

which the Exchange assesses fees or calculates rebates. It is simply proposed in response to CBSX ceasing market operations trading on May 1, 2014.

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

The Exchange has not solicited, and does not intend to solicit, comments on this proposed rule change. The Exchange has not received any unsolicited written comments from Members or other interested parties.

**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>11</sup> and Rule 19b-4(f)(2)<sup>12</sup> thereunder. 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-EDGX-2014-15 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-EDGX-2014-15. 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-EDGX-2014-15, and should be submitted on or before June 2, 2014.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>13</sup>

**Kevin M. O'Neill,**

*Deputy Secretary.*

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**BILLING CODE 8011-01-P**

**SECURITIES AND EXCHANGE COMMISSION**

[Release No. 34-72098; File No. SR-ISE-2014-23]

**Self-Regulatory Organizations; International Securities Exchange, LLC; Notice of Filing of Proposed Rule Change, as Modified by Amendment No. 2, Regarding the Short Term Option Series Program**

May 6, 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 22, 2014, the International Securities Exchange, LLC (the "Exchange" or the "ISE") filed with the Securities and Exchange Commission the proposed rule change as described in Items I and II below, which items have been prepared by the self-regulatory organization. On May 1, 2014, the Exchange filed Amendment No. 2 to the proposal.<sup>3</sup> The Commission is

<sup>13</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> Amendment No. 1 was filed on April 29, 2014 and withdrawn on May 1, 2014. In Amendment No.

publishing this notice to solicit comments on the proposed rule change, as modified by Amendment No. 2, from interested persons.

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

The ISE proposes to amend its rules governing the Short Term Option Series Program to introduce finer strike price intervals for standard expiration contracts in option classes that also have short term options listed on them ("related non-short term options"), and to remove obsolete rule text concerning the listing of new series during the week of expiration. The text of the proposed rule change is available on the Exchange's Web site (<http://www.ise.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 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 proposes to amend its rules governing the Short Term Option Series Program to introduce finer strike price intervals for related non-short term options. In particular, the Exchange proposes to amend its rules to permit the listing of related non-short term options during the month prior to expiration in the same strike price intervals as allowed for short term option series. The Exchange also proposes to remove obsolete rule text concerning the listing of new short term option series, including related non-short term option series, during the week of expiration.

Under the ISE's current rules, the Exchange may list short term options in

2, the Exchange modified *Exhibit 1* to add an additional sentence to Section II.A.1 to clarify when the Exchange may add additional series pursuant to the proposed rule change.

<sup>11</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>12</sup> 17 CFR 240.19b-4(f)(2).

up to fifty option classes,<sup>4</sup> including up to thirty index option classes,<sup>5</sup> in addition to option classes that are selected by other securities exchanges that employ a similar program under their respective rules. For each of these option classes, the Exchange may list five short term option expiration dates at any given time, not counting monthly or quarterly expirations.<sup>6</sup> Specifically, on any Thursday or Friday that is a business day, the Exchange may list short term option series in designated option classes that expire at the close of business on each of the next five Fridays that are business days and are not Fridays in which monthly or quarterly options expire.<sup>7</sup> These short term option series, which can be several weeks or more from expiration, may be listed in strike price intervals of \$0.50, \$1, or \$2.50, with the finer strike price intervals being offered for lower priced securities, and for options that trade in the Exchange's dollar strike program.<sup>8</sup> More specifically, the ISE may list short term options in \$0.50 intervals for strike prices less than \$75, or for option classes that trade in one dollar increments in the related non-short term option, \$1 intervals for strike prices that are between \$75 and \$150, and \$2.50 intervals for strike prices above \$150.<sup>9</sup>

The Exchange may also list standard expiration contracts, which are listed in accordance with the regular monthly expiration cycle. These standard expiration contracts must be listed in wider strike price intervals of \$2.50, \$5, or \$10,<sup>10</sup> though the ISE also operates strike price programs, such as the dollar strike program mentioned above,<sup>11</sup> that allow the Exchange to list a limited number of option classes in finer strike price intervals. In general, the ISE must list standard expiration contracts in \$2.50 intervals for strike prices of \$25 or less, \$5 intervals for strike prices greater than \$25, and \$10 intervals for strike

prices greater than \$200.<sup>12</sup> During the week prior to expiration only, the Exchange is permitted to list related non-short term option contracts in the narrower strike price intervals available for short term option series.<sup>13</sup> Since this exception to the standard strike price intervals is available only during the week prior to expiration, however, standard expiration contracts regularly trade at significantly wider intervals than their weekly counterparts, as illustrated below.

