

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>31</sup>

**Robert W. Errett,**  
*Deputy Secretary.*

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-75299; File No. SR-CBOE-2015-047]

### Self-Regulatory Organizations; Chicago Board Options Exchange, Incorporated; Order Approving Proposed Rule Change Relating to Floor Broker Due Diligence

June 25, 2015.

#### I. Introduction

On May 5, 2015, Chicago Board Options Exchange, Incorporated (the “Exchange” or “CBOE”) filed with the Securities and Exchange Commission (the “Commission”), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the “Act”),<sup>2</sup> and Rule 19b-4 thereunder,<sup>3</sup> a proposed rule change to amend Exchange rules related to Floor Broker due diligence. The proposed rule change was published for comment in the **Federal Register** on May 22, 2015.<sup>4</sup> The Commission received no comment letters on the proposed rule change. This order approves the proposed rule change.

#### II. Description of the Proposal

CBOE proposes to amend several rules to address certain order handling obligations on the part of its Floor Brokers. Specifically, whether orders sent to Floor Brokers are presumed to be “Held” or “Not Held.” A “Not Held” order generally is one where the customer gives the Floor Broker discretion in executing the order, both with respect to the time of execution and the price (though the customer may specify a limit price), and the Floor Broker works the order over a period of time to avoid market impact while seeking best execution of the order. A “Held” order generally is one where the customer seeks a prompt execution at the best currently available price or prices.

Currently, CBOE Rule 6.53 (Certain Order Types Defined) defines a “Not Held Order” as an order that is marked as “not held” or “take time,” or “which

bears any qualifying notation giving discretion as to the price or time at which such order is to be executed.” CBOE Rule 6.75 (Discretionary Transactions) further provides that “[u]nder normal market conditions, and in the absence of a ‘not held’ instruction, a Floor Broker may not exercise time discretion on market or marketable limit orders and shall immediately execute such orders at the best price or prices available.”

CBOE now proposes to amend Exchange Rule 6.75, as well as Rules 6.53 and 6.73, to establish a different default status for orders sent to Floor Brokers. Specifically, CBOE proposes to add a new Interpretation and Policy .06 to CBOE Rule 6.73 (Responsibilities of Floor Brokers) to specify that an order entrusted to a Floor Broker will be considered a Not Held Order unless (i) a Floor Broker’s customer otherwise specifies or (ii) the order was electronically received by the Exchange and subsequently routed to a Floor Broker or PAR Official pursuant to the order entry firm’s routing instructions. The Exchange also proposes to add additional language to the Not Held Order definition in CBOE Rule 6.53(g) that mirrors the language it proposes to add to Rule 6.73. Finally, the Exchange proposes to amend CBOE Rule 6.75, which addresses a Floor Broker’s discretion in executing orders, to delete the sentence that specifies that a Floor Broker may *not* exercise time discretion on an order under normal market conditions unless the order was marked “not held.”

The consequence of these proposed changes, taken together, will result in a change to the default order handling obligations for orders sent to Floor Brokers. Whereas Floor Brokers are currently obligated by CBOE Rule 6.75 to immediately execute orders at the best available prices under normal market conditions unless the customer provides a Not Held instruction on the order, CBOE’s proposal will consider all orders sent to Floor Brokers to be “Not Held” by default unless the customer specifies or if the order is delivered to CBOE electronically in such a manner as to suggest that the customer is seeking a prompt execution of a marketable order at the best available prices.

In its filing, the Exchange states that CBOE Rules 6.73 and 6.75 were adopted prior to electronic trading and thus did not contemplate the interaction between an electronic trading environment and a manual trading floor.<sup>5</sup> The Exchange believes that, at present, customers who

submit orders to Floor Brokers likely are seeking to rely on a Floor Broker’s expertise and discretion.<sup>6</sup> The Exchange believes that customers place orders with Floor Brokers because Floor Brokers can exercise discretion in executing a client’s order and can potentially provide higher execution quality.<sup>7</sup> The Exchange states that a customer would otherwise electronically submit an order to the Exchange for automatic handling and an electronic execution.<sup>8</sup>

#### III. Discussion and Commission Findings

After careful review, the Commission finds that the proposed rule change is consistent with the Act and the rules and regulations thereunder applicable to a national securities exchange.<sup>9</sup> In particular, the Commission finds that the proposed rule change is consistent with Section 6(b)(5) of the Act,<sup>10</sup> which requires that the rules of the exchange be designed, among other things, to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, 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.

