

proposed rule change is consistent with the firm quote rule.

The Exchange believes that the proposed rule change to provide that PAR operators handling an order may request a COA for a COA-eligible order is consistent with the Act because the Exchange rules already allow orders on PAR to be submitted to COA, as described above. This proposed rule change merely includes this ability in the rule provision that describes how a COA may be initiated to more completely and accurately describe the circumstances in which an order may COA.

#### *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 that is not necessary or appropriate in furtherance of the purposes of the Act. The proposed rule change to require all complex orders with three or more legs to COA addresses concerns that Market-Makers raised to the Exchange and is intended to reduce risk to Market-Makers that are quoting in the regular market. CBOE believes that the proposed rule change will promote competition by encouraging Market-Makers to increase the size of and to more aggressively price their quotes, which will increase liquidity on the Exchange. The proposed rule change applies in the same manner to all complex orders in Hybrid classes of three or more legs and is intended to reduce risk for all Market-Makers that electronically quote in Hybrid classes.

The proposed rule change to provide that PAR operators handling an order may request a COA for a COA-eligible order is consistent with current Exchange rules and thus has no competitive impact.

#### *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.

with respect to its own quote, an order is presented to it when received by the market maker from the exchange system." When a complex order is processing through COA, the order is still in the System and has not yet been presented to a broker or dealer (including a Market-Maker) for execution. Only after completion of the COA, when the System allocates the complex order for execution in accordance with priority rules, will that order be "presented" to the Market-Maker for firm quote purposes.

### **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 Exchange consents, the Commission will:

- A. By order approve or disapprove such 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. 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-2014-017 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-2014-017. 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 20549-1090 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-2014-017, and should be submitted on or before March 31, 2014.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>21</sup>

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

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## **SECURITIES AND EXCHANGE COMMISSION**

[Release No. 34-71642; File No. SR-FINRA-2014-003]

### **Self-Regulatory Organizations; Financial Industry Regulatory Authority, Inc.; Notice of Designation of Longer Period for Commission Action on a Proposed Rule Change To Amend FINRA's Corporate Financing Rules To Simplify and Refine the Scope of the Rules**

March 4, 2014.

On January 9, 2014, Financial Industry Regulatory Authority, Inc. ("FINRA") filed with the Securities and Exchange Commission ("Commission") 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> a proposed rule change to amend FINRA's corporate financing rules to simplify and refine the scope of the rules. The proposed rule change was published for comment in the **Federal Register** on January 29, 2014.<sup>3</sup> To date, the Commission has received two comment letters on the proposal.<sup>4</sup>

Section 19(b)(2) of the Act<sup>5</sup> provides that within 45 days of the publication of notice of the filing of a proposed rule change, or within such longer period up

<sup>21</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.

<sup>3</sup> See Securities Exchange Act Release No. 71372 (Jan. 23, 2014), 79 FR 4793.

<sup>4</sup> See Letter from Suzanne Rothwell, Managing Member, Rothwell Consulting LLC, to Elizabeth M. Murphy, Secretary, Commission, dated February 10, 2014; Letter from Sean Davy, Managing Director, Corporate Credits Market Division, Securities Industries and Financial Markets Association, to Elizabeth M. Murphy, Secretary, Commission, dated February 18, 2014.

<sup>5</sup> 15 U.S.C. 78s(b)(2).

to 90 days as the Commission may designate if it finds such longer period to be appropriate and publishes its reasons for so finding or as to which the self-regulatory organization consents, the Commission shall either approve the proposed rule change, disapprove the proposed rule change, or institute proceedings to determine whether the proposed rule change should be disapproved. The 45th day for this filing is March 15, 2014.

The Commission is extending the 45-day time period for Commission action on the proposed rule change. The Commission finds that it is appropriate to designate a longer period to take action on the proposed rule change so that it has sufficient time to consider FINRA's proposal and the comment letters it has received regarding this proposal.

Accordingly, the Commission, pursuant to Section 19(b)(2) of the Act,<sup>6</sup> designates April 28, 2014, as the date by which the Commission shall either approve or disapprove, or institute proceedings to determine whether to disapprove, the proposed rule change (File No. SR-FINRA-2014-003).

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>7</sup>

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

[FR Doc. 2014-05085 Filed 3-7-14; 8:45 am]

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-71644; File No. SR-CBOE-2013-126]

### Self-Regulatory Organizations; Chicago Board Options Exchange, Incorporated; Order Approving Proposed Rule Change Relating to Supervision

March 4, 2014.

