

## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-71971; File No. SR-CBOE-2014-037]

### Self-Regulatory Organizations; Chicago Board Options Exchange, Incorporated; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change To Amend Its Fees Schedule

April 18, 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 April 10, 2014, 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 its Fees Schedule.

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, at the Commission's Public Reference Room, and on the Commission's Web site (<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 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 its Fees Schedule. On April 10, 2014, the Exchange begins trading options on the CBOE Short-Term Volatility Index ("VXST"). VXST is calculated in the same manner as the CBOE Volatility Index ("VIX"); the substantive differences between VXST and VIX are related to the fact that VXST is on a shorter timeframe (VXST's implied volatility period is nine days while VIX's is thirty, and VXST options expire weekly while VIX options expire monthly).<sup>3</sup> Due to the similarities between VXST and VIX, the Exchange proposes to apply the same fees structure to VXST as is currently applied to VIX. As such, the Exchange proposes to apply to VXST the same fees, fee programs, and fee exceptions that apply to VIX (with two exceptions). Wherever VIX is mentioned in the Fees Schedule, the Exchange proposes to add VXST (aside from the two exceptions). The two exceptions are that the Exchange assesses a monthly VIX Tier Appointment fee of \$2,000 to any Market-Maker Trading Permit Holder that either (a) has a VIX Tier Appointment at any time during a calendar month and trades at least 100 VIX options contracts electronically while that appointment is active; or (b) trades at least 1,000 VIX options contracts in open outcry during a calendar month.<sup>4</sup> The Exchange also assesses a monthly Floor Broker VIX Surcharge of \$2,000 per month to any Floor Broker Trading Permit Holder that executes more than 20,000 VIX contracts during the month.<sup>5</sup> The Exchange does not propose to assess these fees in regards to VXST. The Exchange has expended significant resources in developing VXST and believes that not assessing these fees in regards to VXST will encourage trading in VXST.

On a VIX settlement day, the Exchange waives the Hybrid 3.0 Execution Surcharge for orders in SPX options in the SPX electronic book that are executed during opening rotation on the final settlement date of VIX options

<sup>3</sup> For more information about VXST and the differences between VXST options and VIX options, see Securities Exchange Act Release No. 71764 (March 21, 2014), 79 FR 17212 (March 27, 2014) (SR-CBOE-2014-003).

<sup>4</sup> See the Exchange Fees Schedule's listing of the VIX Tier Appointment fee for more information.

<sup>5</sup> See the Exchange Fees Schedule's listing of the Floor Broker VIX Surcharge for more information.

and futures. This is because the only way to participate in the settlement process is electronically; there is no open outcry alternative. Therefore, the Exchange does not want to assess a surcharge for the only possible method of participation in the VIX settlement process. VXST, because it expires weekly instead of monthly, uses SPXW options to determine the 9-day VXST settlement value except for the one week a month for which there are not expiring SPXW options. That week is the standard third-Friday expiration, and for that week, VXST uses SPX options to determine the 9-day VXST settlement value.

Therefore, similar to the manner described above, in which the Hybrid 3.0 Execution Surcharge for orders in SPX options in the SPX electronic book that are executed during opening rotation on the final settlement date of VIX options and futures is waived on VIX settlement day, the Exchange proposes to waive the Hybrid 3.0 Execution Surcharge for orders in SPX options in the SPX electronic book that are executed during opening rotation on the final settlement date of VXST options and futures in which SPX options are being used to determine the final settlement value. This concept also applies, in relation to VXST, to the Customer Priority Surcharge for SPXW. The Exchange proposes to waive the SPXW Customer Priority Surcharge for orders in SPXW options in the SPXW electronic book that are executed during opening rotation on the final settlement date of VXST options and futures in which SPXW options are being used to determine the final settlement value. The Exchange does not want to assess a surcharge for the only possible method of participation in the VXST settlement process. The Exchange proposes to add these exceptions to those listed in footnotes 21 and 31 of the Fees Schedule.

The Exchange always strives for clarity in its rules and Fees Schedule, so that market participants may best understand how rules and fees apply. As such, the Exchange proposes to clarify its Fees Schedule. First, the Exchange proposes to move the listing of its Continuing Education and Qualification Examination Waiver Fee into the Web CRD<sup>SM</sup> section, as these fees are actually fees that are collected and retained by FINRA via the Web CRD<sup>SM</sup> registration system (like the other Web CRD<sup>SM</sup> fees listed on the Fees Schedule). This is not a substantive fee change.

