

amounts spent under the rule 12b-1 plan; and (iii) the board, including the independent directors, consider continuation of the rule 12b-1 plan and any related agreements at least annually. Rule 12b-1 also requires mutual funds relying on the rule to preserve for six years, the first two years in an easily accessible place, copies of the rule 12b-1 plan and any related agreements and reports, as well as minutes of board meetings that describe the factors considered and the basis for adopting or continuing a rule 12b-1 plan.

Rule 12b-1 also prohibits funds from paying for distribution of fund shares with brokerage commissions on their portfolio transactions. The rule requires funds that use broker-dealers that sell their shares to also execute their portfolio securities transactions, to implement policies and procedures reasonably designed to prevent: (i) The persons responsible for selecting broker-dealers to effect transactions in fund portfolio securities from taking into account broker-dealers' promotional or sales efforts when making those decisions; and (ii) a fund, its adviser or principal underwriter, from entering into any agreement under which the fund directs brokerage transactions or revenue generated by those transactions to a broker-dealer to pay for distribution of the fund's (or any other fund's) shares.

The board and shareholder approval requirements of rule 12b-1 are designed to ensure that fund shareholders and directors receive adequate information to evaluate and approve a rule 12b-1 plan and, thus, are necessary for investor protection. The requirement of quarterly reporting to the board is designed to ensure that the rule 12b-1 plan continues to benefit the fund and its shareholders. The recordkeeping requirements of the rule are necessary to enable Commission staff to oversee compliance with the rule. The requirement that funds or their advisers implement, and fund boards approve, policies and procedures in order to prevent persons charged with allocating fund brokerage from taking distribution efforts into account is designed to ensure that funds' selection of brokers to effect portfolio securities transactions is not influenced by considerations about the sale of fund shares.

Based on information filed with the Commission by funds, Commission staff estimates that there are approximately 7837 mutual fund portfolios that have at least one share class subject to a rule 12b-1 plan.<sup>1</sup> However, many of these

<sup>1</sup> This estimate is based on information from the Commission's NSAR database.

portfolios are part of an affiliated group of funds or mutual fund family that is overseen by a common board of directors. Although the board must review and approve the rule 12b-1 plan for each fund separately, we have allocated the costs and hourly burden related to rule 12b-1 based on the number of fund families that have at least one fund that charges rule 12b-1 fees, rather than on the total number of mutual fund portfolios that individually have a rule 12b-1 plan.<sup>2</sup> Based on information filed with the Commission, the staff estimates that there are approximately 330 fund families with common boards of directors that have at least one fund with a rule 12b-1 plan.

Based on previous conversations with fund representatives, Commission staff estimates that for each of the 330 mutual fund families with a portfolio that has a rule 12b-1 plan, the average annual burden of complying with the rule is 425 hours. This estimate takes into account the time needed to prepare quarterly reports to the board of directors, the board's consideration of those reports, and the board's initial or annual consideration of whether to continue the plan.<sup>3</sup> We therefore estimate that the total hourly burden per year for all funds to comply with current information collection requirements under rule 12b-1, is 140,250 hours (330 fund families × 425 hours per fund family = 140,250 hours).

If a currently operating fund seeks to (i) adopt a new rule 12b-1 plan or (ii) materially increase the amount it spends for distribution under its rule 12b-1 plan, rule 12b-1 requires that the fund obtain shareholder approval. As a consequence, the fund will incur the cost of a proxy.<sup>4</sup> Based on previous conversations with fund representatives, Commission staff estimates that

<sup>2</sup> This allocation is based on previous conversations with fund representatives on how fund boards comply with the requirements of rule 12b-1. Despite this allocation of hourly burdens and costs, the number of annual responses each year will continue to depend on the number of fund portfolios with rule 12b-1 plans rather than the number of fund families with rule 12b-1 plans. The staff estimates that the number of annual responses per fund portfolio will be four per year (quarterly, with the annual reviews taking place at one of the quarterly intervals). Thus, we estimate that funds will make 31,348 responses (7837 fund portfolios × 4 responses per fund portfolio = 31,348 responses) each year.

<sup>3</sup> We do not estimate any costs or time burden related to the recordkeeping requirements in rule 12b-1, as funds are either required to maintain these records pursuant to other rules or would keep these records in any case as a matter of business practice.

<sup>4</sup> In general, a fund adopts a rule 12b-1 plan before it begins operations. Therefore, the fund is not required to obtain the approval of its public shareholders because the fund's shares have not yet been offered to the public.

approximately three funds per year prepare a proxy in connection with the adoption or material amendment of a rule 12b-1 plan. Funds typically hire outside legal counsel and proxy solicitation firms to prepare, print, and mail such proxies. The staff further estimates that the cost of each fund's proxy is \$34,372. Thus the total annual cost burden of rule 12b-1 to the fund industry is \$103,116 (3 funds requiring a proxy × \$34,372 per proxy).

