

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

Because the foregoing 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 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)(ii) of the Act<sup>23</sup> and subparagraph (f)(6) of Rule 19b-4 thereunder.<sup>24</sup> 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: (i) Necessary or appropriate in the public interest; (ii) for the protection of investors; or (iii) otherwise in furtherance of the purposes of the Act. If the Commission takes such action, the Commission shall institute proceedings to determine whether the proposed rule 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-NASDAQ-2014-006 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-NASDAQ-2014-006. 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-NASDAQ-2014-006 and should be submitted on or before February 14, 2014.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>25</sup>

**Kevin M. O'Neill,**

*Deputy Secretary.*

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-71346; File No. SR-BOX-2014-04]

### Self-Regulatory Organizations; BOX Options Exchange LLC; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change To Add Rule 7290 (Price Protection for Limit Orders)

January 17, 2014.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on January 6, 2014, BOX Options Exchange LLC ("Exchange") filed with the Securities and Exchange Commission ("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 from interested persons.

<sup>25</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.

### I. Self-Regulatory Organization's Statement of the Terms of Substance of the Proposed Rule Change

The Exchange proposes to add Rule 7290 (Price Protection for Limit Orders) to codify an existing price protection feature. The text of the proposed rule change is available from the principal office of the Exchange, on the Exchange's Web site at <http://boxexchange.com>, at the Commission's Public Reference Room, and on the Commission's Web site at <http://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 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 Statutory Basis for, the Proposed Rule Change

##### 1. Purpose

The Exchange is proposing to add BOX Rule 7290 (Price Protection for Limit Orders) to codify and clarify a price protection feature already available on the Exchange. Specifically, the Exchange currently has a price check feature in place that prevents incoming limit orders<sup>3</sup> and limit order modifications from automatically executing at potentially erroneous prices. The Exchange believes this feature helps maintain a fair and orderly market by mitigating the risks associated with erroneously priced limit orders that have the potential to cause price dislocation.

Proposed Rule 7290 will codify the price protection feature in the BOX Rulebook and provide clarity on its functionality. As set forth in proposed Rule 7290, the Exchange employs a filter on all incoming limit orders and limit order modifications, pursuant to which the Trading Host will cancel these orders if priced outside an acceptable price parameter set by the Exchange. Specifically, as the Exchange receives limit orders and limit order

<sup>3</sup> See BOX Rule 7110(c)(1). Limit Orders entered into the BOX Book are executed at the price stated or better.

<sup>23</sup> 15 U.S.C. 78s(b)(3)(a)(ii).

<sup>24</sup> 17 CFR 240.19b-4(f)(6).

modifications, the Trading Host compares the price of each order against the contra-side NBBO at the time of order entry to determine if the price is outside the acceptable price parameter.<sup>4</sup> If the order is priced outside of the acceptable price parameter, it will be rejected.

Unless determined otherwise by the Exchange and announced to the Participants via Informational Circular, the price parameters will be set at the price 100% greater than the NBO (for incoming buy orders), and 100% less than the NBB (for incoming sell orders), when the NBB/NBO is priced at or below \$0.25; and the price parameters will be set at the price 50% greater than the NBO (for incoming buy orders), and 50% less than the NBB (for incoming sell orders), when the NBB/NBO is priced above \$0.25. The Exchange will reject all incoming buy (sell) orders that are priced above (below) those parameters. For example, if the NBO is \$1.20, a buy order priced at or above \$1.80 ( $\$1.20 * 1.50$ ) will be rejected. Likewise, if the NBB is \$1.10, a sell order priced at or below \$0.55 ( $\$1.10 * 0.50$ ) will be rejected. If the NBO is \$0.10, a buy order priced at or above \$0.20 ( $\$0.10 * 2.00$ ) will be rejected. However, if the NBB is less than or equal to \$0.25, the default limits set above will result in all incoming sell orders being accepted regardless of their limit.

The price protection feature will be operational each trading day after the opening until the close of trading, and will apply only to incoming limit orders and limit order modifications.<sup>5</sup> The Exchange further notes that this feature will be available to all Participants; however, it will be disabled until the Participant enables it by contacting the BOX Market Operations Center ("MOC").

