

#### 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-2014-32 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-2014-32. 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-MIAX-2014-32 and should be submitted on or before August 4, 2014.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>9</sup>

**Kevin M. O'Neill,**  
Deputy Secretary.

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<sup>9</sup> 17 CFR 200.30-3(a)(12).

#### SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-72555; File No. SR-CBOE-2014-056]

#### **Self-Regulatory Organizations; Chicago Board Options Exchange, Incorporated; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change Relating to Application Procedures for Trading Permit Holders and Associated Persons of Trading Permit Holders**

July 8, 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 July 2, 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 rule regarding application procedures for Trading Permit Holders and associated persons of Trading Permit Holders. 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, 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.

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

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

#### *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 make certain amendments to Rule 3.9 (Application Procedures and Approval or Disapproval), which rule governs the application process for individuals or organizations which desire to become a Trading Permit Holder ("TPH"), desire to act in one or more of the trading functions set forth in Rules 3.2 and 3.3, is an associated person required to be approved by the Exchange pursuant to Rule 3.6(b), and applications to change the Clearing Trading Permit Holder that guarantees the TPH's Exchange transactions. Specifically, the Exchange seeks to: (i) Correct a typographical error in subparagraph (a) of Rule 3.9; (ii) eliminate subparagraph (b) of Rule 3.9 in its entirety; (iii) amend current subparagraph (i) of Rule 3.9 and, (iv) [sic] eliminate current Interpretation and Policy. 01 of Rule 3.9 in its entirety.

First, the Exchange seeks to amend subparagraph (a) of Rule 3.9 to correct an inaccurate rule reference. Particularly, Rule 3.9(a) requires, among other things, that an individual or organization that desires to act in one or more of the trading functions set forth in Rule 3.2(b) or Rule 3.3(c) must submit an application to the TPH Department. The Exchange notes that currently Rule 3.3 (Qualifications of TPH Organizations) consists only of subparagraphs (a) and (b) (i.e., Rule 3.3(c) does not exist). The trading functions that an organization may be approved to engage in are enumerated in subparagraph (b) of Rule 3.9, not subparagraph (c). Accordingly, the Exchange seeks to replace the reference to "Rule 3.3(c)" with "Rule 3.3(b)" to reflect the correct rule reference.

Next the Exchange seeks to eliminate subparagraph (b) of Rule 3.9 in its entirety. Rule 3.9(b) currently provides that the Exchange will establish for any application required under Rule 3.9 a submission deadline of up to 90 days prior to the date that an application will be considered for approval. Additionally, Rule 3.9(b) requires that the submission deadline be published in a regulatory circular and that an application must be submitted to the TPH Department in accordance with the applicable submission deadline in order to be eligible for consideration. The Exchange, in practice, no longer has a submission deadline for applications required under Rule 3.9 and accordingly, there is also no current deadline published in a regulatory

circular. Currently, applications submitted pursuant to Rule 3.9(a) are accepted and considered on a rolling basis. The Exchange believes that the absence of a submission deadline has not and will not disadvantage any applicant. Rather, the absence of strict application deadlines allows the Exchange to process applications as they are submitted instead of delaying the speed with which an application can become effective based upon an arbitrary and unnecessary deadline. The Exchange seeks to conform its rules to reflect its current process and reduce confusion regarding the application and approval process.

The Exchange also seeks to amend current subparagraph (i) of Rule 3.9. Currently, subparagraph (i) provides that upon completion of the application process, the Exchange shall determine whether to approve or disapprove the application, unless there is just cause for delay. The Exchange proposes to specifically provide that upon completion of the application process, the Exchange will determine to approve or disapprove the application within 90 days, unless there is just cause for delay. Explicitly providing a deadline for which the Exchange must act upon a completed application further assures market participants that their applications submitted pursuant to Rule 3.9 will be considered in a timely fashion and acted upon without any arbitrary delay. The Exchange notes however, that this rule change is not intended to limit the Exchange's ability to table consideration of an application in accordance with Rule 3.9<sup>3</sup> including in order to obtain additional information concerning an applicant or when an applicant is subject to an investigation being conducted by a self-regulatory organization or government agency involving the applicant's fitness to become a TPH.

Lastly, the Exchange seeks to eliminate current Interpretation and Policy .01 of Rule 3.9 from its rules ("Rule 3.9.01). Rule 3.9.01 currently requires that a TPH that submits an application to change the Clearing Trading Permit Holder ("CTPH") that guarantees the TPH's Exchange transactions must also submit to the TPH Department a financial statement in a form prescribed by the Exchange which sets forth the TPH's assets and liabilities. Rule 3.9.01 also provides that the TPH Department will provide a copy of this financial statement to the new CTPH designated in the application. Historically, TPHs that have submitted

an application to change CTPHs have not provided to the TPH Department along with the application a financial statement setting forth their assets and liabilities. The Exchange notes that generally the CTPH designated on an application has already conducted its own financial review of the TPH prior to agreeing to become the new CTPH that guarantees that TPH's Exchange transactions. The Exchange also notes, that as part of the initial application process to become a TPH, an applicant must submit a financial statement to the TPH Department. Additionally, the Exchange notes that it has a continuing ability to request a financial statement from a TPH pursuant to Exchange rules.<sup>4</sup> Requiring that TPHs provide to the Exchange a financial statement for purposes of passing it on to the new CTPH is therefore unnecessary and redundant. Accordingly, the Exchange seeks to eliminate Interpretation and Policy .01 from Rule 3.9 in its entirety. By doing so, the Exchange will confirm [sic] its rules to current practice and reduce confusion among TPHs regarding whether or not a financial statement needs to be provided to the Exchange in conjunction with an application to change a CTPH.