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

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

Next, the Exchange proposes to delete the listing of the CBSX<sup>6</sup> Trading Permit fee from the CBOE Fees Schedule. For one thing, the Fees Schedule does not list a fee for this type of Trading Permit (the listing says “No Access Fee”), so it is unnecessary to list the CBSX Trading Permit. Moreover, CBSX has its own Fees Schedule that lists access fees, and therefore any future fee that would be assessed for a CBSX Trading Permit could be listed on the CBSX Fees Schedule. Finally, CBSX intends to cease market operations on April 30, 2014,<sup>7</sup> which further reduces any rationale for listing the CBSX Trading Permit on the CBOE Fees Schedule. This is not a substantive fee change.

The Exchange also proposes to remove all fees associated with In-House Pagers from its Fees Schedule.<sup>8</sup> The Exchange no longer provides these services (In-House Pagers) and therefore no longer assesses the fees associated with such services. This is not a substantive fee change.

The Exchange also proposes, in footnote 6 of its Fees Schedule, to move the listing of XEO to after the listing of OEX in order to have VIX, VXST and VOLATILITY INDEXES together in order (due to their relation). This is not a substantive fee change.

The Exchange also proposes to make a non-substantive change to achieve continuity in its Fees Schedule. VIX is a VOLATILITY INDEX, and most references to VIX and VOLATILITY INDEXES in the Fees Schedule read “VIX and VOLATILITY INDEXES”. However, in a few places, only “VOLATILITY INDEXES” are listed, and such listings implicitly include VIX (unless VIX is explicitly excepted out). As such, the Exchange proposes to amend the Fees Schedule to read “VIX and VOLATILITY INDEXES” in all places that VIX is currently only implicitly included in the listing of VOLATILITY INDEXES (and, following this proposed rule change, VXST will now also be listed explicitly in these places) in order to achieve continuity in the Fees Schedule and eliminate confusion. This way, in the few places where VIX (and now, VXST) is subject to different fees than the other VOLATILITY INDEXES, it will be more clear. This is not a substantive fee change.

Finally, the Exchange proposes to make a clarifying change to the Notes

section regarding the Hybrid Agency Liaison (“HAL”) Step-Up Rebate. Currently, the Notes section states: “The Exchange shall rebate to a market-maker against transaction fees generated from a transaction on the HAL system in a penny pilot class, provided that at least 70% of the market-maker’s quotes in that class (excluding mini-options and quotes in LEAPS series) in the prior calendar month were on one side of the NBBO.” The exclusion language in the parenthetical means that the Exchange does not rebate against fees for mini-options transactions on the HAL system in a penny pilot class, and does not include mini-options quotes or quotes in LEAPS series towards the 70% threshold (hence the blanket exclusion of mini-options and the specific exclusion of quotes in regards to LEAPS). That said, while the Exchange has never received any questions regarding the wording in this section or the applicability of the HAL Step-Up Rebate to mini-options or LEAPS, the Exchange recognizes that this language is somewhat confusing. As such, the Exchange proposes to amend this language to state: “The Exchange shall rebate to a market-maker against transaction fees generated from a transaction on the HAL system in a penny pilot class (excluding mini-options transactions), provided that at least 70% of the market-maker’s quotes in that class (excluding quotes in LEAPS series and mini-options) in the prior calendar month were on one side of the NBBO.” This is not a substantive fee change.

## 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) of the Act.<sup>9</sup> Specifically, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)<sup>10</sup> requirements that the rules of an exchange be 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 regulating, clearing, settling, processing information with respect to, and facilitation 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. Additionally, the Exchange believes the

proposed rule change is consistent with Section 6(b)(4) of the Act,<sup>11</sup> which requires that Exchange rules provide for the equitable allocation of reasonable dues, fees, and other charges among its Trading Permit Holders and other persons using its facilities.

The Exchange believes that it is reasonable, equitable and not unfairly discriminatory to apply the same fees and fees structure to VXST options as currently apply to VIX options because both are volatility indexes and they share significant similarities in underlying products and product structure. The Exchange believes that it is reasonable to not assess the VIX Tier Appointment fee and Floor Broker VIX Surcharge in regards to VXST because those market participants trading VXST will not be assessed such fees. The Exchange believes that this is equitable and not unfairly discriminatory because the Exchange has expended significant resources in developing VXST and believes that not assessing these fees in regards to VXST will encourage trading in VXST. The Exchange believes that the VXST-related changes to footnote 21 related to the Hybrid 3.0 Execution Surcharge and footnote 31 related to the SPXW Customer Priority Surcharge are reasonable because they will result in market participants at times not being required to pay these Surcharges for SPX and/or SPXW transactions in the circumstances described. The Exchange believes that this is equitable and not unfairly discriminatory because, first, the Exchange makes similar exceptions in relation to VIX. Further, the Exchange does not want to assess a surcharge for the only possible method of participation in the VXST settlement process. Also, the Exchange has expended significant resources in developing its proprietary products and desires to encourage the uses of such products.

