

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 FINRA. 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–FINRA–2014–035 and should be submitted on or before September 2, 2014.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>27</sup>

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

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**SECURITIES AND EXCHANGE COMMISSION**

[Release No. 34–72759; File No. SR–CHX–2014–11]

**Self-Regulatory Organizations; Chicago Stock Exchange, Inc.; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change To Amend Section P of the Fee Schedule Concerning the Market Data Revenue Rebates Program**

August 5, 2014.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934

(“Act”) <sup>1</sup>, and Rule 19b–4<sup>2</sup> thereunder, notice is hereby given that on July 29, 2014, the Chicago Stock Exchange, Inc. (“CHX” or the “Exchange”) 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 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 Substance of the Proposed Rule Change**

CHX proposes to amend Section P of its Schedule of Fees and Assessments (the “Fee Schedule”) to amend the Market Data Revenue (“MDR”) Rebates Program. The text of this proposed rule change is available on the Exchange’s Web site at ([www.chx.com](http://www.chx.com)) and in 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 CHX included statements concerning the purpose of and basis for the proposed rule changes 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 CHX 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 Changes*

1. Purpose

The Exchange proposes to amend Section P.2 of the Fee Schedule to modify the MDR thresholds for Tape A and C Quotes and Trade Reports. The Exchange does not propose to modify the Tape B thresholds or to otherwise substantively amend how MDR rebates are currently calculated and allocated. The Exchange proposes to make the following proposed amendments operative *October 1, 2014*.

Background

The current MDR Rebates Program calls for 50% of MDR received by the Exchange in any one of six quote or trade reports pools that exceeds the applicable Section P.2 threshold (“Excess MDR”) to be shared with Participants in proportion to their respective Eligible Quote Activity <sup>3</sup> or Eligible Trade Activity <sup>4</sup> in that pool from the previous calendar quarter.<sup>5</sup> The MDR rebate calculation is made each quarter, per Participant, and per pool. The determination of how much a Participant will receive pursuant to the MDR Rebates Program requires the Exchange to first calculate Excess MDR and, if Excess MDR exists, attribute quote and/or trade reports credits to eligible Participants.

Current Section P.2 of the Fee Schedule provides the following MDR thresholds:

Source	Tape A	Tape B	Tape C
Quotes .....	\$3,000	\$204,000	\$12,000
Trade Reports .....	27,000	36,000	18,000

The dollar values represent the amount of MDR that the Exchange will keep (*i.e.*, not eligible for sharing). Any amounts in excess of the thresholds are considered Excess MDR and 50% of such Excess MDR could be shared

pursuant to the MDR Rebates Program. The current values are based on historical data of the actual MDR received by the Exchange in previous calendar quarters.

In determining whether Excess MDR exists in a given pool, the Exchange includes *all* MDR received by the Exchange in a given pool for the given quarter and does not exclude any MDR from the threshold calculation.<sup>6</sup> The

<sup>27</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> Section P.1 of the Fee Schedule defines “Eligible Quote Activity” as “a Participants quoting of displayed orders in Tapes A, B and C securities.”

<sup>4</sup> Section P.1 of the Fee Schedules defines “Eligible Trade Activity” as “trades resulting from

single-sided resting orders submitted by the Participant in Tapes A, B and C securities.” By definition, Eligible Trade Activity *excludes* (1) executions resulting from removing liquidity from the CHX book and (2) cross orders.

<sup>5</sup> See Securities Exchange Act Release No. 71210 (December 31, 2013), 79 FR 869 (January 7, 2014) (SR–CHX–2013–24) (“Notice of Filing and Immediate Effectiveness of Proposed Rule Change

to Amend the Market Data Revenue Rebates Program”); *see also* Securities Exchange Act Release No. 70546 (September 27, 2013), 78 FR 61413 (October 3, 2013) (SR–CHX–2013–18) (“Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Adopt a Market Data Revenue Rebates Program”).

<sup>6</sup> The Securities Information Processors (“SIPs”) do not distinguish between trades from single-sided

following Example 1 illustrates how Excess MDR is calculated:

*Example 1.* Assume that the Exchange receives \$50,000 of MDR payment in 4Q2014 for 3Q2014 Tape A Trade Reports. Given that current Section P.2 provides that the MDR threshold for Tape A Trade Reports to be \$27,000, the result would be \$23,000 Excess MDR in the Tape A Trade Reports pool. Pursuant to current Section P.1 [sic], up to \$11,500, which is 50% of the \$23,000 Excess MDR, could be shared with eligible Participants.