The Commission believes that the Exchange has articulated a reasonable basis for changing the current default presumption of whether a customer intends to provide a Floor Broker with the ability to exercise time and price discretion on its behalf as long as the order is not otherwise marked, or received electronically, in a manner to suggest that the customer did not intend for its order to be treated as Not Held. Other than changing the default presumption to “Not Held” for most orders sent to Floor Brokers, CBOE is not proposing to change any other order handling obligations applicable to Floor Brokers. CBOE’s proposal responds to its understanding of the changing role of Floor Brokers on its trading floor since it adopted Rule 6.75, and its understanding of how customers today use, and intend to continue to use, the services of Floor Brokers on the CBOE exchange. Accordingly, the Commission finds that the proposed rule change is consistent with the Act and is designed

<sup>6</sup> See *id.*

<sup>7</sup> See *id.*

<sup>8</sup> See *id.*

<sup>9</sup> In approving this proposed rule change, the Commission notes that it has considered the proposed rule’s impact on efficiency, competition, and capital formation. See 15 U.S.C. 78c(f).

<sup>10</sup> 15 U.S.C. 78(b)(5).

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

<sup>2</sup> 15 U.S.C. 78a.

<sup>3</sup> 17 CFR 240.19b-4.

<sup>4</sup> See Securities Exchange Act Release No. 74990 (May 18, 2015), 80 FR 29767 (“Notice”).

<sup>5</sup> See Notice, *supra* note 4, 80 FR at 29768.

to promote just and equitable principles of trade and remove impediments to and perfect the mechanism of a free and open market.

#### IV. Conclusion

IT IS THEREFORE ORDERED, pursuant to Section 19(b)(2) of the Act, that the proposed rule change (SR-CBOE-2015-047) be, and hereby is, approved.

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

**Robert W. Errett,**  
Deputy Secretary.

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## SECURITIES AND EXCHANGE COMMISSION

[Investment Company Act Release No. 31697; File No. 812-13875-47]

### Cash Trust Series, Inc., et al.; Notice of Application

June 24, 2015.

**AGENCY:** Securities and Exchange Commission (“Commission”).

**ACTION:** Notice of an application for an order pursuant to sections 6(c) and 17(b) of the Investment Company Act of 1940 (the “Act”) for an exemption from section 17(a) of the Act.

**SUMMARY:** *Summary of the Application:* Applicants request an order (“Order”) that would permit certain registered management investment companies to engage in certain primary and secondary market transactions in fixed-income securities (the “Securities Transactions”) on a principal basis with certain broker-dealers and banks that are affiliated persons of the registered management investment companies solely by virtue of non-controlling ownership interests in such investment companies.

*Applicants:* Cash Trust Series, Inc., Federated Adjustable Rate Securities Fund, Federated Core Trust, Federated Core Trust II, L.P., Federated Core Trust III, Federated Enhanced Treasury Income Fund, Federated Equity Funds, Federated Equity Income Fund, Inc., Federated Fixed Income Securities, Inc., Federated Global Allocation Fund, Federated Government Income Securities, Inc., Federated Government Income Trust, Federated High Income Bond Fund, Inc., Federated High Yield Trust, Federated Income Securities Trust, Federated Index Trust, Federated Institutional Trust, Federated Insurance

