

All submissions should refer to File Number SR–MIAX–2014–18. 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 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–MIAX–2014–18, and should be submitted on or before June 19, 2014.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.²⁴

Kevin M. O'Neill,
Deputy Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–72230; File No. SR–CBOE–2014–029]

Self-Regulatory Organizations; Chicago Board Options Exchange, Incorporated; Order Approving a Proposed Rule Change To Enhance the Exchange's Audit Trail

May 22, 2014.

I. Introduction

On March 27, 2014, the 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")¹ and Rule 19b–4 thereunder,² a proposed rule change to enhance the Exchange's audit trail. The proposed rule change was published for comment in the **Federal Register** on April 9, 2014.³ The Commission received no comment letters regarding the proposed rule change. This order approves the proposed rule change.

II. Description of the Proposal

The Exchange proposes to require Floor Brokers⁴ and PAR Officials⁵ to electronically capture, by pressing a "Represent Button" on their trading device, the time at which they initially verbally present orders in the Exchange's trading crowd.⁶ The Represent Button will be located on PAR workstations and other Exchange-approved devices used by Floor Brokers.⁷

According to the Exchange, CBOE Trading Permit Holders may use Exchange-approved devices to systematize⁸ orders on the floor, but the Exchange does not currently require Floor Brokers and PAR Officials to electronically capture the time when orders are represented in the trading crowd on these devices.⁹ The Exchange states that the procedure Floor Brokers and PAR Officials currently follow to represent orders and consummate trades on the Exchange's trading floor will not change aside from the added step of capturing the time an order is initially represented in the trading crowd by pushing the Represent Button.¹⁰ The Exchange also represents that any new floor based order management device will be required to have the Represent Button functionality before CBOE will approve it to be used on the Exchange trading floor if it will be used to represent orders on an agency basis.¹¹ The Exchange believes that capturing the time when orders are represented on the Exchange's trading floor will help the Exchange develop and implement surveillances concerning the Exchange's rules, including, but not limited to, due diligence requirements of Floor Brokers and Exchange priority rules.¹²

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b–4.

³ See Securities Exchange Act Release No. 71859 (April 3, 2014), 79 FR 19697 ("Notice").

⁴ See CBOE Rule 6.70 defining a Floor Broker.

⁵ See CBOE Rule 7.12(a) defining a PAR Official.

⁶ See Notice, *supra* note 3, at 19697.

⁷ See *id.*

⁸ See *id.* at n. 4 (citing CBOE Rule 6.24).

⁹ See *id.* at 19698.

¹⁰ See *id.*

¹¹ See *id.* at n. 5.

¹² See *id.* at 19698.

The Exchange proposes to announce the implementation date of the proposed rule change within 30 days following approval by the Commission and has represented to the Commission that all devices currently used to represent orders in the trading crowd by Floor Brokers and PAR Officials will have the Represent Button functionality by the time of implementation.¹³

III. Discussion and Commission Findings

After careful review, the Commission finds that the proposed rule change is consistent with the requirements of the Act and the rules and regulations thereunder applicable to a national securities exchange.¹⁴ In particular, the Commission finds that the proposed rule change is consistent with Section 6(b)(5) of the Act,¹⁵ 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.

As described above, the Exchange proposes to require that Floor Brokers and PAR Officials press the Represent Button to capture electronically the time at which they initially represent an order to the Exchange's trading crowd. The Commission notes that the Exchange has represented that, aside from this additional requirement, open out-cry trading will generally continue to operate as it currently does once this proposed rule change is implemented.¹⁶ The Represent Button will be added to devices already used by Floor Brokers and PAR Officials on the Exchange floor and represents an additional discrete functionality to capture the time that an order is represented. The Exchange also represents that this new requirement will apply equally to all participants that handle agency orders in the trading crowd.¹⁷ The Commission believes that the proposed rule change represents an incremental enhancement to CBOE's audit trail and should help facilitate CBOE's ability to monitor activity on its trading floor and assess compliance with its rules.

¹³ See *id.*

¹⁴ In approving this proposal, the Commission has considered the proposed rule's impact on efficiency, competition, and capital formation. See 15 U.S.C. 78c(f).

¹⁵ 15 U.S.C. 78f(b)(5).

¹⁶ See Notice, *supra* note 3, at 19698.

¹⁷ See *id.*

²⁴ 17 CFR 200.30–3(a)(12).

IV. Conclusion

It is therefore ordered, pursuant to Section 19(b)(2) of the Act,¹⁸ that the proposed rule change (SR-CBOE-2014-029) is approved.

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. 34-72223; File No. SR-NSCC-2014-04]

Self-Regulatory Organizations; National Securities Clearing Corporation; Order Approving Proposed Rule Change to Effect Processing Enhancements to the NSCC Automated Customer Account Transfer Service

May 22, 2014.

I. Introduction

On March 27, 2014, National Securities Clearing Corporation ("NSCC") filed with the Securities and Exchange Commission ("Commission"), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act")¹ and Rule 19b-4 thereunder,² proposed rule change SR-NSCC-2014-04 ("Proposed Rule Change")³ to implement processing enhancements⁴ to NSCC's Automated Customer Account Transfer Service ("ACATS").⁵ The Proposed Rule Change was published for comment in the **Federal Register** on April 11, 2014.⁶ The Commission did not receive comments on the Proposed Rule Change. This order approves the Proposed Rule Change.

