

## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-69861; File No. SR-CBOE-2013-064]

### Self-Regulatory Organizations; Chicago Board Options Exchange, Incorporated; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change Relating to Message Types and Connectivity

June 26, 2013.

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 June 19, 2013, 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 codify certain definitions, practices and requirements related to System connectivity and message types to promote transparency and maintain clarity in the rules. 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.

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

##### 1. Purpose

The Exchange proposes to codify certain definitions, practices and requirements related to System connectivity and message types to promote transparency and maintain clarity in the rules. Specifically, the Exchange is proposing to (i) amend Rule 1.1 (Definitions) to define “API,” “Order,” and “Quote”; (ii) amend Rule 6.23A to clarify that authorized market participants connect electronically to the Exchange via an “Application Programming Interface” (“API”) and specify which APIs are available; (iii) adopt new Rule 6.23B to clarify that a Trading Permit shall entitle the holder to a maximum number of orders and quotes per second(s) as determined by the Exchange and that Trading Permit Holders (“TPHs”) seeking to exceed that number of messages per second(s) may purchase additional message packets at prices set forth in the Exchange’s Fees Schedule; and, adopt new Rule 6.53A to describe the types of order formats available to TPHs to facilitate order entry. The proposed rule change also amends similar rules applicable to the CBOE Stock Exchange, LLC (“CBSX”).<sup>3</sup> Particularly, the Exchange is proposing to amend (i) CBSX Rule 53.25 to clarify that authorized market participants connect electronically to the Exchange via an “Application Programming Interface” (“API”) and specify which APIs are available and (ii) adopt new CBSX Rule 51.8A to describe the types of order formats available to facilitate order entry on CBSX. Finally the Exchange seeks to revise Appendix A to the CBSX Rules to account for the revised title of and renumbering to CBOE Rule 6.23A.

The Exchange first proposes to define “Application Programming Interface” (“API”), “Order” and “Quote” in its rules. While there are various references to these three terms throughout the Exchange Rules, nowhere in the CBOE rules are the definitions codified. Therefore, the Exchange believes it would be useful to explicitly define these terms within the rule text to reduce confusion. First, the Exchange proposes to define “API” as a computer interface that allows market participants with authorized access to interface electronically with the Exchange. This proposed definition is substantially similar to the definition of API

previously adopted by CBSX.<sup>4</sup> Next the Exchange will define the term “quote” or “quotation” as a bid or offer entered by a Market-Maker that is firm and that updates the Market-Maker’s previous quote, if any. The proposed definition will also make clear that electronic quotes may be updated in block quantities. The proposed definition of the term “quote” is similar to the definition previously adopted by the C2 Options Exchange, Incorporated (“C2”).<sup>5</sup> Finally, the Exchange seeks to clarify that the term “order” means a firm commitment to buy or sell option contracts.

Next, the Exchange believes it would be useful to codify how authorized market participants may access the Exchange System. Specifically, the Exchange will make clear that authorized market participants access the Exchange via an API. Currently, the Exchange offers two APIs: (1) CBOE Market Interface (“CMI”) and (2) Financial Information eXchange (“FIX”) Protocol. Multiple versions of each API may exist and be made available to all authorized market participants.<sup>6</sup> Authorized market participants may select which of the available APIs they would like to use to connect to the System. The Exchange believes it is important to provide market participants with this flexibility so that they can determine the API that will be most compatible with their systems and maximize the efficiency of their interface. Connection to the System allows authorized market participants to engage in order and quote entry, as well as auction participation.

The Exchange seeks to codify a similar description of market participant connectivity in the CBSX rules. More specifically, the proposed rule change will amend CBSX Rule 53.25 (Market Participant Connectivity) to clarify that authorized market participants connect electronically to the CBSX System via an API and specify which APIs are available. Authorized market participants may select which of the available APIs they would like to use to connect to the CBSX System. The only distinction between the proposed CBOE and CBSX connectivity rule is that the CBSX rule does not reference auction processing, as CBSX does not utilize electronic auctions as part of the CBSX market.