For example, assume ABC is trading at \$56.54 and the monthly expiration contract is three weeks to expiration. Assume also that the ISE has listed all available short term option expirations and thus has short term option series listed on ABC for weeks one, two, four, five, and six. Each of the five weekly ABC expiration dates can be listed with strike prices in \$0.50 intervals, including, for example, the \$56.50 at-the-money strike. Because the monthly expiration contract has three weeks to expiration, however, the near-the-money strikes must be listed in \$5 intervals unless those options are eligible for one of the ISE's other strike price programs. In this instance, that would mean that investors would be limited to choosing, for example, between the \$55 and \$60 strike prices instead of the \$56.50 at-the-money strike available for short term options. This is the case even though contracts on the same option class that expire both several weeks before and several weeks after the monthly expiration are eligible for finer strike price intervals. Under the proposed rule change, the Exchange would be permitted to list the related non-short term option on ABC, which is less than a month to expiration, in the same strike price intervals as allowed for short term option series. Thus, the Exchange would be able to list, and investors would be able to trade, all expirations described above with the same uniform \$0.50 strike price interval.

As proposed, the ISE would be permitted to begin listing the monthly expiration contract in these narrower intervals at any time during the month prior to expiration, which begins on the first trading day after the prior month's expiration date, subject to the provisions of Rule 504(f). For example, since the April 2014 monthly option expired on Saturday, April 19, the proposed rule change would allow the Exchange to list the May 2014 monthly

option in short term option intervals starting Monday, April 21.

The ISE believes that introducing consistent strike price intervals for short term options and related non-short term options during the month prior to expiration will benefit investors by giving them more flexibility to closely tailor their investment decisions. The Exchange also believes that the proposed rule change will provide the investing public and other market participants with additional opportunities to hedge their investments, thus allowing these investors to better manage their risk exposure.

In addition, the Exchange notes that it recently adopted rule text that states that, notwithstanding any language to the contrary, short term options may be added up to and including on the expiration date.<sup>14</sup> Other exchanges that have adopted similar rule text have, correspondingly, deleted related language that restricts the opening of additional short term option series, including additional series of the related non-short term option, during the week of expiration.<sup>15</sup> Consistent with the rules proposed by other options exchanges, the ISE proposes to delete rule text that prohibits the opening of additional series listed pursuant to Supplementary Material .12 to Rule 504 and Supplementary Material .05 to Rule 2009 during the week of expiration.

## 2. Statutory Basis

The Exchange believes 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, and, in particular, with the requirements of Section 6(b) of the Act.<sup>16</sup> In particular, the proposal is consistent with Section 6(b)(5) of the Act,<sup>17</sup> because is designed to promote just and equitable principles of trade, remove impediments to and perfect the mechanisms of a free and open market and a national market system and, in general, to protect investors and the public interest.

As noted above, standard expiration options currently trade in wider intervals than their weekly counterparts, except during the week prior to expiration. This creates a situation where contracts on the same option class that expire both several weeks

<sup>4</sup> See Supplementary Material .02(a) to Rule 504.

<sup>5</sup> See Supplementary Material .01(a) to Rule 2009.

<sup>6</sup> See Supplementary Material .02 to Rule 504; Supplementary Material .01 to Rule 2009.

<sup>7</sup> *Id.*

<sup>8</sup> See Supplementary Material .12 to Rule 504; Supplementary Material .05 to Rule 2009.

<sup>9</sup> *Id.* Strike price intervals of \$2.50 are only available for non-index options. Short term index option contracts are subject to the same strike price intervals as non-short term options for strike prices above \$150. See Securities Exchange Act Release No. 71034 (December 11, 2013), 78 FR 76363 (December 17, 2013) (SR-ISE-2013-69).

<sup>10</sup> See Rule 504(d).

<sup>11</sup> See Supplementary Material .01 to Rule 504, which allows the ISE to designate up to 150 option classes on individual stocks to be traded in \$1 strike price intervals where the strike price is between \$50 and \$1. See also Rule 504(g) (\$2.50 Strike Program) and Supplementary .05 to Rule 504 (\$0.50 Strike Program).