¹⁸ 15 U.S.C. 78s(b)(2).

¹⁹ 17 CFR 200.30-3(a)(12).

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ Defined terms not defined herein have the meaning set forth in NSCC's Rules and Procedures ("Rules"), available at http://dtcc.com/~media/Files/Downloads/legal/rules/nscc_rules.ashx.

⁴ NSCC will announce the implementation of this Proposed Rule Change via an Important Notice to Members.

⁵ The Depository Trust Company ("DTC") filed a corresponding proposed rule change with the Commission. See Release No. 34-71886 (Mar. 27, 2014), 79 FR 20260 (Apr. 11, 2014) (SR-DTC-2014-04) ("DTC Proposal").

⁶ Release No. 34-71887 (Mar. 27, 2014), 79 FR 20290 (Apr. 11, 2014) (SR-NSCC-2014-04).

II. Description

A. Current ACATS Process

ACATS enables NSCC Members ("Members") to automatically transfer customer accounts among themselves.⁷ A Member to whom a customer's securities account is to be transferred ("Receiving Member") may initiate the account transfer process by submitting a Transfer Initiation Request to NSCC. When the Member who is to deliver the customer's securities account through ACATS ("Delivering Member") accepts the request, NSCC will cause eligible securities in that account to enter NSCC's Continuous Net Settlement Accounting Operation ("CNS") prior to the settlement cycle on the day before Settlement Date. Securities that are not eligible for CNS but are eligible for settlement at DTC ("Non-CNS DTC-Eligible Securities") may be settled either through another NSCC service or outside of NSCC, depending on the asset type.

In order to incentivize the Delivering Member to make delivery of the securities, the Delivering Member is charged with a money settlement debit and the Receiving Member with a money settlement credit ("Incentive Charges"). Incentive Charges are then reversed when the securities transfer is complete.

For ACATS transfers of CNS-eligible securities, NSCC tracks the receive and deliver obligations in CNS so that NSCC is able to reverse the uncompleted transfers of a Member that is party to the transfer but fails to meet its money settlement obligation to NSCC or NSCC ceases to act for such Member (collectively, "Fails to Settle"). However, if two or more Members Fail to Settle, then NSCC may not be able to identify completed versus uncompleted transfers because ACATS securities that settle via CNS are fungible with CNS's other activity and are netted with the guaranteed trades in the same securities that settle in CNS. As a result, in such a scenario, NSCC may have to reverse all ACATS transfers relating to those Members, whether or not the transactions were completed, in order to eliminate the Incentive Charges.

For ACATS transfers of Non-CNS DTC-Eligible Securities, the Delivering Member that fails to make delivery of the securities ("Fails to Deliver") will receive a money debit (i.e., an Incentive Charge) for the full value of the securities. However, NSCC does not track the completion of those transfers.

⁷ ACATS is a non-guaranteed service and transfers are not subject to risk management by NSCC.

Thus, if the Delivering Member ultimately Fails to Settle, NSCC will reverse the Member's ACATS transfers in order to eliminate the associated money debit.

B. New ACATS Process

The Proposed Rule Change will create a new ACATS process ("ACATS Settlement Accounting Operation") for both CNS-eligible and Non-CNS DTC-Eligible Securities that will operate outside of CNS. The initiation of an ACATS transfer will remain the same. However, all transfers through the ACATS Settlement Accounting Operation will be made without the application of Incentive Charges (i.e., the transfers will be made free-of-value). Additionally, applicable ACATS transfers will be aggregated into one receive and one deliver obligation per security, per Member. Those obligations will be processed through the Member's corresponding receive or deliver subaccounts at NSCC, which NSCC will require each Member participating in the ACATS Settlement Accounting Operation to establish and maintain.⁸ NSCC will not net the obligations between a Member's subaccounts.

Under the Proposed Rule Change, after NSCC receives securities from Delivering Members, NSCC will allocate those securities to Receiving Members. The allocation of these securities will be governed by an algorithm formulated by NSCC. To maximize customer account deliveries, NSCC will instruct DTC to deliver shares out of a Delivering Member's account to satisfy first the Delivering Member's ACATS obligations, and then the Delivering Member's outstanding CNS obligations.

The ACATS Settlement Accounting Operation will enable NSCC to track ACATS obligations at the Member level, so NSCC can identify and reverse, as necessary, any uncompleted ACATS transfers in the event that one or more Members Fail to Settle on the scheduled ACATS settlement date.⁹ An ACATS transfer of a Member that Fails to Settle will be deemed uncompleted if the Member is: (i) the Delivering Member and it has Failed to Deliver to NSCC all or a portion of the securities associated with the ACATS transfer, or (ii) the Receiving Member and it has failed to receive from NSCC all or a portion of the securities associated with the ACATS transfer ("Fail to Receive"). However, in either case, where the Delivering Member has made a partial

⁸ An NSCC account at DTC will be established to accommodate processing of these transfers.

⁹ The current process only provides for tracking of a single Member default for this purpose.