If Excess MDR exists in a pool, the Exchange will then attribute quote credits to each Participant according to their Eligible Quote Activity in that pool.<sup>7</sup> If Excess MDR exists in a Trade Reports pool, the Exchange will attribute trade reports credits to each Participant according to their Eligible Trade Activity in that pool.<sup>8</sup> These quote and trade reports credits are calculated by the Exchange by utilizing a set of calculations similar to calculations currently utilized by the SIPs in attributing Quotes and Trade Reports MDR to SIP Participants. Once all quote and trade reports credits have been allocated in a given pool, each Participant is attributed an MDR rebate from the pool in an amount that is equal to the product of a Participant's portion of the total credits in that pool and 50% of the Excess MDR in that pool. The sum of all attributed MDR rebates in a pool will equal 50% of the Excess MDR in that pool.

If the sum of rebates attributed to a Participant from all six pools in a given quarter satisfies the *de minimis* requirement of current Section P.3, the Participant will receive a payment equal to that amount. However, if the *de minimis* requirement is not satisfied, the Exchange will keep the entire sum that was attributed to the Participant.

#### Proposed MDR Thresholds

The Exchange now proposes to amend Section P.2 of the Fee Schedule to eliminate the threshold values for Tapes A and C Quotes pools. This will result in all MDR received in those pools to be considered Excess MDR. Consequently, 50% of all MDR received in Tapes A and C Quotes pools will be eligible for

orders and from cross orders when attributing Trade Reports MDR to a SIP Participant, such as the CHX. The SIPs make one MDR payment to the Exchange per pool and quarter. Article 1, Rule 2(a)(2) defines "cross order," in pertinent part, as "an order to buy and sell the same security at a specific price better than the best bid and offer displayed in the Matching System and which would not constitute a trade-through under Reg NMS (including all applicable exceptions and exemptions)."

<sup>7</sup> See *supra* note 3.

<sup>8</sup> See *supra* note 4.

sharing with Participants pursuant to the MDR Rebates Program.

The Exchange also proposes to modify the threshold values for Tapes A and C Trade Reports pools from \$27,000 and \$18,000, respectively, to amounts equal to Trade Reports MDR received by the Exchange that can be attributed by the Exchange to trade reports resulting from cross orders in each pool. Thus, the proposed MDR thresholds for Tapes A and C Trade Reports MDR will be a floating value that will be calculated quarterly and will virtually be equal to the product of the MDR payment received by the Exchange from the SIPs and the percentage of executions (*i.e.*, trade reports) within the CHX Matching System in the relevant quarter resulting from cross orders. Since the SIPs do not distinguish between trades resulting from cross orders and single-sided orders for MDR purposes, the Exchange will be making the quarterly calculation itself.<sup>9</sup> The following Example 2 illustrates how the proposed floating Excess MDR threshold value for Tapes A and C Trade Reports will be calculated:

*Example 2.* Assume the same as in Example 1, except that the Tape A Trade Reports threshold is equal to the amount of MDR received by the Exchange that can be attributed to cross orders. Assume further that the Exchange calculates that, in 3Q2014, 60% of all executions within the CHX Matching System resulted from cross orders. Thus, the MDR threshold for 3Q2014 Tape A Trade Reports would be \$30,000 (*i.e.*,  $\$50,000 \times .60 = \$30,000$ ). Pursuant to current Section P.1 [sic], up to \$10,000, which is 50% of the Excess MDR of \$20,000, could be distributed to eligible Participants.

If the Exchange, instead, received \$60,000 of Tape A Trade Reports MDR and 60% of the Trade Reports could be attributed to cross orders, the MDR threshold for Tape A Trade Reports would be \$36,000. Pursuant to current Section P.1 [sic], \$12,000, which is 50% of the Excess MDR of \$24,000, could be distributed to eligible Participants.

The Exchange believes that the proposed MDR threshold amendments to Tapes A and C securities is consistent with the purpose of the MDR Rebates Program, which is to increase single-sided trading activity on the CHX by incentivizing Participants with MDR rebates. Specifically, the Exchange believes that the proposed thresholds will increase the probability of higher Excess MDR amounts, which will, in turn, increase the likelihood of larger rebate payments to eligible Participants. Moreover, the proposed floating MDR threshold values for Tapes A and C Trade Reports will provide the Exchange with flexibility in ensuring

that the threshold values follow variations in Trade Reports MDR that is attributable to cross orders. For quarters where Trade Reports MDR resulting from cross orders is less than previous quarters, this floating value will result in greater Excess MDR that could be available for rebates. Thus, since two-sided cross orders are deemed ineligible trading activity with regard to the MDR Rebates Program, the Exchange hopes that the proposed threshold amendments will encourage more single-sided orders to be submitted to the Matching System. Aside from these proposed MDR threshold amendments, the Exchange does not propose to modify any other part of the current MDR Rebates Program.