The Exchange believes that while information relating to connectivity and available APIs for both CBOE and CBSX

<sup>4</sup> See CBSX Rule 50.1 (Definitions).

<sup>5</sup> See C2 Rule 1.1 (Definitions).

<sup>6</sup> Currently, two versions of CMI exist and are available; CMI and CMI2.

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

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

<sup>3</sup> CBSX is a stock trading facility of the Exchange.

is already widely available to all market participants via technical specifications, codifying this information within the rule text will provide additional transparency.

The Exchange also seeks to codify and describe the types of order formats that are available for order entry in new Rule 6.53A (Types of Order Formats). Order formats are message types that are used to send new orders into CBOE Command<sup>7</sup> through a user's selected API. Currently, all orders must be submitted to CBOE using the message type Order Format 1 ("OF1"). Orders using the OF1 format must pass through various processes, including validation checks in the Order Handling Service ("OHS")<sup>8</sup>, before execution, entry into the book, cancellation, or routing for manual handling. Examples of such validation checks include validating an order's origin code or contingency type. Where an order is routed for processing by the OHS depends on various parameters configured by the Exchange and the order entry firm itself. Examples of such parameters are firm-specific volume restrictions (*i.e.*, orders larger than a firm-imposed quantity are routed to booth/order management terminal) or inbound limit order price reasonability (*i.e.*, orders may be rerouted to booth/order management terminal for manual review if "too marketable"). OF1 supports all order types, including auction responses.

The Exchange seeks to also codify the order formats available on CBSX and describe the processes that inbound orders must pass through before execution, entry into the book, or cancellation, in new Rule 51.8A (Types of Order Formats). CBSX currently offers two order formats; CBSX Order Format 1 ("CBSX OF1") and CBSX Order Format 2 ("CBSX OF2"). TPHs may elect to use either order format on CBSX, provided that the order format selected supports the given order type. The Exchange believes it is important to provide market participants with this flexibility so that they can determine the order format that will be most compatible with their needs.

Similar to CBOE OF1, orders using the CBSX OF1 format pass through various processes, including validation checks in the OHS before execution, entry into the book, or cancellation. Such validation checks include validating an order's origin code or contingency type. Although all orders using the CBSX OF1 format must pass through the OHS, they are not subject to parameter checks related to routing, as routing for manual handling is not an option on CBSX. CBSX OF1 also supports all order types.

Orders using the CBSX OF2 format on the other hand, bypass the OHS system and instead are subject to a different validation process. Although the OHS system is bypassed, orders using the CBSX OF2 format are still subject to similar validation checks as CBSX OF1 (*e.g.*, validating an order's origin code). These checks however, occur in the trade engine rather than OHS. Additionally, fewer fields are required for order entry using OF2 compared to using OF1. The utilization of fewer fields results in a smaller message size, thereby increasing efficiency. CBSX OF2 supports only Immediate-Or-Cancel, ISO, ISO-Book and CBSX-Only orders. Accordingly, orders using the OF2 format will not route to other market centers.

Although the abovementioned order formats are currently offered by the Exchange and are detailed in technical specifications available to all TPHs, they have never been codified in either the CBOE or CBSX rules. Therefore, the Exchange is proposing to introduce new CBOE Rule 6.53A and CBSX Rule 51.8A to make it absolutely clear that these order formats are available to users and to provide transparency and certainty with respect to how orders using these order formats are processed.

