

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. Please include File Number SR-Phlx-2014-05 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-Phlx-2014-05. 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-Phlx-

2014-05 and should be submitted on or before February 24, 2014.

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

Kevin M. O'Neill,

Deputy Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-71422; File No. SR-OCC-2013-22]

Self-Regulatory Organizations; Options Clearing Corporation; Order Approving Proposed Rule Change To Make a Non-Material Housekeeping Rule Change So That OCC's Membership Qualifications Accurately Reflect Current Operational Practices

January 28, 2014.

I. Introduction

On December 6, 2013, the Options Clearing Corporation ("OCC") filed with the Securities and Exchange Commission ("Commission") proposed rule change SR-OCC-2013-22 pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act")¹ and Rule 19b-4 thereunder.² The proposed rule change was published for comment in the **Federal Register** on December 23, 2013.³ The Commission received no comment letters in response to the proposed rule change. For the reasons discussed below, the Commission is approving the proposed rule change.

II. Description

The rule change modifies OCC's membership standards to reflect current operational practices. Prior to electronic trading, clearing members were required to have the operational capacity to manually compare trades and reconcile unconfirmed and advisory trades, in accordance with applicable exchange rules and procedures, on a timely and efficient basis so that financial markets, and specifically clearing operations, functioned in a prompt and accurate manner. Accordingly, Article V, Section 1, Interpretations and Policies .02(b) of OCC's By-Laws required clearing member applicants to have such operational capacity as a condition to admission as a clearing member.

¹⁹ 17 CFR 200.30-3(a)(12).

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ Securities Exchange Act Release No. 71090 (Dec. 17, 2013), 78 FR 77525 (Dec. 23, 2013) (SR-FOCC-2013-22).

However, OCC only receives matched trades from exchanges so manual trade comparison and reconciliation by clearing members no longer occurs.

III. Discussion

Section 19(b)(2)(C) of the Act⁴ directs the Commission to approve a self-regulatory organization's proposed rule change if the Commission finds that such proposed rule change is consistent with the requirements of the Act and the rules and regulations thereunder applicable to such organization. Section 17A(b)(3)(F) of the Act⁵ requires, among other things, that the rules of a clearing agency registered with the Commission foster cooperation and coordination with persons engaged in the clearance and settlement of securities transactions and remove impediments to and perfect the mechanism of a national system for the prompt and accurate clearance and settlement of securities transactions.

The Commission finds that the proposed rule change is consistent with Section 17A(b)(3)(F) of the Act.⁶ The Commission believes that these clarifications will foster cooperation and coordination with persons engaged in the clearance and settlement of securities transactions and remove impediments to and perfect the mechanism of a national system for the prompt and accurate clearance and settlement of securities transactions by ensuring that OCC's By-Laws and membership standards reference only necessary requirements for operational capacity and current applicable industry standards.

IV. Conclusion

On the basis of the foregoing, the Commission concludes that the proposal is consistent with the requirements of the Act, particularly the requirements of Section 17A of the Act,⁷ and the rules and regulations thereunder.

It is therefore ordered, pursuant to Section 19(b)(2) of the Act,⁸ that the proposed rule change (File No. SR-OCC-2013-22) be and hereby is *approved*.⁹

⁴ 15 U.S.C. 78s(b)(2)(C).

⁵ 15 U.S.C. 78q-1(b)(3)(F).

⁶ 15 U.S.C. 78q-1(b)(3)(B) and (F).

⁷ 15 U.S.C. 78q-1.

⁸ 15 U.S.C. 78s(b)(2).

⁹ In approving the proposed rule change, the Commission considered the proposal's impact on efficiency, competition, and capital formation. 15 U.S.C. 78c(f).

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

Kevin M. O'Neill,
Deputy Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-71419; File No. SR-NASDAQ-2014-007]

Self-Regulatory Organizations; The NASDAQ Stock Market LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Outbound Routing

January 28, 2014

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”),¹ and Rule 19b-4 thereunder,² notice is hereby given that on January 15, 2014, The NASDAQ Stock Market LLC (“Nasdaq” or “Exchange”) filed with the Securities and Exchange Commission (“SEC” or “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 use Nasdaq Execution Services, LLC (“NES”) as opposed to Nasdaq Options Services LLC (“NOS”) for outbound order routing from The NASDAQ Options Market (“NOM”), as explained further below. The Exchange also proposes to permit the Exchange to route equities and options orders through NES either directly or through a third party routing broker-dealer, as explained further below.