The estimate of average burden hours is made solely for the purposes of the Paperwork Reduction Act, and is not derived from a comprehensive or even a representative survey or study of the costs of Commission rules and forms.

The collections of information required by rule 12b-1 are necessary to obtain the benefits of the rule. Notices to the Commission will not be kept confidential. An agency may not conduct or sponsor, and a person is not required to respond to a collection of information unless it displays a currently valid control number.

The public may view the background documentation for this information collection at the following Web site, [www.reginfo.gov](http://www.reginfo.gov). Comments should be directed to: (i) Desk Officer for the Securities and Exchange Commission, Office of Information and Regulatory Affairs, Office of Management and Budget, Room 10102, New Executive Office Building, Washington, DC 20503, or by sending an email to: [ShaguftaAhmed@omb.eop.gov](mailto:ShaguftaAhmed@omb.eop.gov); and (ii) Pamela Dyson, Director/Chief Information Officer, Securities and Exchange Commission, c/o Remi Pavlik-Simon, 100 F Street NE., Washington, DC 20549 or send an email to: [PRA\\_Mailbox@sec.gov](mailto:PRA_Mailbox@sec.gov). Comments must be submitted to OMB within 30 days of this notice.

Dated: June 18, 2015.

**Brent Fields,**

Secretary.

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## SECURITIES AND EXCHANGE COMMISSION

### Sunshine Act Meeting

Notice is hereby given, pursuant to the provisions of the Government in the Sunshine Act, Public Law 94-409, that the Securities and Exchange Commission will hold a Closed Meeting on Thursday, June 25, 2015 at 2:00 p.m.

Commissioners, Counsel to the Commissioners, the Secretary to the Commission, and recording secretaries will attend the Closed Meeting. Certain

staff members who have an interest in the matters also may be present.

The General Counsel of the Commission, or her designee, has certified that, in her opinion, one or more of the exemptions set forth in 5 U.S.C. 552b(c)(3), (5), (7), 9(B) and (10) and 17 CFR 200.402(a)(3), (a)(5), (a)(7), (a)(9)(ii) and (a)(10), permit consideration of the scheduled matter at the Closed Meeting.

Commissioner Piwowar, as duty officer, voted to consider the items listed for the Closed Meeting in closed session.

The subject matter of the Closed Meeting will be:  
Institution and settlement of injunctive actions;  
Institution and settlement of administrative proceedings;  
Resolution of litigation claims; and  
Other matters relating to enforcement proceedings.

At times, changes in Commission priorities require alterations in the scheduling of meeting items.

For further information and to ascertain what, if any, matters have been added, deleted, or postponed, please contact the Office of the Secretary at (202) 551-5400.

Dated: June 18, 2015.

**Brent J. Fields,**  
Secretary.

[FR Doc. 2015-15449 Filed 6-19-15; 11:15 am]

BILLING CODE 8011-01-P

## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-75191; File No. SR-NYSEArca-2014-117]

### Self-Regulatory Organizations; NYSE Arca, Inc.; Order Disapproving Proposed Rule Change To Remove the Exchange's Quote Mitigation Plan as Provided in Commentary .03 to Exchange Rule 6.86

June 17, 2015.

#### I. Introduction

On October 2, 2014, NYSE Arca, Inc. ("NYSE Arca" or "Exchange") filed with the Securities and Exchange Commission ("Commission"), 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> a proposed rule change to remove the Exchange's quote mitigation plan as provided by Commentary .03 to NYSE Arca Rule 6.86. The proposed rule change was published for comment in the **Federal**

**Register** on October 21, 2014.<sup>3</sup> On December 2, 2014, pursuant to Section 19(b)(2) of the Act,<sup>4</sup> the Commission designated a longer period within which to approve the proposed rule change, disapprove the proposed rule change, or institute proceedings to determine whether to approve or disapprove the proposed rule change.<sup>5</sup> On January 8, 2015, the Exchange submitted a comment letter in further support of its proposal.<sup>6</sup> On January 16, 2015, the Commission issued an Order Instituting Proceedings to Determine Whether to Approve or Disapprove the proposed rule change.<sup>7</sup> On February 27, 2015 and June 4, 2015, the Exchange submitted comment letters in further support of its proposal.<sup>8</sup> No additional comment letters were submitted. This order disapproves the proposed rule change.

#### II. Description of the Proposal

In 2007, the Exchange adopted a quote mitigation plan in connection with the Options Penny Pilot Program ("Penny Pilot").<sup>9</sup> According to the

<sup>3</sup> See Securities Exchange Act Release No. 73362 (October 15, 2014), 79 FR 62983 ("Notice").

<sup>4</sup> 15 U.S.C. 78s(b)(2).

<sup>5</sup> See Securities Exchange Act Release No. 73720, 79 FR 72747 (December 8, 2014). The Commission designated January 19, 2015, as the date by which it should approve, disapprove, or institute proceedings to determine whether to approve or disapprove the proposed rule change.

