Program and certain details regarding the processes for adding and removing options on certain issues that are subject to the Program. All options contracts in QQQ (PowerShares QQQ TrustSM, Series 1), SPY (SPDR S&P 500 ETF) and IWM (iShares Russell 2000 Index Fund) will continue to quote in \$0.01 increments; all other options contracts in the Program trading under \$3 will continue to quote in \$0.01 increments, and all other option contracts in the Program trading at or above \$3 will trade in \$0.05 increments. NYSE Arca makes this proposal for a reduced Program based on the numerous previously published studies of the Pilot. Through these studies, the options industry has extensive understanding of the benefits to Customers of the Pilot and the burdens on quote traffic and capacity caused by the Pilot. Over the life of the Pilot, the Exchange has studied quote traffic with an expectation that quote traffic would increase because of more quoting price points, but also with the expectation that the increased quote traffic would provide increased trading activity. The Exchange believes that the Pilot, as a whole, has largely met these expectations. However, our study has shown that the anticipated benefits have been concentrated in the Top 150 issues. Further, our study shows that quote traffic in the lower tier issues has increased significantly without a corresponding increase in volume.

Previous Pilot reports did not identify the disparity as they did not examine the Quote to Trade ratio at various volume levels and tiers. While the Exchange proposes permanent approval on terms different from the Pilot, it does so after analysis of the Pilot (as outlined in the Report) following the increase in issues in the Pilot starting in the fall of 2009.

NYSE Arca notes that a reduced program does not need to be continued as a Pilot, as the various markets and market participants have already studied the Program at roughly that level on a Pilot basis in 2009 and 2010 during expansion of the Pilot. The Exchange and other markets all studied the Pilot at various levels throughout the Pilot, and consistently found that as an overall program, the Pilot was of benefit to Customers and had a minimal impact on the industry. Further study of the program on a Pilot basis would not reveal anything not already available. While the Quote to Trade ratio was not studied under the original Pilot Reports, the recent NYSE U.S. Options Report looked closely at the Quote to Trade ratio by volume group; a Pilot study of the Top 150 would retrace what was already studied in the Report. The previous Reports looked at quote traffic from an overall perspective, with the expectation that quote traffic would increase but be offset by a benefit to the investing public because of narrowed spreads and more price points. Overall, that is still true. The attached Report, however, is the first to look at the benefit of the added quote traffic by comparing the number of quotes per trade. The study found a robust volume of trades for a given quote level in the most active issues, but an exorbitant number of quotes per trade in the lower volume Pilot issues, indeed at a rate far higher than in non-Pilot issues.

In adopting a reduction to the Program, the Exchange does not believe further statistical analysis is needed and, accordingly, does not feel that a reduced Program should continue on a pilot basis. An additional pilot with a reduced number of issues would not reveal additional information or nuance. The attached Report looked at quote traffic over a significant time period, and found consistent behavior over time. Upon approval of this filing, an issue would remain in the Program if it qualified based on volume even if the price was over \$200 per share, but, consistent with current practice under the Pilot, an issue must be trading under \$200 per share to be added to the Program. An issue would not be removed from the Program based on price, but only on failure to stay in the

<sup>6</sup> See BOX Rule 7150 Price Improvement Period ("PIP").

<sup>7</sup> See <http://boxexchange.com/regulatory-circulars/pilot-reports/>.

150 most actively traded issues. Issues to be removed following approval will convert back to trading in standard increments of \$0.05 and \$0.10, but effective on the Monday following the third monthly expiration following approval, to give investors and traders time to prepare for the larger quoting increment.