The Exchange also submits that the proposed threshold amendments will not materially impact the Exchange's ability to meet its regulatory and surveillance obligations as a self-regulatory organization. Specifically, the proposed elimination of the Tapes A and C Quotes thresholds will result in, at most, the Exchange sharing an additional \$7,500 of total MDR from Tapes A and C Quotes pools and an additional few thousand dollars from the Tapes A and C Trade Reports pools. These amounts are immaterial as the sum represents a very small portion of the quarterly MDR payments received by the Exchange, which have historically been approximately \$300,000 per quarter. Moreover, the Exchange notes that if the proposed amendments have the intended effect of increased order flow to, and executions within, the Matching System, the Exchange will receive additional MDR from the SIPs, which would offset the proposed threshold amendments.

#### 2. Statutory Basis

The Exchange believes that the proposed rule change is consistent with Section 6(b) of the Act<sup>10</sup> in general, and furthers the objectives of Section 6(b)(4) of the Act<sup>11</sup> in particular, in that it provides for the equitable allocation of MDR Rebates among members and other persons using any facility or system which the Exchange operates or controls. The purpose of the MDR Rebates Program is to increase single-sided trading activity on the CHX by incentivizing Participants with MDR rebates. The Exchange believes that the amended MDR thresholds will increase the likelihood of larger Excess MDR amounts and payable rebates to Participants, which will, in turn, promote single-sided order flow to the

<sup>10</sup> 15 U.S.C. 78f.

<sup>11</sup> 15 U.S.C. 78f(b)(4).

<sup>9</sup> See *supra* note 6.

Exchange and order executions within the Matching System. Moreover, since two-sided cross orders are deemed ineligible trading activity with regard to the MDR Rebates Program, the Exchange believes that the proposed floating threshold amendments will result in more MDR that is available for sharing, which will, in turn, encourage more single-sided orders to be submitted to the Matching System. Notwithstanding, the proposed amendments to the Fee Schedule would equitably allocate MDR Rebates among Participants by continuing to pay MDR Rebates in proportion to their Eligible Quote and Trade Activity in Tape A, B and C securities in any given calendar quarter.

#### *B. Self-Regulatory Organization's Statement of 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. The proposed amendment will only enhance the effectiveness of the current MDR Rebates Program in promoting display liquidity on, and order flow to, the Exchange. Consequently, the MDR rebates, as amended, will promote competition that is necessary and appropriate in furtherance of the purpose of the Act.

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

No written comments were either solicited or received.

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

The foregoing rule change is effective upon filing pursuant to Section 19(b)(3)(A)(ii) of the Act<sup>12</sup> and subparagraph(f)(2) of Rule 19b-4 thereunder<sup>13</sup> because it establishes or changes a due, fee or other charge imposed by the Exchange.

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 shall institute proceedings to determine whether the proposed rule 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 proposal 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 No. SR-CHX-2014-11 on the subject line.

#### *Paper Comments*

- Send paper comments in triplicate to Secretary, Securities and Exchange Commission, 100 F Street NE., Washington, DC 20549.

All submissions should refer to File No. SR-CHX-2014-11. 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 changes 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 CHX. 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 No. SR-CHX-2014-11 and should be submitted on or before September 2, 2014.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>14</sup>

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

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### **SECURITIES AND EXCHANGE COMMISSION**

**[Release No. 34-72760; File No. SR-NASDAQ-2014-076]**

#### **Self-Regulatory Organizations; The NASDAQ Stock Market LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Utilize a Trade Condition Modifier**

August 5, 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 July 28, 2014, The NASDAQ Stock Market LLC ("NASDAQ" or the "Exchange") filed with the Securities and Exchange Commission ("Commission") a 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**

NASDAQ proposes a rule change to utilize a trade condition modifier recently adopted by the Joint Self-Regulatory Organization Plan Governing the Collection, Consolidation and Dissemination of Quotation and Transaction Information for Nasdaq-Listed Securities Traded on Exchanges on an Unlisted Trading Privilege Basis (the "Plan"). NASDAQ will implement the proposed change on or about August 25, 2014.

The text of the proposed rule change is below. Proposed new language is in italics.

\* \* \* \* \*

#### **4754. NASDAQ Closing Cross**

No Change.

(a) Processing of Nasdaq Closing Cross. The Nasdaq Closing Cross will begin at 4:00:00, and post-market hours trading will commence when the Nasdaq Closing Cross concludes.

(1)-(3) No Change.

<sup>12</sup> 15 U.S.C. 78s(b)(3)(A)(ii).

<sup>13</sup> 17 CFR 240.19b-4(f)(2).

<sup>14</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.