

announce the effective date of the Proposal in a Trading Notice to be published no later than 30 days following approval of the Proposal by the Commission.<sup>10</sup>

### III. Discussion

After careful review, the Commission finds that the Proposal is consistent with the requirements of the Act and the rules and regulations thereunder applicable to a national securities exchange and, in particular, with Section 6(b) of the Act.<sup>11</sup> In particular, the Commission finds that the proposed rule change is consistent with Section 6(b)(5) of the Act,<sup>12</sup> 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 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; and not be designed to permit unfair discrimination between customers, issuers, brokers or dealers.

The Commission believes that the Proposal is consistent with the Act because it is reasonably designed to promote market transparency and to encourage increased liquidity. Specifically, the Commission notes that, according to the Exchange, members who may otherwise choose to designate their order as Non-Attributable, and thereby not include their MPID with their published quote on the EDGX Book Feed, would choose to designate their orders as Retail. Identifying additional orders as Retail Orders may encourage Members who wish to execute against Retail Orders to send additional Orders to the Exchange,<sup>13</sup>

change will not impact that Member's eligibility to qualify for a rebate under the Retail Order Tier included in Footnote 4 of the Exchange's Fee Schedule. See Notice, 79 FR at 24464.

<sup>10</sup> See Notice, 79 FR at 24464.

<sup>11</sup> 15 U.S.C. 78f(b). In approving this proposed rule change, the Commission has considered the proposed rule's impact on efficiency, competition, and capital formation. See 15 U.S.C. 78c(f).

<sup>12</sup> 15 U.S.C. 78f(b)(5).

<sup>13</sup> The Exchange notes that it conducted a study of its execution data from January 1, 2014 to March 31, 2014, which indicated that Members who represent Retail Orders and utilize Attributable Orders to include their MPID with their published quote on the EDGX Book Feed received an 18% higher execution rate than Members who represent Retail Orders that elected not to include their MPID on the EDGX Book Feed via the use of a Non-Attributable Order. See Notice, 79 FR at 24464.

thereby potentially increasing the level of competition around retail executions, resulting in better prices for retail investors.

### IV. Conclusion

*It is therefore ordered*, pursuant to Section 19(b)(2) of the Act,<sup>14</sup> that the proposed rule change (SR-EDGX-2014-13), is hereby approved.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>15</sup>

**Kevin M. O'Neill,**

*Deputy Secretary.*

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-72288; File No. SR-MIAX-2014-17]

### Self-Regulatory Organizations; Miami International Securities Exchange LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Amend Exchange Rules 515, 519 and 529

June 2, 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 May 20, 2014, Miami International Securities Exchange LLC ("MIAX" or "Exchange") filed with the Securities and Exchange Commission ("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 is filing a proposal to amend Exchange Rules 515, 519 and 529.

The text of the proposed rule change is available on the Exchange's Web site at [http://www.miaxoptions.com/filter/wotitle/rule\\_filing](http://www.miaxoptions.com/filter/wotitle/rule_filing), at MIAX's principal office, and at the Commission's Public Reference Room.

<sup>14</sup> 15 U.S.C. 78s(b)(2).

<sup>15</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.

#### 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 recently amended Rules 515 and 529 to establish a new price protection for market participants and to allow for immediate routing in an additional situation.<sup>3</sup> The Exchange has identified several additional enhancements to the price protections that the Exchange believes should be included in the rules prior to deployment of the new price protection functionality. The Exchange proposes to amend Exchange Rules 515, 519 and 529 accordingly.

The Exchange proposes to amend Rule 515(c)(2) to provide that at the end of a liquidity refresh pause timer the initiating order and any same side joiners received during the timer will trade against the opposite side interest in the order in which they were received at multiple price points up to the current NBBO. Currently, Rule 515(c) provides that at the end of a liquidity refresh timer that all orders and quotes that were not completely filled or cancelled would be reevaluated for execution pursuant to Rule 515. The current language does not contemplate executions at the end of the liquidity refresh pause at multiple price points but only at the original NBBO price provided that it does not trade inferior to the current NBBO. Under the current language, executions at multiple price points would only be possible through the iterative reevaluation process described in Rule 515. The Exchange believes that the current language is unnecessarily restrictive for executions at the end of a liquidity refresh pause given that Rule 515 now provides for executions at multiple price points. The

<sup>3</sup> See Securities Exchange Act Release Nos. 71634 (February 28, 2014), 79 FR 12713 (March 6, 2014) (SR-MIAX-2014-08); 71968 (April 17, 2014), 79 FR 22749 (April 23, 2014) (SR-MIAX-2014-08).