Starting in January 2014, the Exchange also proposes an annual review of issues that are in the Program, so that the Program generally includes the 150 most active options issues. After each annual review, issues that are no longer in the 150 most active issues but are still among the 200 most active will continue in the Program, while issues that are removed will be replaced by issues that have become among the 150 most active and also priced below \$200 per share. The replacement issues will be ranked based on trading activity in the preceding six full calendar months,<sup>8</sup> and added, based on ranking and available space in the Program, on the first business day following January expiration. The reason for the limited removal from the Program is to reduce confusion if an issue is still active but is no longer in the 150 most active issues. The Program will thus have no more than 150 issues except for the period when issues to be removed are still trading in a penny increment. By remaining in the program, investors and traders will experience a continuity in trading practices. Issues that fall below the 200 most actives will be converted back to trading in standard increments of \$0.05 and \$0.10, but not until the first business day after April expiration, to give investors and traders time to prepare for the larger quoting increment. The Exchange finds it necessary to have these steps to insure an orderly transition of an issue out of the program. Announcements of issues to be added and to be phased out will be made at the end of the first full week of each year via Trader Update bulletin.<sup>9</sup>

An Exchange review of the most actively traded options issues over the last three years shows that approximately 30 issues each year fall out of the 150 most actives, with approximately 10 of those 30 falling out of the 200 most active. Of the issues that fall in the range of 151st to 200th most active, there is a meaningful chance that they will again be in the 150 most active.<sup>10</sup> By reducing the movement out

of the Program for issues which are still relatively active, investor confusion will be reduced.

Under the Pilot, issues that were no longer trading or where the options class had been delisted were only replaced once all existing series had expired or been delisted. This often had the effect of a defunct issue taking a slot in the program for an extended period of time because of LEAP series. For instance, an issue that went bankrupt in the Fall of 2008, just shortly after the listing of January 2011 LEAPs, remained in the program for over two years (until the January 2011 LEAP expired). With the proposed changes to the administration of a permanent program, and with the ability to remove issues from the Program, the Exchange proposes that issues that will not be adding any more series be removed from the active list of Program issues, so that they may be replaced with options issues that have become among the most active, and thus are available for trading in the finer increment.

NYSE Arca proposes that issues that are no longer available for listing new series because of delisting of the options class, or because they have been identified by OCC as no longer eligible for opening customer transactions will be removed from the list of active issues under the Program, and will be replaced in the Program at the beginning of the next quarter. Under certain circumstances, OCC notifies the exchanges that it will no longer permit new positions to be opened. NYSE Arca proposes this standard because when these events occur, the issues are set to prohibit Customer transactions that open a position. As a result, the activity level decreases such that it would be incapable of remaining in the Top 150 due to volume. However, any remaining series will continue to trade under the Program until they expire.

When adding new issues to replace an options class participating in the Program being removed because of being delisted or because they have been identified by OCC as ineligible for opening Customer transactions, the Exchange will use trading activity for the previous six full calendar months to determine the Top 150 issues based on trading volume.<sup>11</sup> Replacement issues for issues that have been disqualified

<sup>8</sup> 2012, 3 fell past the 200th rank and would be removed from the Program, and 1 remained in the 151–200th segment. In 2012, 12 issues previously in the top 150 in 2011 fell into the 151–200th segment. Of these 12 issues, 6 were ranked in the top 150 in 2013, 5 fell below the 200th rank, and 1 remained in the 151–200th segment.

<sup>11</sup> For instance, a quarterly review in October would use the preceding six full calendar months from April 1 through September 30.

will be placed in the Program on the first business day following the first monthly expiration of each calendar quarter. Because the new issues are added at least ten business days into the month, rather than the second day of the month as is done under the Pilot, the Exchange will use the most recent six full calendar months. The new issues will be announced in a Trader Update bulletin that is disseminated no later than the Friday before Expiration week. Any series in the issues that are being replaced (because of delisting or because they are ineligible for opening Customer transactions) will continue to trade under the Program until they expire. When an issue is being delisted or identified as ineligible for opening Customer transactions, the Exchange does not add any new series, and the existing series are generally set to “closing only”, that is, set to not permit a Customer to open or extend a position.

For issues that are no longer active enough to remain in the Program (i.e., no longer in the 200 most active following annual review), they will trade in nickel and dime increments effective after three monthly expirations, and the Exchange will announce via Trader Update bulletin at least one month in advance if orders for such issues in the Consolidated Book will be cancelled or if they will be converted to Price Improving Orders as described in Rule 6.62(s). Thus the Program may have more than 150 issues, and for those being removed from the Program, there will be sufficient notice to market participants that series in an issue will convert to nickel and dime quoting.

