

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.

#### 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-NYSEArca-2013-119 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-2013-119. 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, on official business days between the hours of 10:00 a.m. and 3:00 p.m. Copies of the filing will also be available for

Commission written notice of the Exchange's intent to file the proposed rule change, along with a brief description and text of the proposed rule change, at least five business days prior to the date of filing of the proposed rule change, or such shorter time as designated by the Commission. The Exchange has satisfied this requirement.

inspection and copying at the Exchange's principal office and on its Internet Web site at [www.nyse.com](http://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-2013-119 and should be submitted on or before December 10, 2013.

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

**Kevin M. O'Neill,**

*Deputy Secretary.*

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-70864; File No. SR-NYSEMKT-2013-89]

### Self-Regulatory Organizations; NYSE MKT LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change Amending Rule 957NY To Provide That a Pattern or Practice of Late Reporting of Option Transactions to the Exchange for Dissemination to the Options Price Reporting Authority Is Subject to Disciplinary Action

November 13, 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 October 31, 2013, NYSE MKT LLC (the "Exchange" or "NYSE MKT") 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 amend Rule 957NY to provide that a pattern or practice of late reporting of option transactions to the Exchange for dissemination to the Options Price Reporting Authority is subject to disciplinary action. 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, at the Commission's Public Reference Room, and on the Commission's Web site at <http://www.sec.gov>.

#### 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 957NY to provide that a pattern or practice of late reporting of option transactions to the Exchange for dissemination to the Options Price Reporting Authority ("OPRA") is subject to disciplinary action, including fines. Current Rule 957NY requires an ATP Holder to immediately report option transactions to the Exchange. The rule further provides that transactions not reported to OPRA within 90 seconds after execution will be designated "late," and that an ATP Holder who is responsible for late reporting of an option transaction, without reasonable justification or excuse, will be subject to a fine under Section 9A. Thus, under current rule 957NY, a single late-reported transaction is subject to a fine.

To have more flexibility in evaluating whether late reporting of option transactions should be subject to a fine, the Exchange proposes to amend the rule to provide that "a pattern or practice" of late reporting of option transactions to the Exchange would constitute a violation of the 90-second reporting requirement. While the Exchange's proposal does not expressly define what a "pattern or practice" of late reporting is, the Exchange will apply its existing Sanctions Guidelines, which are contained in Rule 476, *Supplementary Material*.10. Rule 476, *Supplementary Material*.10 contains both general guidelines for considering and determining the applicability of

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

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

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

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

sanctions under various Exchange rules, and guidelines specific to violations of particular Exchange rules, including “Trade Reporting—Late Reporting,” among other rules.<sup>4</sup> Moreover, in determining appropriate disciplinary action for late reporting of option transactions, the Exchange may apply, at its discretion, the Minor Rule Plan contained in Rule 476A, *Imposition of Fines for Minor Rule(s) Violations* for minor violations of Rule 957NY,<sup>5</sup> which would result in a fine from \$1,500 up to \$5,000, or Rule 476 in the case of more serious late reporting violations. Rule 476 lists suggested monetary sanctions for violations of Rule 957NY that range from \$1,000 to \$50,000.

The Exchange notes that the proposed rule change is substantially similar to current rules of the Chicago Board Options Exchange (“CBOE”) Rule 6.51(a) and NASDAQ OMX PHLX LLC (“PHLX”) Rule 1051(a).<sup>6</sup> Both CBOE and PHLX rules utilize the “pattern or practice” standard for evaluating late trade reporting violations.

## 2. Statutory Basis

The Exchange believes that the proposal is consistent with Section 6(b) of the Act,<sup>7</sup> in general, and furthers the objectives of Section 6(b)(5),<sup>8</sup> in particular, in that it is designed to prevent fraudulent and manipulative acts and practices, promote just and

<sup>4</sup> Rule 476, *Supplementary Material .10 Sanctions Guidelines* includes an aggregation provision under subparagraph (B.) *General Principles Applicable to All Sanction Determinations* (4) to guide the Exchange in determining whether to aggregate, or “batch” violations together, thereby treating them as one “violation” for purposes of determining sanctions if the misconduct meets certain objective parameters, such as “(B) Whether the violations involved unintentional or negligent misconduct or manipulative, fraudulent, or deceptive intent. (If aggregated, the violations should not have involved manipulative, fraudulent, or deceptive intent).” Rule 476, *Supplementary Material .10(C.) Principal Considerations in Determining Sanctions* includes “(6) whether the named party engaged in numerous acts and/or a pattern of misconduct.” Additionally, Rule 476, *Supplementary Material .10(C)* also provides that “(14) The number, size, and character of the transactions at issue” are to be considered among principal considerations in determining sanctions.

<sup>5</sup> Failure to comply with the reporting duties of Rule 957NY is listed as subject to fine under the Minor Rule Plan contained in Rule 476A, *Supplementary Material Part 1C.(i)(27)*, according to the Minor Rule Plan Fine Schedule provided in Rule 476A, *Supplementary Material Part 1C.(iii)(i)(27)*.

<sup>6</sup> See CBOE Rule 6.51(a); PHLX Rule 1051(a). PHLX rules also permit, but do not require the exchange, in evaluating whether a pattern or practice of rules violations exists, to aggregate or “batch” individual order handling violations as a single occurrence of a violation of a specific order handling rule by a member or member organization over a specific time period. See PHLX Rule 970.01.

<sup>7</sup> 15 U.S.C. 78f(b).