The Exchange believes this feature will prevent the entry of limit orders that are priced so significantly beyond the prevailing market price that the execution of such orders could cause substantial price dislocation in the market. The Exchange also believes that this feature will further serve to mitigate the occurrence of erroneous executions.

<sup>4</sup> The price parameter is set by the Exchange and is a percentage of the NBBO on the opposite side of the incoming order.

<sup>5</sup> Pursuant to Rule 7110(g) orders can be modified once they are held in the BOX Book. If the price of a limit order on the BOX Book is modified by a Participant, the updated price will be checked against the contra-side NBBO to determine whether the order's new price is outside the acceptable price range. If the modified order price is outside the price range the order will be rejected, regardless of whether the original price of the limit order was within the price range.

## 2. Statutory Basis

The Exchange believes that the proposal is consistent with the requirements of Section 6(b) of the Act,<sup>6</sup> in general, and Section 6(b)(5) of the Act,<sup>7</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 foster cooperation and coordination with persons engaged in facilitating transactions in securities, 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. In particular, the Exchange believes that rejecting incoming limit orders which are priced a significant percentage away from the NBB or NBO assures that executions will not occur at erroneous prices, thereby promoting a fair and orderly market. Additionally, the Exchange believes that the proposed feature is reasonable as it will protect Participants by mitigating the risk of having orders executed at erroneous prices. Furthermore, Participants may choose whether or not to subscribe to this feature.

### *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 against erroneous executions. The Exchange does not believe the proposed rule change imposes any burden on intramarket competition as the feature is available to all Participants. The Exchange also notes that it is not mandatory for Participants to use this feature and it is only enabled when requested by the Participant. 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*

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

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

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

## 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>8</sup> and Rule 19b-4(f)(6) thereunder.<sup>9</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>10</sup> and Rule 19b-4(f)(6) thereunder.<sup>11</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-BOX-2014-04 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-BOX-2014-04. This file number should be included on the

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

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

<sup>10</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>11</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.

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 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-BOX-2014-04, and should be submitted on or before February 14, 2014.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>12</sup>

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

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-71353; File Nos. SR-BSECC-2013-001; SR-BX-2013-057; SR-NASDAQ-2013-148; SR-Phlx-2013-115; SR-SCCP-2013-01]

### Self-Regulatory Organizations; Boston Stock Exchange Clearing Corporation; NASDAQ OMX BX, Inc.; the NASDAQ Stock Market LLC; NASDAQ OMX PHLX LLC; Stock Clearing Corporation of Philadelphia; Order Approving Proposed Rule Changes To Amend the Restated Certificate of Incorporation and By-Laws of the NASDAQ OMX Group, Inc.

January 17, 2014.

#### I. Introduction

On November 27, 2013, Boston Stock Exchange Clearing Corporation ("BSECC"), NASDAQ OMX BX, Inc. ("BX"), the NASDAQ Stock Market LLC ("NASDAQ"), NASDAQ OMX PHLX LLC ("Phlx"), and the Stock Clearing Corporation of Philadelphia ("SCCP" and, together with BSECC, BX, NASDAQ and Phlx, the "SROs" or "Self-Regulatory Subsidiaries"), filed with the Securities and Exchange Commission ("Commission"), pursuant to Section 19(b)(1)<sup>1</sup> of the Securities Exchange Act of 1934 ("Act"),<sup>2</sup> and Rule 19b-4 thereunder,<sup>3</sup> proposed rule changes with respect to amendments to the Restated Certificate of Incorporation ("Charter") and By-Laws (the "By-Laws") of the NASDAQ OMX Group, Inc. ("NASDAQ OMX"), the parent company of the SROs.<sup>4</sup> The proposed rule changes were published for comment in the **Federal Register** on December 12, 2013.<sup>5</sup> The Commission