Series, Federated International Series, Inc., Federated Investment Series Funds, Inc., Federated MDT Series, Federated MDT Stock Trust, Federated Managed Pool Series, Federated Municipal Securities Fund, Inc., Federated Municipal Securities Income Trust, Federated Premier Intermediate Municipal Income Fund, Federated Premier Municipal Income Fund, Federated Short-Intermediate Duration Municipal Trust, Federated Total Return Government Bond Fund, Federated Total Return Series, Inc., Federated U.S. Government Securities Fund: 1-3 Years, Federated U.S. Government Securities Fund: 2-5 Years, Federated World Investment Series, Inc., Intermediate Municipal Trust, Edward Jones Money Market Fund, Money Market Obligations Trust (each such registered management investment company or series thereof, a “Federated Fund”); Federated Advisory Services Company, Federated Equity Management Company of Pennsylvania, Federated Global Investment Management Corp., Federated Investment Counseling, Federated Investment Management Company, Federated MDTA LLC, Passport Research, Ltd., Federated Securities Corp. (each, an Adviser, and collectively, the “Advisers”) and any other registered management investment company or series thereof for which a person controlling, controlled by, or under common control with Federated Investors, Inc., a Pennsylvania corporation (“Federated”), serves as investment adviser (included in the term “Adviser,” and any such company or series thereof, together with the Federated Funds, the “Funds,” and individually, a “Fund”).<sup>1</sup>

**DATES:** *Filing Dates:* The application was filed on March 1, 2011 and amended on August 29, 2011, July 3, 2012, December 7, 2012, August 29, 2013, June 15, 2015 and June 22, 2015.

*Hearing or Notification of Hearing:* An order granting the application will be issued unless the Commission orders a hearing. Interested persons may request a hearing by writing to the Commission’s Secretary and serving

<sup>1</sup> All entities that currently intend to rely on the requested Order are named as applicants. Any other entity that relies on the Order in the future will comply with the terms and conditions of the application. No Fund may rely on the requested Order unless the Adviser serves as the primary investment adviser to such Fund. On October 27, 1993, the Commission issued an exemptive order under section 17(b) of the Act permitting the Funds to engage in transactions with certain affiliated banks (A.T. Ohio Tax-Free Money Fund, et al., Investment Company Act Release Nos. 19737 (Sept. 28, 1993) (notice) and 19816 (Oct. 27, 1993) (order)) (“1993 Order”). The Order sought herein would not supersede the 1993 Order.

applicants with a copy of the request, personally or by mail. Hearing requests should be received by the Commission by 5:30 p.m. on July 17, 2015, and should be accompanied by proof of service on applicants, in the form of an affidavit or, for lawyers, a certificate of service. Pursuant to rule 0-5 under the Act, hearing requests should state the nature of the writer’s interest, any facts bearing upon the desirability of a hearing on the matter, the reason for the request, and the issues contested. Persons who wish to be notified of a hearing may request notification by writing to the Commission’s Secretary.

**ADDRESSES:** Secretary, U.S. Securities and Exchange Commission, 100 F Street NE., Washington, DC 20549-1090. Applicants, c/o Peter Germain, Federated Investors, Inc., Federated Investors Tower, 1001 Liberty Avenue, Pittsburgh, PA 15222-3779.

**FOR FURTHER INFORMATION CONTACT:** Bruce R. MacNeil, Senior Counsel, at (202) 551-6817 or Daniele Marchesani, Branch Chief, at (202) 551-6821 (Division of Investment Management, Chief Counsel’s Office).

**SUPPLEMENTARY INFORMATION:** The following is a summary of the application. The complete application may be obtained via the Commission’s Web site by searching for the file number, or for an applicant using the Company name box, at <http://www.sec.gov/search/search.htm> or by calling (202) 551-8090.

### Applicants’ Representations

1. Each Fund is an open-end or closed-end management investment company registered under the Act and is organized as a statutory trust, business trust, or corporation under the laws of Delaware, Maryland, or Massachusetts. The Funds have a variety of investment objectives, but each may invest a portion of its assets in fixed-income securities. The fixed-income securities in which the Funds may invest include, but are not limited to, government securities, municipal securities, tender option bonds, taxable and tax-exempt money market securities, repurchase agreements, asset- and mortgage-backed securities, corporate issues and syndicated loans, as the Funds’ respective investment objectives, policies and restrictions allow.

2. The Advisers are direct or indirect wholly-owned subsidiaries of Federated. Each Adviser is registered as an investment adviser under the Investment Advisers Act of 1940. The Advisers act as investment advisers to the Funds and may supervise one or

<sup>11</sup> 17 CFR 200.30-3(a)(12).