<sup>8</sup> 15 U.S.C. 78f(b)(5).

equitable principles of trade, to foster cooperation and coordination with persons engaged in facilitating transactions in securities, and 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. Specifically, the Exchange believes that the proposed amendment providing the Exchange with flexibility in determining whether an ATP Holder’s late reporting of option transactions to the Exchange constitutes a pattern or practice that should subject the late reporter to disciplinary action addresses an inconsistency between in [sic] the processes for adjudication of late-trade reporting on NYSE MKT and those of other self-regulatory organizations. Eliminating this inconsistency will help foster cooperation and coordination with persons engaged in facilitating transactions in securities. Moreover, the proposed rule change would not result in any material diminution of the Exchange’s overall enforcement authority or any material change in surveillance of late-trade reporting. As such, the proposed rule change is consistent with the Act because it would continue to protect investors and the public interest.

### 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. To the contrary, the Exchange’s proposal allows the Exchange to compete more effectively with other options exchanges that currently have rules in effect substantially similar to what the Exchange now proposes.

### 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) of the Act<sup>9</sup> and Rule 19b–4(f)(6) thereunder.<sup>10</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<sup>11</sup> and Rule 19b–4(f)(6) thereunder.<sup>12</sup>

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.

## 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–NYSEMKT–2013–89 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–NYSEMKT–2013–89. 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

<sup>11</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>12</sup> 17 CFR 240.19b–4(f)(6). In addition, Rule 19b–4(f)(6) requires the Exchange to give the Commission written notice of the Exchange’s intent to file the proposed rule change, along with a brief description and text of the proposed rule change, at least five business days prior to the date of filing of the proposed rule change, or such shorter time as designated by the Commission. The Exchange has satisfied this requirement.

<sup>9</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>10</sup> 17 CFR 240.19b–4(f)(6).

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, on official business days between the hours of 10:00 a.m. and 3:00 p.m. Copies of the filing will also be available for inspection and copying at the Exchange's principal office and on its Internet Web site at [www.nyse.com](http://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-NYSEMKT-2013-89 and should be submitted on or before December 10, 2013.

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

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

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-70859; File No. SR-ISE-2013-54]

### Self-Regulatory Organizations; International Securities Exchange, LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Amend the Schedule of Fees

November 13, 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 November 1, 2013, the International Securities Exchange, LLC (the "Exchange" or the "ISE") filed with the Securities and Exchange 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 ISE proposes to decrease its Options Regulatory Fee. The text of the proposed rule change is available on the Exchange's Web site (<http://www.ise.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 these statements may be examined at the places specified in Item IV below. The self-regulatory organization 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 the Statutory Basis for, the Proposed Rule Change

###### 1. Purpose

The Exchange proposes to decrease its Options Regulatory Fee ("ORF"). The Exchange has reevaluated the current amount of the ORF in light of increased trading volumes year-to-date. In order to ensure that revenue collected from the ORF, in combination with other regulatory fees and fines, does not exceed the Exchange's total regulatory costs, the Exchange is proposing to decrease the ORF from \$0.0042 per contract to \$0.0039 per contract. The Exchange is also proposing to remove language from its Schedule of Fees that indicates that the ORF is effective starting on January 1, 2010 as this effective date has passed.

The ORF is designed to recover a material portion of the costs to the Exchange of the supervision and regulation of members' customer options business, including performing routine surveillance and investigations, as well as policy, rulemaking, interpretive and enforcement activities. The Exchange believes that revenue generated from the proposed ORF, when combined with all of the Exchange's other regulatory fees and fines, will cover a material portion, but not all, of the Exchange's regulatory costs. The Exchange notes that its regulatory responsibilities with respect to member compliance with options sales practice rules have been allocated to the

Financial Industry Regulatory Authority ("FINRA") under a 17d-2 Agreement. The ORF is not designed to cover the cost of options sales practice regulation.

The ORF is assessed by the Exchange to each member for all options transactions in both Standard Options and Mini Options executed or cleared by the member that are cleared by The Options Clearing Corporation ("OCC") in the customer range, i.e., transactions that clear in the customer account of the member's clearing firm at OCC, regardless of the exchange on which the transaction occurs. In other words, ISE imposes the ORF on all customer-range transactions executed by a member, even if the transactions do not take place on the Exchange.<sup>3</sup> The ORF also is charged for transactions that are not executed by a member but are ultimately cleared by a member. In the case where a non-member executes a transaction and a member clears the transaction, the ORF will be assessed to the member who clears the transaction. In the case where a member executes a transaction and another member clears the transaction, the ORF will similarly be assessed to the member who clears the transaction.

The ORF is collected indirectly from members through their clearing firms by OCC on behalf of the Exchange. As a practical matter, it is not feasible or reasonable for the Exchange (or any SRO) to identify each executing member that submits an order on a trade-by-trade basis. There are countless executing market participants, and each day such participants can and often do drop their connection to one market center and establish themselves as participants on another. It is virtually impossible for any exchange to identify each executing participant on a given trading day. Clearing members, however, are distinguished from executing participants because they remain identified to the Exchange regardless of the identity of the initiating executing participant, their location, and the market center on which they execute transactions. Therefore, the Exchange believes it is more efficient for the operation of the Exchange and for the marketplace as a whole to collect the ORF indirectly from members through their clearing firms.

The Exchange also believes that its broad regulatory responsibilities with respect to a member's activities supports

<sup>3</sup> Exchange rules require each member to submit trade information in order to allow the Exchange to properly prioritize and match orders and quotations and report resulting transactions to the OCC. See ISE Rule 712. The Exchange represents that it has surveillance in place to verify that members comply with the rule.

<sup>13</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.