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## V. Authority and Signature

David Michaels, Ph.D., MPH, Assistant Secretary of Labor for Occupational Safety and Health, directed the preparation of this notice. The authority for this notice is the Paperwork Reduction Act of 1995 (44 U.S.C. 3506 et seq.) and Secretary of Labor's Order No. 1-2012 (72 FR 3912).

Signed at Washington, DC, on January 3, 2014.

**David Michaels,**

*Assistant Secretary of Labor for Occupational Safety and Health.*

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-71233; File No. SR-CBOE-2013-127]

### Self-Regulatory Organizations; Chicago Board Options Exchange, Incorporated; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change Relating to Order Format 1

January 3, 2014.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the "Act"),<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on December 24, 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 CBOE Rule 6.53A (Types of Order Formats). 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 Rule 6.53A. (Types of Order Formats), which rule describes the types of order formats available to Trading Permit Holders (TPHs) to facilitate order entry. Specifically the Exchange proposes to amend where Order Format 1 orders are processed.

By way of background, order formats are message types that are used to send orders into CBOE Command<sup>3</sup> through a user's selected API. Currently, all orders must be submitted to CBOE using the message type Order Format 1 ("OF1"). Orders using the OF1 format must pass through various processes, including validation checks in the Order Handling Service ("OHS"),<sup>4</sup> before execution, entry into the book, cancellation, or routing for manual handling. Where an order is routed for processing by the OHS depends on various parameters configured by the Exchange and the order entry firm itself. Examples of such parameters are firm-specific volume restrictions (i.e., orders larger than a firm-imposed quantity are routed to booth/order management terminal) or inbound limit order price reasonability

<sup>3</sup> CBOE Command is the trading engine platform for CBOE, C2, CBSX and CBOE Futures Exchange ("CFE"). CBOE Command incorporates both order handling and trade processing on the same platform.

<sup>4</sup> The Order Handling System ("OHS") performs basic validation checks and has the capability to route orders to the trade engine for automatic execution and book entry, to Trading Permit Holder and PAR Official workstations located in the trading crowds for manual handling, and/or to other order management terminals ("OMTs") generally located in booths on the trading floor for manual handling.

(i.e., orders may be rerouted to booth/order management terminal for manual review if "too marketable"). OF1 supports all order types, including auction responses.

The Exchange proposes to change where OF1 orders are processed. Specifically, the Exchange proposes to have orders using the OF1 format pass through various processes, including the validation checks in the trade engine, as opposed to the OHS. The Exchange notes that OF1 orders will still be subject to the same validation checks. The proposed rule change merely changes where these checks occur.

As before, orders using OF1 can still be executed in the trade engine, routed to TPH and PAR Official workstations located in the trading crowds for manual handling, and/or routed to other order management terminals ("OMTs") generally located in booths on the trading floor for manual handling. Where an order is routed will still depend upon various parameters set by the Exchange and the order entry firms. For example, if during these checks in the trade engine an order hits a certain parameter that requires it to be routed to a booth/order management terminal (e.g. a firm-specific volume restriction which requires orders larger than the firm-imposed quantity to be routed to booth/order management terminal), that order will be routed to the OHS, and the OHS will then route the order to the appropriate booth/order management terminal for manual review and processing. The Exchange believes that allowing OF1 orders to pass straight to the trade engine for validation checks, as opposed to stopping first in the OHS for these checks, increases overall efficiency. The Exchange finally notes that the proposed new Order Format 1 will operate substantially similar to how C2 Order Format 1 currently operates on C2.<sup>5</sup>

The Exchange will announce the implementation date of the proposed rule change in an Information Circular to be published no later than 90 days following the effective date of this rule filing. The implementation date will be no later than 180 days following the effective date of this rule filing.

###### 2. Statutory Basis

The Exchange believes the proposed rule change is consistent with the Act and the rules and regulations thereunder applicable to the Exchange and, in particular, the requirements of Section 6(b)<sup>6</sup> of the Act. Specifically, the Exchange believes the proposed rule

<sup>5</sup> See C2 Rule 6.19(i).

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

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

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

change is consistent with the requirements under Section 6(b)(5)<sup>7</sup> that the rules of an exchange be designed to promote just and equitable principles of trade, to prevent fraudulent and manipulative acts, to remove impediments to and to perfect the mechanism for a free and open market and a national market system, and, in general, to protect investors and the public interest.

First, the proposed rule change to have orders using the OF1 format pass through various processes, including validation checks, in the trade engine as opposed to the OHS provides for increased efficiency while still maintaining important validation checks, thereby protecting investors and the public interest. Additionally, clearly specifying the manner in which inbound orders are submitted and processed provides additional transparency in the rules and provides market participants an additional avenue to easily understand the system and processes CBOE offers. The Exchange believes additional transparency removes a potential impediment to and perfecting the mechanism for a free and open market and a national market system, and, in general, protecting investors and the public interest. Additionally, the Exchange believes that the proposed change to Order Format 1 still allows for the Exchange to receive from TPHs information in a uniform format, which aids the Exchange's efforts to monitor and regulate CBOE's markets and TPHs and helps prevent fraudulent and manipulative practices. The Exchange finally believes that the proposed rule change is designed to not permit unfair discrimination among market participants, as the proposed change is applicable to all TPHs and provides that all TPHs must submit their orders using Order Format 1.

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

CBOE 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 does not believe the proposed rule changes impose any burden on intramarket competition because it applies to all TPHs and all orders must be submitted to CBOE using the OF1 message type. The Exchange does not believe the proposed rule change will impose any burden on intermarket competition as it is merely proposing to change the location of where an order using OF1 is

processed. The Exchange believes the proposed rule change promotes transparency in the rules without adding any burden on market participants.

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

The Exchange neither solicited nor received comments on the proposed rule change.

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

Because the foregoing proposed rule change does not:

A. Significantly affect the protection of investors or the public interest;

B. impose any significant burden on competition; and

C. become operative for 30 days from the date on which it was filed, or such shorter time as the Commission may designate, it has become effective pursuant to Section 19(b)(3)(A) of the Act<sup>8</sup> and Rule 19b-4(f)(6)<sup>9</sup> thereunder. At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act. If the Commission takes such action, the Commission will institute proceedings to determine whether the proposed rule change should be approved or disapproved.

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

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

##### *Electronic Comments*

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>); or
- Send an email to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include File Number SR-CBOE-2013-127 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-2013-127. 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 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-2013-127, and should be submitted on or before January 30, 2014.

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

**Kevin M. O'Neill,**

*Deputy Secretary.*

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<sup>7</sup> 15 U.S.C. 78f(b)(5).

<sup>8</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>9</sup> 17 CFR 240.19b-4(f)(6).

<sup>10</sup> 17 CFR 200.30-3(a)(12).