<sup>12</sup> See Rule 504(d).

<sup>13</sup> See Supplementary Material .02(e) to Rule 504; Supplementary Material .01(e) to Rule 2009.

<sup>14</sup> See Securities Exchange Act Release No. 71033 (December 11, 2013), 78 FR 76375 (December 17, 2013) (SR-ISE-2013-68).

<sup>15</sup> See SR-BATS-2014-13 (citation pending publication by the Commission).

<sup>16</sup> 15 U.S.C. 78f(b).

<sup>17</sup> 15 U.S.C. 78f(b)(5).

before and several weeks after the standard expiration are eligible to trade in strike price intervals that the standard expiration contract is not. When the ISE originally filed to list related non-short term options in the same intervals as short term options in the same option class during the week prior to expiration,<sup>18</sup> the Exchange was limited to listing one short term option expiration date at a time. Thus, there was no inconsistency between standard expiration contracts, which traded in finer intervals in the week prior to expiration, and short term options, which were only listed on the week prior to expiration. The Short Term Option Series Program has since grown in response to customer demand, and the ISE is now permitted to list up to five short term option expiration dates in addition to standard expiration options.<sup>19</sup> There is continuing strong customer demand to have the ability to execute hedging and trading strategies in the finer strike price intervals available in short term options, and the Exchange believes that the proposed rule change will increase market efficiency by harmonizing strike price intervals for contracts that are close to expiration, whether those contracts happen to be listed pursuant to weekly or monthly expiration cycles.

The Exchange notes that, in addition to listing standard expiration contracts in short term option intervals during the expiration week, it already operates several programs that allow for strike price intervals for standard expiration contracts that range from \$0.50 to \$2.50.<sup>20</sup> The Exchange believes that each of these programs has been successful but notes that limitations on the number of option classes that may be selected for each of these programs means that many standard expiration contracts must still be listed in wider intervals than their short term option counterparts. For example, the \$0.50 strike price program, which offers the narrowest strike price interval, only permits the ISE to designate up to 20 option classes to trade in \$0.50 intervals in addition to option classes selected by other exchanges that employ a similar program.<sup>21</sup> Thus, the proposed rules are necessary to fill the gap between strike

price intervals allowed for short term options and related non-short term options. The Exchange believes that the proposed rule change, like the other strike price programs currently offered by the ISE, will benefit investors by giving them more flexibility to closely tailor their investment and hedging decisions.

Furthermore, the Exchange continues to believe that the ability to list new series during the week of expiration is appropriate given the short lifespan of short term options. The proposed change clarifies that the Exchange may open additional series listed pursuant to Supplementary Material .12 to Rule 504 and Supplementary Material .05 to Rule 2009 during the week of expiration, consistent with changes proposed by other exchanges.

With regard to the impact of this proposal on system capacity, the Exchange has analyzed its capacity and represents that it and the Options Price Reporting Authority ("OPRA") have the necessary systems capacity to handle any potential additional traffic associated with this proposed rule change. The Exchange believes that its members will not have a capacity issue as a result of this proposal. The Exchange also represents that it does not believe this expansion will cause fragmentation of liquidity.

#### *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 that is not necessary or appropriate in furtherance of the purposes of the Act. To the contrary, the Exchange believes that the proposed rule change will result in additional investment options and opportunities to achieve the investment objectives of market participants seeking efficient trading and hedging vehicles, to the benefit of investors, market participants, and the marketplace in general. Specifically, the Exchange believes that investors will benefit from the availability of strike price intervals in standard expiration contracts that match the intervals currently permitted for short term options with a similar time to expiration, and from the clarification regarding the listing of additional series during the week of expiration.

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

The Exchange has not solicited, and does not intend to solicit, comments on this proposed rule change. The

Exchange has not received any unsolicited written comments from members or other interested parties.