Exchange believes that allowing the initiating order and any same side joiners received during the timer to trade against the opposite side interest (*i.e.*, AOC responses) at multiple price points up to the current NBBO, will provide greater opportunities for executions while still keeping in place the overall level of protections provided by the new multiple variable price protections in Rule 515. The Exchange notes that executions would still have to be bound by the current NBBO; and unexecuted orders and quotes would still be subject to the iterative reevaluation process in Rule 515.

The Exchange also proposes new Interpretations and Policies .03 to Rule 515 to provide that the System will cap individual responses received during a liquidity refresh pause timer on the opposite side from an the initiating order to the size of the initiating order and any same side joiners received during the liquidity refresh pause timer for purposes of pro-rata allocation against the initiating order and any same side joining interest received during the liquidity refresh pause. Capping the size of responses for purposes of pro-rata allocation is designed to reduce the possibility of gaming the allocation through the submission of an oversized order. The current Rule is silent on how the allocation will occur in the situation of an oversized response during a liquidity refresh pause. The Exchange believes that adding the additional language regarding a cap applied to individual responses will help clarify the allocation of executions at the end of the liquidity refresh pause so that market participants more clearly understand the treatment of their orders and quotes during the liquidity refresh pause and also help reduce fraudulent and manipulative acts by market participants to alter the pro-rata allocation.

Similarly, the Exchange proposes new Interpretations and Policies .01 to Rule 529 to provide that the System will cap individual responses received during a route timer on the opposite side from an the initiating order, managed interest, and any same side joiners received during the route timer for purposes of pro-rata allocation against the initiating order, managed interest, and any same side joining interest received during the route timer. As stated above, capping the size of responses for purposes of pro-rata allocation is designed to reduce the possibility of gaming the allocation through the submission of an oversized order. The current Rule is silent on how the allocation will occur in the situation

of an oversized response during a route timer. The Exchange believes that adding the additional language regarding a cap applied to individual responses will help clarify the allocation of executions at the end of the route timer so that market participants more clearly understand the treatment of their orders and quotes during the route timer and also help reduce fraudulent and manipulative acts by market participants to alter the pro-rata allocation.

The Exchange also proposes to amend Rule 519 to extend the MIAAX Order Monitor protections for market orders to sell to orders subject to reevaluation pursuant to Rule 515. Currently, the MIAAX Order Monitor protections only apply to orders upon initial receipt in order to avoid the occurrence of potential obvious or catastrophic errors on the Exchange. For market orders to sell, the Exchange proposed to provide that both upon initial receipt and reevaluation that a market order to sell an option when the national best bid is zero and the Exchange's disseminated offer is equal to or less than \$0.10, the System will convert the market order to sell to a limit order to sell with a limit price of one Minimum Trading Increment. In this case, such sell orders will automatically be placed on the Book in time priority and will be displayed at the appropriate Minimum Price Variation. Separately, if the Exchange upon initial receipt or reevaluation evaluates a market order to sell an option when the national best bid is zero and the national best offer is greater than \$0.10, the System will cancel the market order to sell. The proposed change is designed to protect investors and the public interest by extending the protections for sell market orders that apply currently only upon receipt to when such orders are reevaluated pursuant to the new multiple variable price protections in Rule 515.

## 2. Statutory Basis

The Exchange believes that its proposed rule change is consistent with Section 6(b) <sup>4</sup> of the Act in general, and furthers the objectives of Section 6(b)(5) <sup>5</sup> of the Act in particular, in that it is 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 facilitating transactions in securities, to 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.

The proposal to allow the trading at multiple price points up to the current NBBO at the end of the liquidity refresh pause timer will provide greater opportunities for executions while still keeping in place the overall level of protections provided by the new multiple variable price protections in Rule 515 in a manner that promotes the protection of investors and the public interest. The Exchange believes that adding the additional language regarding a cap applied to individual responses will help clarify the allocation of executions at the end of the liquidity refresh pause timer and the route timer so that market participants more clearly understand the treatment of their orders and quotes during such timers and also help reduce fraudulent and manipulative acts by market participants to alter the pro-rata allocation.