Lastly, the Program will also apply to any option classes that are selected by other securities exchanges that employ a similar program that provides for quoting and trading in penny increments under their respective rules.

The Rule will be effective the first business day after monthly expiration three months following approval.

## 2. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Securities Exchange Act of 1934 (the “Act”),<sup>12</sup> in general, and furthers the objectives of Section 6(b)(5) of the Act,<sup>13</sup> in particular, in that it is 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

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

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

<sup>8</sup> The preceding six full calendar months for the annual review will be July 1 through December 31.

<sup>9</sup> As under the current Rule, the Exchange will continue to publish such bulletins on its Web site.

<sup>10</sup> In 2011, 10 issues previously in the top 150 in 2010 fell into the 151–200th segment. Of these 10 issues, 6 were ranked in the top 150 symbols in

general, to protect investors and the public interest. In particular, the proposed rule change would provide OTP Holders and market participants with a permanent program for penny trading in options that will provide the greatest benefit to investors while minimizing the burden that a finer trading increment places on quote traffic.

Further, NYSE Arca notes that trading in penny increments has been demonstrated to remove impediments to trading in the national market system by providing a smaller pricing increment, but only in the Top 150 issues. The various reports, especially the NYSE U.S. Options Report on Penny Trading in Options 2012, show that the benefits to investors are overwhelmingly in the Top 150 issues, and that little additional benefit accrues in the Bottom 200. Because of this differential in benefit because of activity level, the Exchange believes that initially limiting the Program to 150 issues, and in subsequent years by not removing an issue that is still among the 200 most active multiply listed, the Program will be the appropriate size.

By providing sufficient notice of the changes to the Program, investor confusion will be greatly reduced. Those issues that will be delisted or because of the underlying security no longer being a covered security, will continue to trade under the Program until all the series have expired. Those issues that no longer qualify as being in the 150 most active issues (or the 200 most active issues after the annual review) will not convert to nickel and dime increment quoting until three monthly expirations have passed, to give investors sufficient time to prepare. These transition times and the provision to not oust issues that are no longer in the 150 most active but still actively traded will reduce investor confusion.

NYSE Arca believes the Commission now has an opportunity to perfect the mechanism of a free and open market by making the Program permanent.

#### *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. Since the proposal will reduce industry quote traffic, it promotes price and quote size competition while easing the burden of repeated quote updates that provide little economic benefit.

There would be an extreme burden placed on the competitiveness of NYSE Arca if the proposed rule change is

approved while other exchanges do not reduce the number of issues trading in penny increments. The Program, therefore, will also apply to any option classes that are selected by other securities exchanges that employ a similar penny trading program under their respective rules.

The Exchange would, however, recommend to the Commission, at the time of other exchange's filings to extend their Pilot or to make the program permanent, to have other markets demonstrate the benefit of not reducing the Program to 150 issues, given the burden on quote traffic by a broader program and the lack of market quality demonstrated by the widened spreads and lack of liquidity in the current Pilot. While the Exchange found the level of quote traffic acceptable in previous studies, it was only under the new study that the Exchange looked at the Quote to Trade ratio of differing volume tranches. It was only on doing so that it was revealed that the anticipated benefits of the Pilot were not being realized consistently in lower volume issues.

#### *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**

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 self-regulatory organization consents, the Commission will:

- (A) By order approve or disapprove the 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. The Commission requests comments, in particular, on the following aspects of the proposed rule change:

1. The Commission has previously noted that allowing market participants to quote in smaller increments has been shown to reduce spreads in options

classes included in the Penny Pilot Program, thereby lowering costs to investors.<sup>14</sup> The Commission has also recognized that the options exchanges have previously shown in their pilot reports that there has been a reduction in the displayed size available in the Pilot classes.<sup>15</sup> The current Penny Pilot Program allows penny quoting and trading in 363 options classes. What are the benefits or harms to investors that might result from reducing the number of options classes to a number less than the current 363 options classes in a permanent penny program? Specifically, what are the benefits or harms to investors that might result from reducing the number of options classes in a permanent penny program to the 150 most actively traded multiply listed options classes, as proposed?