#### I. Introduction

On December 18, 2013, Chicago Board Options Exchange, Incorporated (the "Exchange" or "CBOE") filed with the Securities and Exchange Commission (the "Commission"), 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> a proposed rule change to require each Trading Permit

Holder ("TPH")<sup>3</sup> to establish and maintain a system of supervision and written supervisory procedures.

The proposed rule change was published for comment in the **Federal Register** on January 2, 2014.<sup>4</sup> The Commission received no comments on the proposal. The text of the proposed rule change is available at the Exchange's Office of the Secretary, on the Exchange's Web site at <http://www.cboe.com/AboutCBOE/CBOELegalRegulatoryHome.aspx>, and at the Commission's Public Reference Room.

This order approves the proposed rule change.

#### II. Description of the Proposal

The Exchange believes that it does not currently have a comprehensive rule that directly addresses the obligation of every TPH to properly supervise its business and employees. The only supervision obligations that are expressly codified in CBOE's Rules are in Rule 4.2 (*Adherence to Law*) and Rule 9.8 (*Supervision of Accounts*). While the former requires a TPH to supervise persons associated with the TPH, it does not expressly require the establishment and maintenance of a system of supervision or written procedures covering each line of business. The latter, a component of Chapter 9 of the CBOE Rulebook (*Doing Business with the Public*), does provide explicit supervisory obligations, however, it is applicable only to TPHs conducting non-TPH customer business in options.

CBOE proposes to adopt CBOE Rule 4.24, which would require every TPH to establish and maintain a system of supervision and written supervisory procedures for each of their business activities and the activities of their associated persons. In particular, the proposed rule would require TPHs to: (1) Establish, maintain, and enforce written supervisory procedures; (2) inspect every office or location of the TPH at least once every three calendar years; and (3) conduct an annual review and submit to the Exchange on an annual basis a written report on the TPH's supervision and compliance efforts during the preceding year.

The proposed rule would mirror many of the requirements in CBOE Rule 9.8, such as requiring TPHs to: (1)

Establish, maintain, and enforce written supervisory procedures; (2) conduct office inspections; and (3) conduct an annual review and submit to the Exchange an annual written report on the TPH's supervision and compliance efforts during the preceding year. The proposed rule would not, however, be limited to supervision of activities related only to TPHs conducting non-TPH customer business in options.

CBOE believes that the proposed rule would impose a more definitive supervision requirement on TPHs than is currently contained in the Exchange's rules, and would cover all business activities of a TPH.<sup>5</sup> In particular, the proposed rule would clearly place responsibility on TPHs to establish and maintain a formal plan of supervision that covers each of their business activities and associated persons. Consequently, the Exchange believes the proposed rule would clarify: (1) The responsibility of the TPH for the acts of its associated persons; and (2) the requirement of each TPH to supervise those associated persons for which it is responsible. In addition, CBOE believes that the proposed rule would provide greater utility for enforcing TPH obligations for all its business areas such as proprietary trading.

#### III. Discussion and Commission Findings

After careful review of the proposal, the Commission finds that the proposed rule change is consistent with the requirements of the Act and the rules and regulations thereunder that are applicable to a national securities exchange.<sup>6</sup> In particular, the Commission finds that the proposed rule change is consistent with Section 6(b)(5) of the Act, which requires, among other things, that the rules of a national securities exchange be 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 general, to protect investors and the public interest.<sup>7</sup>

The Commission "has long emphasized that the responsibility of broker-dealers to supervise their

<sup>3</sup> Article 1, Section 1.1(f) of the Exchange's Bylaws defines "Trading Permit Holder" to mean "any individual, corporation, partnership, limited liability company or other entity authorized by the Rules that holds a Trading Permit." The proposed rule would also apply to CBOE Stock Exchange ("CBSX") Trading Permit Holders. CBSX is CBOE's stock trading facility.

<sup>4</sup> See Exchange Act Release No. 71190 (Nov. 14, 2013), 79 FR 169 (Jan. 2, 2014).

<sup>5</sup> The Exchange modeled its proposed rule after rules of other self-regulatory organizations, e.g., PHLX Rule 748, NASD Rule 3010, FINRA Rule 3130, NYSE Amex Rule 320, NYSE Rule 342, and NYSE Arca Options Rule 11.18.

<sup>6</sup> In approving the proposal, the Commission has considered the proposed rule's impact on efficiency, competition, and capital formation. See 15 U.S.C. 78c(f).

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

<sup>6</sup> 15 U.S.C. 78s(b)(2).

<sup>7</sup> 17 CFR 200.30-3(a)(31).

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

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