The Exchange next proposes to add new Rule 6.23B (Bandwidth Packets). New Rule 6.23B will provide that each Trading Permit shall entitle the holder to a maximum number of orders and quotes per second(s) as determined by the Exchange. The proposed new rule also clarifies that only Market-Makers may submit quotes. Trading Permit Holders seeking to exceed that number of messages per second(s) may purchase additional message packets at prices set forth in the Exchange's Fees Schedule. Additionally, the Exchange shall, upon request and where good cause is shown, temporarily increase a Trading Permit Holder's order entry bandwidth allowance at no additional cost. All determinations to temporarily expand bandwidth allowances will be made in a non-discriminatory manner and on a fair and equal basis. The new rule also

provides that no bandwidth limits shall be in effect during the pre-opening prior to 8:25 a.m. CT, which shall apply to all Trading Permit Holders. Finally, the Exchange may determine times periods for which there shall temporarily be no bandwidth limits in effect for all Trading Permit Holders. Any such determination shall be made in the interest of maintaining a fair and orderly market. The Exchange shall notify all TPHs of any such determination.

The Exchange does not have unlimited system bandwidth capacity to support an unlimited number of order and quote entry per second. For this reason, the Exchange limits each Trading Permit to a maximum number of messages per second(s). The Exchange notes that each Trading Permit is subject to the same maximum number of quotes and/or orders per second(s). A TPH can choose to have its bandwidth set at *x* messages per 1 second or 5*x* messages per 5 seconds. For example, if the maximum number of orders per second is 5 orders, a user may choose to have its bandwidth set so that it may send in 5 orders per 1 second, or send in 25 orders over the course of 5 seconds. The Exchange however, also recognizes that different TPHs have different needs and affords any TPH the opportunity to purchase additional bandwidth packets at prices set forth in the Exchange's Fees Schedule. For example, continuing with the above illustration (*i.e.*, "*x*" equals 5), if a TPH purchased one (1) additional bandwidth packet, the TPH would have the ability to submit, depending on how its bandwidth is set, either a total of 10 orders per 1 second or a total of 50 orders over the course of 5 seconds. While these prices and this concept have already been codified in the Fees Schedule, a corresponding rule was never codified within the rule text.<sup>9</sup> Therefore, the Exchange seeks to make clear that each Trading Permit entitles the holder to a maximum number of messages per second(s), and that additional message packets may be purchased for those TPHs seeking to exceed that number.

The Exchange also seeks to make clear that under certain circumstances and upon request, the Exchange may determine to temporarily waive the maximum number of orders per second(s) and expand the bandwidth settings at no additional cost to the requesting Trading Permit Holder. One such example in which bandwidth may

<sup>7</sup> CBOE Command is the trading engine platform for CBOE, C2, CBSX and CBOE Futures Exchange ("CFE"). CBOE Command incorporates both order handling and trade processing on the same platform.

<sup>8</sup> The Order Handling System ("OHS") performs basic validation checks and has the capability to route orders to the trade engine for automatic execution and book entry, to Trading Permit Holder and PAR Official workstations located in the trading crowds for manual handling, and/or to other order management terminals ("OMTs") generally located in booths on the trading floor for manual handling.

<sup>9</sup> See Securities Exchange Act Release No. 62386 (June 25, 2010) 75 FR 38566 (July 2, 2010) (SR-CBOE-2010-060); Securities Exchange Act Release No. 62704 (August 12, 2010) 75 FR 51132 (April 18, 2010) (SR-CBOE-2010-073).

be temporarily increased is in situations where a Trading Permit Holder's system is experiencing technical problems, resulting in a large order queue. Once the problem is resolved, the queue has to be drained. In these instances, it may be necessary to temporarily expand the bandwidth limits for that particular Trading Permit Holder to accommodate the accumulation of orders in its system and to drain the queue of orders. Another example is when another exchange declares a trading halt and a Trading Permit Holder that has orders resting at that exchange redirects that order flow to CBOE. The redirected order flow may at times consist of thousands of orders. To enter such a large quantity of orders, the Trading Permit Holder's bandwidth allowance would require a temporary expansion, which, upon request and demonstrated need, the Exchange could provide at no additional charge. The Exchange also may temporarily expand bandwidth allowances for requesting Trading Permit Holders on Volatility Index ("VIX") settlement days. Particularly, on VIX settlement days, it may be necessary to expand bandwidth during the S&P 500 Index ("SPX") options opening to accommodate the increased order flow. This temporary bandwidth increase ends as soon as the SPX is opened.

