Commission notes that (1) the Exchange has represented that FINRA currently has surveillances designed to monitor for manipulative activity, that DMM market-making activity off the trading floor is not materially different from market-making on other exchanges, and that, therefore, the existing regulatory framework is reasonably designed to address any concerns that may be raised by a DMM unit being integrated with market-making operations and (2) the Exchange has represented that FINRA currently conducts a program that approves and examines Rule 98 policies and procedures.

The Commission believes that the proposed rule change is consistent with the Act. The principles-based regulatory approach in the proposal is substantially similar to the existing regulatory approach of NYSE Arca and BATS, while also accounting for the market structure differences (*i.e.,* the role of DMM units and the trading floor on the Exchange) that raise additional regulatory and policy considerations. While proposed Rule 98 permits member organizations greater flexibility in structuring their business and compliance operations, the rule continues to require the maintenance of certain appropriate information barriers, and it clearly requires that all member organizations have policies and procedures that are reasonably designed to prevent the misuse of material, non-public information.[43]

The Commission notes that the policies and procedures required proposed Rule 98 will be subject to oversight by the Exchange and review by FINRA, and the Commission emphasizes that a member organization operating a DMM unit should be proactive in assuring that its policies and procedures reflect the current state of its business and continue to be reasonably designed to achieve compliance with applicable federal securities law and regulations and with applicable Exchange and FINRA rules. Finally, the Commission notes that existing Exchange rules also prohibit particular misuses of material, non-public information—for example, front-running customer orders—and that FINRA surveillances seek to detect violations of those rules.

price that is the same as, or better than, the price at which the organization traded for its own account.

[43] The Commission notes that such policies and procedures may include the programming and operation of a member organization's trading algorithms to protect against the misuse of material non-public information.

IV. Conclusion

It is therefore ordered, pursuant to Section 19(b)(2) of the Act, that the proposed rule change (SR–NYSEMKT–2014–22), is hereby approved.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.[44]

Jill M. Peterson,

Assistant Secretary.

[FR Doc. 2014–16048 Filed 7–8–14; 8:45 am]

BILLING CODE 8011–01–P

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–72525; File No. SR–NYSEArca-2014–74]

Self-Regulatory Organizations; NYSE Arca, Inc.; Notice of Filing and Immediate Effectiveness of Proposed Rule Change Amending NYSE Arca Options Fee Schedule Relating to Manual Executions by Firms and Broker Dealers

July 2, 2014.

Pursuant to Section 19(b)(1)[1] of the Securities Exchange Act of 1934 (the ''Act'') [2] and Rule 19b–4 thereunder,[3] notice is hereby given that, on July 1, 2014, NYSE Arca, Inc. (the ''Exchange'' or ''NYSE Arca'') 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 self-regulatory organization. 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 the Substance of the Proposed Rule Change

The Exchange proposes to amend the NYSE Arca Options Fee Schedule (''Fee Schedule'') relating to Manual Executions by Firms and Broker Dealers. The Exchange proposes to implement the fee change effective July 1, 2014. The text of the proposed rule change is available on the Exchange's Web site at *www.nyse.com,* at the principal office of the Exchange, and at the Commission's Public Reference Room.

[44] 17 CFR 200.30–3(a)(12).

[1] 15 U.S.C.78s(b)(1).

[2] 15 U.S.C. 78a.

[3] 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 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 those 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 parts of such statements.

A. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

1. Purpose

The purpose of this filing is to modify the Exchange's fees on Firm and Broker Dealer Manual Executions to provide a lower rate in certain select symbols.

Currently, a Firm or Broker Dealer order executed Manually on the Floor of the Exchange that is not facilitating a Customer is charged $0.25 per contract.[4]

The Exchange is proposing a rate of $0.12 per contract for Firm and Broker Dealer orders for select symbols that are active issues with narrow spreads and a competitive distribution of market share among the exchanges.[5] Initially, the Exchange proposes to include only options transactions in VXX (iPath S&P 500 VIX Short Term Futures Exchange Traded Note) in the select symbols, although the Exchange may add or remove symbols from the eligible symbol list with subsequent filings with the Securities and Exchange Commission (''Commission'').[6]

[4] Firm and Broker Dealer orders that facilitate a Customer are charged $0.00.

[5] The Exchange notes that the practice of providing additional incentives to increase order flow in high volume symbols is, and has been, commonly practiced in the options markets. *See, e.g.,* International Securities Exchange, LLC (''ISE''), Schedule of Fees, *available here, http://www.ise.com/assets/documents/OptionsExchange/legal/fee/ISE_fee_schedule.pdf,* p. 6 (providing reduced fee rates for order flow in Select Symbols); NASDAQ OMX PHLX, Pricing Schedule, *available here, http://www.nasdaqtrader.com/Micro.aspx?id=phlxpricing,* Section I (providing a rebate for adding liquidity in SPY); NYSE Arca, Inc. Fees Schedule, *available here, https://www.theice.com/publicdocs/nyse/markets/arca-options/NYSE_Arca_Options_Fee_Schedule.pdf* (section titled ''Customer Monthly Posting Credit Tiers and Qualifications for Executions in Penny Pilot Issues'').