The proposed change to extend the MIAAX Order Monitor protections for sell market orders subject to reevaluation is designed to promote just and equitable principles of trade by extending the protections for sell market orders that apply currently only upon receipt to when such orders are reevaluated pursuant to the new multiple variable price protections in Rule 515 in a manner that also promotes the protection of investors and the public interest.

### *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 not necessary or appropriate in furtherance of the purposes of the Act. Specifically, the Exchange believes the proposed changes will not impose any burden on intra-market competition because it applies to all MIAAX participants equally. In addition, the Exchange does not believe the proposal will impose any burden on inter-market competition as the proposal is intended to protect investors by providing further enhancements and transparency regarding the Exchange's price protection functionality.

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

Written comments were neither solicited nor received.

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

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

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

The Exchange has filed the proposed rule change pursuant to Section 19(b)(3)(A)(iii) of the Act<sup>6</sup> and Rule 19b-4(f)(6) thereunder.<sup>7</sup> Because the proposed rule change does not: (i) Significantly affect the protection of investors or the public interest; (ii) impose any significant burden on competition; and (iii) become operative prior to 30 days from the date on which it was filed, or such shorter time as the Commission may designate, if consistent with the protection of investors and the public interest, the proposed rule change has become effective pursuant to Section 19(b)(3)(A) of the Act and Rule 19b-4(f)(6)(iii) thereunder.

A proposed rule change filed under Rule 19b-4(f)(6)<sup>8</sup> normally does not become operative prior to 30 days after the date of the filing. However, pursuant to Rule 19b-4(f)(6)(iii),<sup>9</sup> the Commission may designate a shorter time if such action is consistent with the protection of investors and the public interest. The Exchange has asked the Commission to waive the 30-day operative delay so that the proposal may become operative immediately upon filing. The Commission believes that waiving the 30-day operative delay is consistent with the protection of investors and the public interest because waiver would allow the Exchange to implement its new price protection functionality, which has already been subject to notice and comment and approved by the Commission, without further delay. Specifically, the current proposal extends MIAX's price protection and order monitor functionality to additional trading processes and also applies MIAX's cap on responses for purposes of pro rata allocation to the route timer and liquidity refresh pause timer in a manner that does not raise new or novel issues and should facilitate executions on MIAX in a manner consistent with the protection of investors and the public interest. Accordingly, the Commission hereby grants the Exchange's request and

designates the proposal operative upon filing.<sup>10</sup>

At any time within 60 days of the filing of this proposed rule change, the Commission summarily may temporarily suspend this 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-MIAX-2014-17 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-MIAX-2014-17. 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 this filing also will be available for inspection and copying at the principal office of the Exchange. All comments

<sup>10</sup> For purposes only of waiving the 30-day operative delay, the Commission has considered the proposed rule's impact on efficiency, competition, and capital formation. See 15 U.S.C. 78c(f).

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 publicly available. All submissions should refer to File Number SR-MIAX-2014-17 and should be submitted on or before June 27, 2014.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>11</sup>

Kevin M. O'Neill,

Deputy Secretary.

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-72294; File No. SR-OCC-2014-12]

### Self-Regulatory Organization; The Options Clearing Corporation; Notice of Filing of Proposed Rule Change To Make The Options Clearing Corporation's Existing Policy Concerning Specified Concentration Limits Related to Deposits of Certain Letters of Credit Applicable to All Letters of Credit

June 2, 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 May 20, 2014, The Options Clearing Corporation ("OCC") filed with the Securities and Exchange Commission ("Commission") the proposed rule change as described in Items I, II and III below, which Items have been prepared by OCC. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

#### I. Clearing Agency's Statement of the Terms of Substance of the Proposed Rule Change

OCC proposes to amend Rule 604 in order to make OCC's existing policy concerning specified concentration limits related to deposits of certain letters of credit applicable to all letters of credit.

#### II. Clearing Agency's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, OCC included statements concerning the purpose of and basis for the proposed rule change and discussed any

<sup>11</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>6</sup> 15 U.S.C. 78s(b)(3)(A)(iii).

<sup>7</sup> 17 CFR 240.19b-4(f)(6). In addition, Rule 19b-4(f)(6) requires the Exchange to give the Commission written notice of the Exchange's intent to file the proposed rule change, along with a brief description and text of the proposed rule change, at least five business days prior to the date of filing of the proposed rule change, or such shorter time as designated by the Commission. The Exchange has satisfied this requirement.

<sup>8</sup> 17 CFR 240.19b-4(f)(6).

<sup>9</sup> 17 CFR 240.19b-4(f)(6)(iii).