All determinations to temporarily expand bandwidth allowances shall be made in a non-discriminatory manner and on a fair and equal basis. Additionally, all Trading Permit Holders who make such request and demonstrate a need shall be entitled to a temporary expansion. The Exchange shall document all requests for a temporary expansion of bandwidth, including whether each request was granted or denied, along with the reasons for each grant or denial. Also, temporary increases of bandwidth generally are in effect for not longer than a few seconds or for as long as is necessary to accommodate an order queue.

Next, the Exchange notes that no bandwidth limits shall be in effect for any Trading Permit Holder during pre-opening, prior to 8:25 a.m. CT. This allows Trading Permit Holders to release, and the Exchange to absorb, order flow that has accumulated overnight and pre-opening. The Exchange also notes that prior to the opening of trading, such bandwidth restrictions are unnecessary. The Exchange may also determine time periods for which there shall temporarily be no bandwidth limits in effect for any Trading Permit Holder. Any such determination shall be made

in the interest of maintaining a fair and orderly market. The Exchange shall notify all TPHs of any such determination and shall keep a record of any such notification.

The Exchange finally notes that language proposed in new Rule 6.23B is based off a substantially similar rule previously adopted on C2. Specifically, C2 has Rule 6.35 (Message Packets), which provides that a Trading Permit shall entitle the holder to a maximum number of orders and quotes per second as determined by the Exchange, that only Market-Makers may submit quotes, and that Participants seeking to exceed that number of messages per second may purchase additional message packets at prices set forth in the Exchange's Fees Schedule.<sup>10</sup>

Finally, as a result of this filing, current CBOE rule 6.23A will be renumbered and retitled. Accordingly, the Exchange seeks to revise Appendix A to the CBSX Rules to account for the revised title and renumbering of CBOE Rule 6.23A.

## 2. Statutory Basis

The Exchange believes the proposed rule change is consistent with the Act and the rules and regulations thereunder applicable to the Exchange and, in particular, the requirements of Section 6(b)<sup>11</sup> of the Act. Specifically, the Exchange believes the proposed rule change is consistent with the requirements under Section 6(b)(5)<sup>12</sup> that the rules of an exchange be designed to promote just and equitable principles of trade, to prevent fraudulent and manipulative acts, to remove impediments to and to perfect the mechanism for a free and open market and a national market system, and, in general, to protect investors and the public interest.

First, clearly defining in the rules three key terms (*i.e.*, API, Quote, and Order) informs market participants. Next, codifying in the rules how authorized market participants access the Exchange electronically and specifying the manner in which inbound orders are submitted and processed provides additional transparency in the rules and provides market participants an additional avenue to easily understand the system and processes CBOE offers. The Exchange believes additional transparency removes a potential impediment to and perfecting the mechanism for a free and open market and a national market system, and, in

general, protecting investors and the public interest. Additionally, the Exchange believes that the order formats being codified in proposed Rule 6.53A and CBSX Rule 51.8A allows the Exchange to receive from Trading Permit Holders information in a uniform format, which aids the Exchange's efforts to monitor and regulate CBOE's markets and Trading Permit Holders and helps prevent fraudulent and manipulative practices.

The Exchange also believes that the proposed rule changes are designed to not permit unfair discrimination among market participants. For example, under proposed CBOE Rule 6.23A(a) and CBSX Rule 53.25, all authorized market participants may access the Exchange via an available API of their choosing. Additionally, under proposed CBOE Rule 6.23B, all holders of a Trading Permit are limited to maximum number of orders and quotes per second(s) and all holders of Trading Permits are afforded the opportunity to exceed that number by purchasing additional message packets. Any determinations to temporarily expand bandwidth allowances would also be made on a non-discriminatory basis. Finally, proposed CBOE Rule 6.53A is applicable to all TPHs and CBSX Rule 51.8A similarly provides that any TPH may elect to use either one of the two available order formats.