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

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

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

<sup>4</sup> Certain provisions of NASDAQ OMX's Charter and By-Laws are rules of a self-regulatory organization if they are stated policies, practices, or interpretations, as defined in Rule 19b-4 under the Act, of the self-regulatory organization, and must be filed with the Commission pursuant to Section 19(b) of the Act and Rule 19b-4 thereunder. See Securities Exchange Act Release Nos. 58183 (July 17, 2008), 73 FR 42850 (July 23, 2008) (File No. SR-NASDAQ-2008-035); 58324 (August 7, 2008), 73 FR 46936 (August 12, 2008) (File No. SR-BSE-2008-02; SR-BSE-2008-23; SR-BSE-2008-25; SR-BSECC-2008-01); and 58180 (July 17, 2008), 73 FR 42890 (July 23, 2008) (File No. SR-SCCP-2008-01). Accordingly, the SROs have filed with the Commission proposed changes to the NASDAQ OMX Charter and By-Laws.

<sup>5</sup> See Securities Exchange Act Release Nos. 71019 (December 6, 2013), 78 FR 75633 (December 12, 2013) (SR-BSECC-2013-001); 71011 (December 6, 2013), 78 FR 75645 (December 12, 2013) (SR-BX-2013-057); 71013 (December 6, 2013), 78 FR 75619 (December 12, 2013) (SR-NASDAQ-2013-148) ("NASDAQ Notice"); 71010 (December 6, 2013), 78 FR 75661 (December 12, 2013) (SR-Phlx-2013-115);

received no comment letters on the proposals.

#### II. Discussion

##### A. Proposed Amendments to the Charter

##### 1. Removal and Replacement of Supermajority Voting Requirements

The SROs are proposing amendments to provisions of the Charter to replace each supermajority voting requirement in the Charter with a "majority of outstanding shares" voting requirement. The Charter currently includes the following three supermajority voting requirements pertaining to the: (1) Removal of directors;<sup>6</sup> (2) adoption, alteration, amendment or repeal of any By-Law;<sup>7</sup> and (3) amendment, repeal, or adoption of provisions inconsistent with certain charter provisions.<sup>8</sup> For each of the three foregoing provisions, the SROs are proposing to remove the requirement for an affirmative vote of at least 66⅔% of the total voting power of the Voting Stock and replace it with a voting standard requiring the affirmative vote of a majority of the outstanding Voting Stock.

The SROs state that, in developing this proposal, NASDAQ OMX considered the relative weight of the arguments for and against supermajority voting requirements.<sup>9</sup> The SROs believe

71020 (December 6, 2013), 78 FR 75598 (December 12, 2013) (SR-SCCP-2013-01) (collectively, "Notices").

<sup>6</sup> Article Fifth, Paragraph D provides that, except for the Preferred Stock Directors (as defined in Article Fifth, Paragraph B), any director, or the entire Board of Directors ("Board"), may be removed from office at any time, but only by the affirmative vote of at least 66⅔% of the total voting power of the outstanding shares of NASDAQ OMX's capital stock entitled to vote generally in the election of directors ("Voting Stock"), voting together as a single class.

<sup>7</sup> Article Eighth, Paragraph A provides that the affirmative vote of the holders of at least 66⅔% of the total voting power of the outstanding Voting Stock, voting together as a single class, shall be required in order for the stockholders to adopt, alter, amend or repeal any By-Law.

<sup>8</sup> Article Ninth, Paragraph A provides that the affirmative vote of the holders of at least 66⅔% of the voting power of the outstanding Voting Stock, voting together as a single class, shall be required to amend, repeal or adopt any provision inconsistent with paragraph C of Article Fourth, Article Fifth, Article Seventh, Article Eighth, or Article Ninth of the Charter.

Article Fourth, Paragraph C sets forth the 5% voting limitation, which provides that holders of NASDAQ OMX's voting securities may not cast votes in excess of 5% of NASDAQ OMX's outstanding voting securities. The SROs note that NASDAQ OMX is not proposing any change to the 5% voting limitation itself. According to the SROs, NASDAQ OMX only proposes that any future amendment of the 5% voting limitation will require the approval of stockholders holding a majority of the outstanding shares, rather than stockholders holding 66⅔% of the outstanding shares.

<sup>9</sup> See, e.g., NASDAQ Notice, 78 FR at 75620. The SROs remark that, historically, supermajority voting

Continued

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