The Exchange believes that the removal of the listing of the CBSX Trading Permit and In-House Payer fees from the CBOE Fees Schedule will prevent any potential confusion, as these are not fees that are currently assessed by the Exchange. Similarly, the Exchange believes that moving the listing of its Continuing Education and Qualification Examination Waiver Fee into the Web CRD<sup>SM</sup> section will also prevent any potential confusion, as these fees are actually fees that are collected and retained by FINRA via the Web CRD<sup>SM</sup> registration system (like the other Web CRD<sup>SM</sup> fees listed on the Fees Schedule). The Exchange also believes that cleaning up the exclusion language

<sup>6</sup> “CBSX” stands for CBOE Stock Exchange.

<sup>7</sup> See CBOE/CBSX Regulatory Circular RG14-053 (April 7, 2014).

<sup>8</sup> Currently, the CBOE Fees Schedule lists fees for the Purchase, Purchase with Trade-in of Old System Payer, Annual Maintenance, and Abusive Damage Repair of pagers.

<sup>9</sup> 15 U.S.C. 78f(b).

<sup>10</sup> 15 U.S.C. 78f(b)(5).

<sup>11</sup> 15 U.S.C. 78f(b)(4).

in the HAL Step-Up Rebate will prevent any possible confusion. The Exchange also believes that moving the listing of XEO in footnote 6 and specifically listing out VIX separate from the other VOLATILITY INDEXES will prevent any possible confusion. Indeed, the Exchange believes that all of the non-substantive changes proposed herein will prevent possible confusion. The prevention of possible confusion serves 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.

#### *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 Exchange does not believe that the proposed application of the VIX options fees structure to VXST options will impose any burden on intramarket competition that is not necessary or appropriate in furtherance of the purposes of the Act because market participants will be assessed the same fees for VXST options as are assessed to VIX options (with the two exceptions described above), and all qualifying market participants will be assessed the relevant fees equally. The Exchange does not believe that the proposed application of the VIX options fees structure to VXST options will impose any burden on intermarket competition that is not necessary or appropriate in furtherance of the purposes of the Act because VXST options will only be listed on CBOE, and the proposed fees only apply to trading on CBOE. The Exchange does not believe that the non-substantive changes proposed herein will impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act because these are merely non-substantive clarifying changes intended to prevent confusion and are not intended for competitive purposes.

#### *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**

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A)

of the Act<sup>12</sup> and paragraph (f) of Rule 19b-4<sup>13</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 proposal 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-2014-037 on the subject line.

#### *Paper Comments*

• Send paper comments in triplicate to Secretary, Securities and Exchange Commission, 100 F Street NE., Washington, DC 20549-1090. All submissions should refer to File Number SR-CBOE-2014-037. 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

<sup>12</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>13</sup> 17 CFR 240.19b-4(f).

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-CBOE-2014-037 and should be submitted on or before May 15, 2014.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>14</sup>

**Kevin M. O'Neill,**

*Deputy Secretary.*

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## **DEPARTMENT OF TRANSPORTATION**

### **Surface Transportation Board**

**[Docket No. AB 55 (Sub-No. 734X)]**

#### **CSX Transportation, Inc.— Abandonment Exemption—in Butler County, Ohio**

CSX Transportation, Inc. (CSXT) has filed a verified notice of exemption under 49 CFR part 1152, subpart F—*Exempt Abandonments* to abandon approximately 2.96 miles of rail line on its Northern Region, Louisville Division, Indianapolis Subdivision, between milepost BDA 0.0 and the end of the track at approximately milepost BDA 2.96 in Hamilton, Butler County, OH. The line traverses United States Postal Service Zip Code 21740.

CSXT has certified that: (1) No local traffic has moved over the line for at least two years; (2) any overhead traffic on the line can be rerouted over other lines; (3) no formal complaint filed by a user of rail service on the line (or by a state or local government entity acting on behalf of such user) regarding cessation of service over the line either is pending with the Surface Transportation Board (Board) or with any U.S. District Court or has been decided in favor of complainant within the two-year period; and (4) the requirements at 49 CFR 1105.7(c) (environmental report), 49 CFR 1105.11 (transmittal letter), 49 CFR 1105.12 (newspaper publication), and 49 CFR 1152.50(d)(1) (notice to governmental agencies) have been met.

As a condition to this exemption, any employee adversely affected by the abandonment shall be protected under *Oregon Short Line Railroad—Abandonment Portion Goshen Branch*

<sup>14</sup> 17 CFR 200.30-3(a)(12).