## 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>5</sup> Specifically, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)<sup>6</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>7</sup> requirement that the rules of an exchange not be designed to permit unfair discrimination between customers, issuers, brokers, or dealers.

In particular, the Exchange believes amending Rule 3.9(a) to replace an inaccurate rule reference with the correct rule reference will eliminate possible investor confusion, thereby removing impediments to and perfecting the mechanism of a free and open market and a national market system.

Additionally, the Exchange believes that the proposed rule change to eliminate the requirement for a submission deadline for applications required under Rule 3.9 reduces the burden on applicants to adhere to an unnecessary and arbitrary strict submission deadline. The Exchange also believes it would be beneficial to market participants to eliminate Rule 3.9(b) as Rule 3.9 would then more accurately reflect the current practices of the Exchange. More specifically, the elimination of Rule 3.9(b) will reduce investor confusion regarding the application and approval process, thereby removing impediments to and perfecting the mechanism of a free and open market and a national market system. The Exchange also notes that the proposed rule change does not result in unfair discrimination, as it applies to all individuals and organizations that are required to submit an application pursuant to Rule 3.9.

The Exchange also believes that the proposed rule change to require the Exchange to determine whether to approve or disapprove an application within 90 days of the completion of application process unless there is just cause for delay benefits market participants. Particularly, the proposed change ensures that applications submitted pursuant to Rule 3.9 will be considered in a timely manner and acted upon without any arbitrary delay, which further provides a fair procedure for the consideration of certain applications. The proposed rule change also does not result in unfair discrimination, as it applies to all TPHs that submit an application pursuant to Rule 3.9.

Finally, the Exchange believes it is no longer necessary for TPHs to provide their financial statements in conjunction with an application to change CTPHs because clearing firms now obtain financial information directly from TPHs as part of their due diligence prior to even agreeing to become the new CTPH for that TPH. As the CTPHs already have this information, requiring the financial information from the TPH to pass it along to the CTPH is redundant and unnecessary. Therefore, Rule 3.9.01 should be eliminated. Finally, the Exchange notes that the proposed rule change does not result in

<sup>4</sup> See e.g., CBOE Rule 3.7(v).

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

<sup>6</sup> 15 U.S.C. 78f(b)(5).

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

<sup>3</sup> See e.g., current CBOE Rule 3.9(e), Rule 3.9(g), Rule 3.9(h), and Rule 3.9(i).

unfair discrimination, as it applies to all TPHs that submit an application to change a CTPH.

#### *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 rule change imposes any burden on intramarket competition because it applies to all Trading Permit Holders. The Exchange does not believe that the proposed rule change will impose any burden on intermarket competition as it is merely attempting to make changes to its rules to eliminate practices that are no longer necessary or relevant. The Exchange notes that, to the extent that the proposed changes make CBOE more attractive for trading, market participants trading on other exchanges are welcome to become TPHs and trade at CBOE if they determine that this proposed rule change has made CBOE more attractive or favorable.

#### *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**

Because the foregoing proposed rule change does not:

A. Significantly affect the protection of investors or the public interest;

B. impose any significant burden on competition; and

C. become operative for 30 days from the date on which it was filed, or such shorter time as the Commission may designate, it has become effective pursuant to Section 19(b)(3)(A) of the Act<sup>8</sup> and Rule 19b-4(f)(6)<sup>9</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 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-CBOE-2014-056 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-2014-056. 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-CBOE-2014-056 and should be submitted on or before August 4, 2014.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>10</sup>

Kevin M. O'Neill,  
Deputy Secretary.

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## **SECURITIES AND EXCHANGE COMMISSION**

[Release No. 34-72564; File No. SR-OCC-2014-09]

### **Self-Regulatory Organizations; The Options Clearing Corporation; Order Approving Proposed Rule Change Concerning the Consolidation of the Governance Committee and Nominating Committee Into a Single Committee, Changes to the Nominating Process for Directors, and Increasing the Number of Public Directors on the Options Clearing Corporation's Board of Directors**

July 8, 2014.

#### **I. Introduction**

On May 13, 2014, The Options Clearing Corporation ("OCC") filed with the Securities and Exchange Commission ("Commission") the proposed rule change SR-OCC-2014-09 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> The proposed rule change was published for comment in the **Federal Register** on May 30, 2014.<sup>3</sup> The Commission received no comment letters. For the reasons discussed below, the Commission is granting approval of the proposed rule change.

#### **II. Description**

OCC is proposing to: (i) Amend its By-Laws and Governance Committee Charter to combine the Nominating Committee ("NC") and the Governance Committee ("GC") to establish a single Governance and Nominating Committee ("GNC"), (ii) make changes concerning OCC's nomination process for Directors, and (iii) increase the number of Public Directors on OCC's Board of Directors ("Board") from three to five. The proposed modifications are based on recommendations from the GC in the course of carrying out its mandate of reviewing the overall corporate governance of OCC and recommending improvements to the structure of OCC's Board. In part, the GC's

<sup>10</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> Securities Exchange Act Release No. 72242 (May 23, 2014), 79 FR 31166 (May 30, 2014).

<sup>8</sup> 15 U.S.C. 78s(b)(3)(A).

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