<sup>6</sup> See Letter from Elizabeth King, Secretary & General Counsel, Exchange, to Kevin O'Neill, Deputy Secretary, Commission, dated January 8, 2015 ("NYSE Arca Letter 1") available at <http://www.sec.gov/comments/sr-nysearca-2014-117/nysearca2014117.shtml>.

<sup>7</sup> See Securities and Exchange Release No. 74088, 80 FR 3687 (January 23, 2015) (Order Instituting Proceedings to Determine Whether to Approve or Disapprove a Proposal Rule Change to Remove the Exchange's Quote Mitigation Plan as Provided by Commentary .03 to Exchange Rule 6.86) ("OIP").

<sup>8</sup> See Letters from Elizabeth King, Secretary & General Counsel, Exchange, to Kevin O'Neill, Deputy Secretary, Commission, dated February 27, 2015 ("NYSE Arca Letter 2") available at <http://www.sec.gov/comments/sr-nysearca-2014-117/nysearca2014117-2.pdf> and to Brent Fields, Secretary, Commission, dated June 4, 2015 ("NYSE Arca Letter 3") available at <http://www.sec.gov/comments/sr-nysearca-2014-117/nysearca2014117-3.pdf>.

<sup>9</sup> See Securities and Exchange Release No. 55156 (January 23, 2007), 72 FR 4759 (February 1, 2007) (Order Granting Approval of SR-NYSEArca-2006-73) ("Quote Mitigation Approval Order"). In this Order, the Commission approved a proposed rule change to amend the NYSE Arca rules to (i) permit thirteen options classes to be quoted in pennies on a pilot basis and (ii) adopt a quote mitigation plan. In approving the Penny Pilot, the Commission analyzed data provided by the options exchanges to assess the potential impact the Penny Pilot would have on, among other things, the increase in quotation message traffic. According to the Exchange, the quote mitigation plan was designed to mitigate the volume of data processed and disseminated by OPRA. See Securities and Exchange Release No. 55590 (October 12, 2006), 72 FR 4759 (October 18, 2006) (Notice of SR-NYSEArca-2006-73). In approving the Exchange's

Exchange, the quote mitigation plan was designed to reduce the number of quotation messages sent by the Exchange to the Options Price Reporting Authority ("OPRA") by only submitting quote messages for "active" series.<sup>10</sup> The Exchange defines active series under the quote mitigation plan in Commentary .03 to Exchange Rule 6.86 as: (i) Series that have traded on any options exchange in the previous 14 calendar days; or (ii) series that are solely listed on the Exchange; or (iii) series that have been trading ten days or less; or (iv) series for which the Exchange has received an order.<sup>11</sup> In addition, under the Exchange's quote mitigation plan, the Exchange may define a series as active on an intraday basis if: (i) The series trades at any options exchange; (ii) the Exchange receives an order in the series; or (iii) the Exchange receives a request for quote from a customer in that series.<sup>12</sup>

The Exchange proposes to remove its quote mitigation plan from its rules by deleting Commentary .03 to Exchange Rule 6.86.<sup>13</sup> The Exchange states that its quote mitigation plan is no longer necessary primarily for three reasons. First, the Exchange states that its incorporation of select provisions of the Options Listing Procedures Plan ("OLPP")<sup>14</sup> in Exchange Rule 6.4A serves to reduce the potential for excess quoting because the OLPP limits the number of options series eligible to be listed, which, according to the Exchange, reduces the number of options series a market maker would be obligated to quote.<sup>15</sup> Second, the

quote mitigation plan the Commission stated that "because the Commission expects that the Penny Pilot Program will increase quote message traffic, the Commission is also approving the Exchange's proposal to reduce the number of quotations it disseminates." See Quote Mitigation Approval Order at 4760.

<sup>10</sup> See Notice, *supra* note 3, at 62983.

<sup>11</sup> See Exchange Rule 6.86, Commentary .03, and Notice, *supra* note 3, at 62983.

<sup>12</sup> See *id.*

<sup>13</sup> See Notice, *supra* note 3, at 62984. In addition, the Exchange proposes to amend paragraphs (b)(1) and (b)(2) of Exchange Rule 6.86 to delete references to the "Quote Mitigation Plan," which refer to the quote mitigation plan set forth in Commentary .03 to Exchange Rule 6.86. See *id.*

<sup>14</sup> See Amendment to Plan for the Purpose of Developing and Implementing Procedures Designed to Facilitate the Listing and Trading of Standardized Options Submitted Pursuant to Section 11A(a)(3)(B) of the Securities Exchange Act available at <http://www.theocc.com/clearing/industry-services/olpp.jsp> (providing for the most current OLPP). See also Securities and Exchange Release No. 44521 (July 6, 2001), 66 FR 36809 (July 13, 2001) (order approving the OLPP).

<sup>15</sup> See Notice, *supra* note 3, at 62983. See also Securities and Exchange Release No. 61977 (April 23, 2010), 75 FR 22884 (April 30, 2010) (SR-NYSEArca-2010-30) (in which the Exchange

Continued

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

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