## 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 not necessary or appropriate in furtherance of the purposes of the Act. Specifically, the Exchange believes the proposed rule change will not impose any burden because the Exchange is merely harmonizing its Rules with current functionalities and practices. Therefore, the proposed rule change promotes transparency in the rules without adding any burden on market participants.

## 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;

<sup>10</sup> See C2 Rule 6.35

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

<sup>12</sup> 15 U.S.C. 78f(b)(5).

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>13</sup> and Rule 19b-4(f)(6)<sup>14</sup> thereunder.<sup>15</sup> 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-2013-064 on the subject line.

##### *Paper Comments*

- Send paper comments in triplicate to Elizabeth M. Murphy, Secretary, Securities and Exchange Commission, 100 F Street NE., Washington, DC 20549-1090.

All submissions should refer to File Number SR-CBOE-2013-064. 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 such filing also will be available for inspection and copying at the principal offices 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-2013-064, and should be submitted on or before July 23, 2013.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>16</sup>

**Kevin M. O'Neill,**

*Deputy Secretary.*

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#### SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-69862; File No. SR-NYSEArca-2013-60]

#### Self-Regulatory Organizations; NYSE Arca, Inc.; Notice of Filing of Proposed Rule Change Proposing To List and Trade Shares of Market Vectors Low Volatility Commodity ETF and Market Vectors Long/Short Commodity ETF Under NYSE Arca Equities Rule 8.200

June 26, 2013.

Pursuant to Section 19(b)(1)<sup>1</sup> of the Securities Exchange Act of 1934 (the "Act")<sup>2</sup> and Rule 19b-4 thereunder,<sup>3</sup> notice is hereby given that, on June 12, 2013, 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 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 list and trade shares of Market Vectors Low Volatility Commodity ETF and Market Vectors Long/Short Commodity ETF under NYSE Arca Equities Rule 8.200. The text of the proposed rule change is available on the Exchange's Web site at [www.nyse.com](http://www.nyse.com), at the principal office of the Exchange, 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 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

NYSE Arca Equities Rule 8.200, Commentary .02 permits the trading of Trust Issued Receipts ("TIRs") either by listing or pursuant to unlisted trading privileges ("UTP").<sup>4</sup> The Exchange proposes to list and trade the shares (the "Shares") of the Market Vectors Low Volatility Commodity ETF ("Low Volatility ETF") and Market Vectors Long/Short Commodity ETF ("Long/Short ETF", and, together with Low Volatility ETF, the "Funds") under NYSE Arca Equities Rule 8.200. Each Fund is a series of the Market Vectors Commodity Trust (the "Trust"), a Delaware statutory trust.<sup>5</sup>

<sup>4</sup> Commentary .02 to NYSE Arca Equities Rule 8.200 applies to TIRs that invest in "Financial Instruments". The term "Financial Instruments", as defined in Commentary .02(b)(4) to NYSE Arca Equities Rule 8.200, means any combination of investments, including cash; securities; options on securities and indices; futures contracts; options on futures contracts; forward contracts; equity caps, collars and floors; and swap agreements.

<sup>5</sup> The Trust filed a pre-effective amendment to its registration statements with respect to the Funds on Form S-1 under the Securities Act of 1933 ("1933 Act") on December 7, 2012 (File No. 333-179435 for the Low Volatility ETF ("Low Volatility Registration Statement")) and File No. 333-179432

<sup>13</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>14</sup> 17 CFR 240.19b-4(f)(6).

<sup>15</sup> In addition, Rule 19b-4(f)(6)(iii) requires the Exchange to give the Commission written notice of the Exchange's intent to file the proposed rule change along with a brief description and the text of the proposed rule change, at least five business days prior to the date of filing of the proposed rule change, or such shorter time as designated by the Commission. The Exchange has satisfied this pre-filing requirement.

<sup>16</sup> 17 CFR 200.30-3(a)(12).

<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.