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

Within 45 days of the publication date of this notice or within such longer period (1) as the Commission may designate up to 45 days of such date if it finds such longer period to be appropriate and publishes its reasons for so finding or (2) as to which the self-regulatory organization 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, as modified by Amendment No. 2, 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-ISE-2014-23 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-ISE-2014-23. 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.,

<sup>18</sup> See Securities Exchange Act Release No. 67754 (August 29, 2012), 77 FR 54629 (September 5, 2012) (SR-ISE-2012-33) (Approval); 67083 (May 31, 2012), 77 FR 33543 (June 6, 2012) (SR-ISE-2012-33) (Notice).

<sup>19</sup> See Securities Exchange Act Release No. 68318 (November 29, 2013), 77 FR 72426 (December 5, 2012) (SR-ISE-2012-90); 71033 (December 11, 2013), 78 FR 76375 (December 17, 2013) (SR-ISE-2013-68).

<sup>20</sup> See supra note 11.

<sup>21</sup> See Supplementary .05 to Rule 504.

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-ISE-2014-23 and should be submitted on or before June 2, 2014.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>22</sup>

**Kevin M. O'Neill,**

*Deputy Secretary.*

[FR Doc. 2014-10771 Filed 5-9-14; 8:45 am]

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-72103; File No. SR-Phlx-2014-26]

### Self-Regulatory Organizations; NASDAQ OMX PHLX LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change Relating to Mini Options

May 6, 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 April 24, 2014, NASDAQ OMX PHLX LLC ("Phlx" or "Exchange") filed with the Securities and Exchange Commission ("SEC" or "Commission") the proposed rule change as described in Items I and II 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 Commentary .13 to Rule 1012 (Series of Options Open for Trading), entitled "Mini Options Contracts." Specifically, the Exchange proposes to replace the reference to "GOOG" to "GOOGL."

The text of the proposed rule change is available on the Exchange's Web site at <http://www.nasdaqtrader.com/micro.aspx?id=PHLXRulefilings>, 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 Exchange proposes to amend Commentary .13 to Rule 1012, regarding Mini Options traded on Phlx, to replace the reference to "GOOG" to "GOOGL." This filing is similar to filings made by the International Securities Exchange, LLC ("ISE"), BOX Options Exchange LLC ("BOX") and the Chicago Board Options Exchange, Incorporated ("CBOE").<sup>3</sup>

The Exchange is proposing to make a change to Supplementary Material .08 [sic] to enable the continued trading of Mini Options on Google's class A shares. The Exchange is proposing to make this change because, on April 2, 2014, Google issued a new class of shares (class C) to its shareholders in lieu of a cash dividend payment. The new Google Class C shares were given the old Google ticker symbol, "GOOG," and the new [sic] class A shares have been given a new ticker symbol of "GOOGL." The Exchange is proposing to change the Google ticker referenced in Chapter IV [sic], Section 6 [sic] from "GOOG" to "GOOGL."

The purpose of this change is to ensure that Commentary .13 to Rule 1012 properly reflects the intention and practice of the Exchange to trade Mini Options on only an exhaustive list of underlying securities outlined in Commentary .13 to Rule 1012. This change is meant to continue the inclusion of class A shares of Google in the current list of underlying securities that Mini Options can be traded on,

while making it clear that class C shares of Google are not part of that list as that class of options has not been approved for Mini Options trading. As a result, the proposed change will also help avoid confusion.

###### 2. Statutory Basis

The Exchange believes the proposed rule change is consistent with the Securities Exchange Act of 1934 (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>4</sup> Specifically, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)<sup>5</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 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. Additionally, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)<sup>6</sup> requirement that the rules of an exchange not be designed to permit unfair discrimination between customers, issuers, brokers, or dealers. In particular, the proposed rule change to change the Google class A ticker to its new designation is consistent with the Act because the proposed change is merely updating the corresponding ticker to allow for continued mini option trading on Google's class A shares. The proposed change will allow for continued benefit to investors by providing them with additional investment alternatives.

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

Phlx 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 change does not impose any burden on intramarket competition because it applies to all members and member organizations. There is no burden on intermarket competition as the proposed change is merely attempting to update the new ticker for Google class A for Mini Options. As a result, there will be no substantive

<sup>22</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 Release Nos. 71873 (April 4, 2014), 79 FR 19953 (April 10, 2014) (SR-BOX-2014-13); 71848 (April 2, 2014), 79 FR 19405 (April 8, 2014) (SR-CBOE-2014-030); SR-ISE-2014-021 (not yet published).

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

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

<sup>6</sup> *Id.*