The text of the proposed rule change is available on the Exchange’s Web site at <http://nasdaq.cchwallstreet.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 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 purpose of the proposal is to update the Exchange’s rules to reflect the ability to route orders to other exchanges using either the Exchange’s affiliated broker-dealer or a third party unaffiliated broker-dealer, which the Exchange may choose to use for efficiency and potential cost savings.

Today, the relevant Exchange rules provide that the Exchange shall route orders in options via NOS and in equities via NES. Both NOS and NES are affiliates and members of Nasdaq. As a result, certain conditions have been imposed on the existing routing arrangements.³

Replacing NOS With NES

The Exchange proposes to amend its rules to provide that it shall use NES for routing orders in options rather than NOS. The Exchange has determined to use NES for outbound routing in options, in addition to equities. The Exchange originally set up its affiliated broker-dealers as two separate entities. Now, the Exchange believes that this is unnecessary and costly. Accordingly, pursuant to NOM Rules, Chapter VI, Section 11, NES will now be the outbound routing broker for NOM. As the new Routing Facility for options, NES will operate the same way as NOS currently does, in terms of routing options orders to destination options exchanges. This is substantially similar to NYSEArca’s use of its affiliate Archipelago Securities LLC for order routing in both equities and options.

Third-Party Routing Broker

The Exchange also proposes to codify in its rules the ability to use a third-party routing broker to route to away exchanges, rather than routing directly through NES, for both equities and options. To date, the Exchange has used a third-party routing broker in equities

and is amending Rule 4758 to clarify this and incorporate the use of a third-party routing broker expressly into that rule. Specifically, today, the Exchange routes equities orders to away markets through NES, which, in turn, sometimes routes directly to away markets; in addition, sometimes when the Exchange routes equities orders through NES today, NES routes those orders through a third-party routing broker.

In options, the Exchange currently routes options orders to NOS, which routes directly to away markets. The Exchange proposes to use NES, rather than NOS, as explained above, and to have NES route either directly to other options exchanges or to a third-party routing broker (which will, in turn, route to other options exchanges). The Exchange proposes to amend Chapter VI, Section 11 of NOM’s rules accordingly.

Regardless of whether a third-party routing broker is used in either equities or options, all routing will go through NES, but the Exchange could determine to direct NES to route orders to certain exchanges using a routing broker rather than routing an order directly.

The Exchange previously stated that from time to time, it may use non-affiliate third-party broker-dealers to provide outbound routing services (*i.e.*, third-party Routing Brokers).⁴ In those cases, orders are submitted to the third-party Routing Broker through the affiliated routing broker, and the third-party Routing Broker routes the orders to the routing destination in its name.

Under this proposal, the relevant rules would now expressly provide that the Exchange could use one or more third-party unaffiliated routing broker-dealers (“routing brokers”). Specifically, the Exchange proposes to amend NOM Rules, Chapter VI, Section 11, which applies to options, to refer to such routing brokers. The Exchange proposes to similarly amend Rule 4758(b) respecting equities. The Exchange proposes to further amend its rules with respect to certain policies and procedures. Specifically, NOM Rules, Chapter VI, Section 11(e) and Nasdaq Rule 4758 currently provide that the Exchange shall establish and maintain procedures and internal controls reasonably designed to adequately restrict the flow of confidential and proprietary information between the Exchange and the Routing Facility, and any other entity, including any affiliate of the Routing Facility. The Exchange

¹⁰ 17 CFR 200.30-3(a)(12).

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ See, e.g., Securities Exchange Act Release No. 57478 (March 12, 2008), 73 FR 14521 (March 18, 2008) (SR-NASDAQ-2007-04 and SR-NASDAQ-2007-080) at 14533.

⁴ See Securities Exchange Act Release Nos. 67281 (June 27, 2012), 77 FR 39543 (July 3, 2012) (SR-NASDAQ-2012-057) at note 6; and 68395 (December 10, 2012), 77 FR 74530 (December 14, 2012) (SR-NASDAQ-2012-134) at note 4.