[6] VXX is a Penny Pilot Issue in the top 10 by Customer volume from January 2, 2014 through May 31, 2014, with market share spread fairly evenly amongst five of the 12 exchanges, and with 15% of transactions by contract volume involving

Continued

2. Statutory Basis

The Exchange believes that the proposed rule change is consistent with Section 6(b) of the Act,[7] in general, and furthers the objectives of Sections 6(b)(4) and (5) of the Act,[8] in particular, because it provides for the equitable allocation of reasonable dues, fees, and other charges among its members, issuers and other persons using its facilities and does not unfairly discriminate between customers, issuers, brokers or dealers.

The Exchange believes that the proposed special rate for Firm and Broker Dealer orders in select symbols is reasonable as it is within the general range of transaction fees for manual transactions. The proposed special rate for select symbols is reasonably designed to increase the competitiveness of the Exchange with other options exchanges that also offer increased incentives for higher volume symbols.

It is also not unfairly discriminatory to provide for a reduced fee for Firm and Broker Dealer orders in select symbols to attract business in certain issues to the Floor. Firms and Broker Dealers are generally represented on the Floor by Floor Brokers and providing a reduced fee in certain symbols incents them to have their orders executed on the Trading Floor where other participants are already present. Further, the proposal is not unfairly discriminatory in its treatment of Firms and Broker Dealers vis-à-vis Market Makers because Firms and Broker Dealers have their orders brought to the Floor for execution whereas Market Makers are providing liquidity for the orders. Market Makers are present and obligated to respond to a call for markets, and in return, Market Makers are charged a lower fee in all Manual executions, with the exception being select symbols. In addition, the Exchange believes that by providing a lower fee to Firm and Broker Dealer orders brought to the Floor in a highly competitive issue, Market Makers are provided a greater opportunity to interact with order flow, which in turn benefits market participants.

The proposed fee change is also not unfairly discriminatory because the reduced fee is available to any Firm or Broker Dealer.

Additionally, the proposed fee is an equitable allocation of fees because the intent is to create an incentive for non-Market Maker order flow to the Exchange, which will provide additional opportunities for Market Makers and other participants alike.

Finally, the Exchange believes that it is subject to significant competitive forces, as described below in the Exchange's statement regarding the burden on competition.

For these reasons, the Exchange believes that the proposal is consistent with the Act.

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

In accordance with Section 6(b)(8) of the Act,[9] 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. The Exchange believes that the proposed fee change reduces the burden on competition because it incents Firm and Broker Dealers to have their orders brought to the Floor by offering a competitive rate in active issues.

The Exchange also believes that the proposed fee change will increase competition among exchanges where market share is very fairly spread out amongst five of the twelve exchanges, but where, in this active issue, one exchange has a disproportionate amount (30%) of market share. The Exchange believes that the proposed fee change may provide a competitive incentive to market participants. The Exchange notes that it operates in a highly competitive market in which market participants can readily favor competing venues, and providing a reduced fee in certain select symbols for Firm and Broker Dealer orders that participate in Manual Executions allows OTP firms to attract additional business which benefits all participants. In such an environment, the Exchange must continually review, and consider adjusting, its fees and credits to remain competitive with other exchanges. For the reasons described above, the Exchange believes that the proposed rule change reflects this competitive environment.

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

No written comments were solicited or received with respect to the proposed rule change.

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

The foregoing rule change is effective upon filing pursuant to Section 19(b)(3)(A)[10] of the Act and subparagraph (f)(2) of Rule 19b–4[11] thereunder, because it establishes a due, fee, or other charge imposed by the Exchange.

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. If the Commission takes such action, the Commission shall institute proceedings under Section 19(b)(2)(B)[12] of the Act 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 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*. Please include File Number SR–NYSEArca–2014–74 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–NYSEArca-2014–74. 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

a Firm. At least one other option exchange (ISE) lists VXX among its select symbols. *See supra* n. 5.

[7] 15 U.S.C. 78f(b).

[8] 15 U.S.C. 78f(b)(4) and (5).

[9] 15 U.S.C. 78f(b)(8).

[10] 15 U.S.C. 78s(b)(3)(A).

[11] 17 CFR 240.19b–4(f)(2).

[12] 15 U.S.C. 78s(b)(2)(B).

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–NYSEArca–2014–74, and should be submitted on or before July 30, 2014.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.[13]

Jill M. Peterson,

Assistant Secretary.

[FR Doc. 2014–15963 Filed 7–8–14; 8:45 am]

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–72522; File No. SR–FINRA–2014–029]

Self-Regulatory Organizations; Financial Industry Regulatory Authority, Inc.; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change To Extend the Implementation of FINRA Rule 4240 (Margin Requirements for Credit Default Swaps)

July 2, 2014.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (''Act'')[1] and Rule 19b–4 thereunder,[2] notice is hereby given that on June 23, 2014, the Financial Industry Regulatory Authority, Inc. (''FINRA'') 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 FINRA. FINRA has designated the proposed rule change as constituting a ''non-controversial'' rule change under paragraph (f)(6) of Rule 19b–4 under the Act,[3] which renders the proposal effective upon receipt of this filing by the Commission. 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

FINRA is proposing to extend to July 17, 2015 the implementation of FINRA Rule 4240 (Margin Requirements for Credit Default Swaps). FINRA Rule 4240 implements an interim pilot program with respect to margin requirements for certain transactions in credit default swaps that are security-based swaps.