2. What are commenters' views on NYSE Arca's proposal to limit the proposed permanent penny program to the 150 most actively traded multiply listed options classes based on trading activity in the previous six months? Please explain.

a. If you agree with basing inclusion on the most actively traded multiply listed options classes, what are your views on NYSE Arca's proposal to include the 150 most actively traded multiply listed options classes? Please explain.

b. If you believe that inclusion of options classes in the proposed permanent penny program should be based on different criteria, what criteria, and why?

3. What are commenters' views on NYSE Arca's proposal to use the previous six months of trading activity to determine the 150 most actively traded multiply listed options classes? Please explain. Should this timeframe be extended or shortened? Why or why not? If so, by how many days or months, and why?

4. NYSE Arca proposes that once an issue is in the proposed permanent penny program, the issue will remain in the proposed permanent penny program until it is no longer among the 200 most actively traded issues based on an annual review. Upon falling below the 200 most actively traded issues, an issue will be removed from the proposed permanent penny program. What are commenters' views on the proposal's process to remove an options class from the proposed permanent penny program that falls below the 200 most actively traded issues? Please explain.

<sup>14</sup> See Securities Exchange Act Release No. 60711 (September 23, 2009) 74 FR 49419, 49421 (September 28, 2009) (NYSEArca-2009-44).

<sup>15</sup> *Id.* at 49422.

5. Do commenters have any concerns about how an option class might trade between the time notice has been given that the option class will be removed from the proposed permanent penny program and the time options in that class begin trading in standard increments? Please explain.

6. What are commenters' views on NYSE Arca's proposal to conduct a review on an annual basis? Please explain. Should such a review interval be more or less frequent? Please explain.

7. Do commenters believe that the use of the two proposed market activity levels (150 most actively traded listed options classes and 200 most actively traded issues) would cause confusion among market participants? Why or why not? Do you believe the use of the two proposed market activity levels would provide an appropriate mechanism to transition options classes in and out of the proposed permanent penny program? Why or why not?

8. NYSE Arca proposes to replace any options classes participating in the Program that have been delisted, or are identified by OCC as ineligible for opening Customer transactions, with the next most actively traded multiply listed options classes that are not yet included in the Program, based on trading activity in the previous six full calendar months. NYSE Arca proposes that any series in a class overlying the issues that are being replaced would continue to trade under the proposed permanent penny program until they expire. The replacement issue would be added to the proposed permanent penny program at the beginning of the next quarter. What are commenters' views on NYSE Arca's process to replace options classes that have been delisted or are identified by OCC as ineligible for opening Customer transactions? Please explain.

9. What are commenters' views on whether the minimum quoting increment should be the same or different across all exchanges trading the same option? What are the advantages and disadvantages to adopting a uniform permanent penny program as compared to exchange specific permanent penny programs? Please be specific.

10. Commenters are requested to provide empirical data and other factual support for their views, if possible.

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-NYSEArca-2013-42 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-2013-42*. 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 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-NYSEArca-2013-42 and should be submitted on or before October 1, 2013.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>16</sup>

**Kevin M. O'Neill,**

*Deputy Secretary.*

[FR Doc. 2013-21928 Filed 9-9-13; 8:45 am]

**BILLING CODE 8011-01-P**

## **SECURITIES AND EXCHANGE COMMISSION**

[Release No. 34-70314; File No. SR-CBOE-2013-084]

### **Self-Regulatory Organizations; Chicago Board Options Exchange, Incorporated; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change To Amend the Fees Schedule**

September 4, 2013.

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 August 22, 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 proposes to amend its Fees Schedule. 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 amend Footnote 10 of the Fees Schedule to

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

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

<sup>16</sup> 17 CFR 200.30-3(a)(12).