The text of the proposed rule change is available on FINRA's Web site at *http://www.finra.org,* at the principal office of FINRA, 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, FINRA 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. FINRA 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

On May 22, 2009, the Commission approved FINRA Rule 4240,[4] which implements an interim pilot program (the ''Interim Pilot Program'') with respect to margin requirements for certain transactions in credit default swaps (''CDS'').[5] On July 11, 2013, FINRA filed a proposed rule change for immediate effectiveness extending the implementation of FINRA Rule 4240 to July 17, 2014.[6]

As explained in the Approval Order, FINRA Rule 4240, coterminous with certain Commission actions, was intended to address concerns arising from systemic risk posed by CDS, including, among other things, risks to the financial system arising from the lack of a central clearing counterparty to clear and settle CDS.[7] On July 21, 2010, President Obama signed into law the Dodd-Frank Wall Street Reform and Consumer Protection Act (the ''Dodd-Frank Act''),[8] Title VII of which established a comprehensive new regulatory framework for swaps and security-based swaps,[9] including certain CDS. The new legislation was intended, among other things, to enhance the authority of regulators to implement new rules designed to reduce risk, increase transparency, and promote market integrity with respect to such products.

Pursuant to Title VII of the Dodd-Frank Act, the CFTC and the Commission are engaged in ongoing rulemaking with respect to swaps and security-based swaps.[10] The Commission has, among other things, proposed rules with respect to capital, margin and segregation requirements for security-based swap dealers and major security-based swap participants and capital requirements for broker-dealers.[11] FINRA believes it is appropriate to extend the Interim Pilot Program for a limited period, to July 17, 2015, in light of the continuing development of the CDS business within the framework of the Dodd-Frank Act and pending the final implementation of new CFTC and SEC

[13] 17 CFR 200.30–3(a)(12).

[1] 15 U.S.C. 78s(b)(1).

[2] 17 CFR 240.19b–4.

[3] 17 CFR 240.19b–4(f)(6).

[4] *See* Securities Exchange Act Release No. 59955 (May 22, 2009), 74 FR 25586 (May 28, 2009) (Order Approving File No. SR–FINRA–2009–012) (''Approval Order'').

[5] In March 2012, the SEC approved amendments to FINRA Rule 4240 that, among other things, limit at this time the rule's application to credit default swaps that are security-based swaps. *See* Securities Exchange Act Release No. 66527 (March 7, 2012), 77 FR 14850 (March 13, 2012) (Order Approving File No. SR–FINRA–2012–015).

[6] *See* Securities Exchange Act Release No. 69993 (July 16, 2013), 78 FR 43945 (July 22, 2013) (Notice of Filing and Immediate Effectiveness of File No. SR–FINRA–2013–030).

[7] *See* Approval Order, 74 FR at 25588–89.

[8] Public Law 111–203, 124 Stat. 1376 (2010).

[9] The terms ''swap'' and ''security-based swap'' are defined in Sections 721 and 761 of the Dodd-Frank Act. The Commodity Futures Trading Commission (''CFTC'') and the Commission jointly have approved rules to further define these terms. *See* Securities Exchange Act Release No. 67453 (July 18, 2012), 77 FR 48208 (August 13, 2012) (Joint Final Rule; Interpretations; Request for Comment on an Interpretation: Further Definition of ''Swap,'' ''Security-Based Swap,'' and ''Security-Based Swap Agreement''; Mixed Swaps; Security-Based Swap Agreement Recordkeeping). *See also* Securities Exchange Act Release No. 66868 (April 27, 2012), 77 FR 30596 (May 23, 2012) (Joint Final Rule; Joint Interim Final Rule; Interpretations: Further Definition of ''Swap Dealer,'' ''Security-Based Swap Dealer,'' ''Major Swap Participant,'' ''Major Security-Based Swap Participant'' and ''Eligible Contract Participant'').

[10] *See, e.g.,* Securities Exchange Act Release No. 67177 (June 11, 2012), 77 FR 35625 (June 14, 2012) (Statement of General Policy on the Sequencing of the Compliance Dates for Final Rules Applicable to Security-Based Swaps).

[11] *See* Securities Exchange Act Release No. 68071 (October 18, 2012), 77 FR 70214 (November 23, 2012) (Proposed Rule: Capital, Margin, and Segregation Requirements for Security-Based Swap Dealers and Major Security-Based Swap Participants and Capital Requirements for Broker-Dealers). *See also* Securities Exchange Act Release No. 71958 (April 17, 2014), 79 FR 25194 (May 2, 2014) (Proposed Rule: Recordkeeping and Reporting Requirements for Security-Based Swap Dealers, Major Security-Based Swap Participants, and Broker-Dealers; Capital Rule for Certain Security-Based Swap Dealers).