SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–70705; File No. SR–CBOE–2013–097]

Self-Regulatory Organizations; Chicago Board Options Exchange, Incorporated; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change Relating to The Customized Option Pricing Service

October 17, 2013.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the ''Act''),[1] and Rule 19b–4 thereunder,[2] notice is hereby given that on October 4, 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

Chicago Board Options Exchange, Incorporated (the ''Exchange'' or ''CBOE'') proposes to: (i) Make available historical Customized Option Pricing Service (''COPS'') data and (ii) revise the description of COPS. 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.

[1] 15 U.S.C. 78s(b)(1).

[2] 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 the proposed rule change is to: (i) Make available, through CBOE's affiliate Market Data Express, LLC (''MDX''), historical COPS data and (ii) revise the description of COPS.[3]

Background

COPS provides subscribers with an ''end-of-day'' file[4] of valuations for Flexible Exchange (''FLEX'')[5] options and certain over-the-counter (''OTC'') options (''COPS Data''). COPS Data is available for internal use and internal distribution by subscribers (''Subscribers''). MDX offers COPS Data for sale to all market participants.

COPS Data consists of indicative[6] values for three categories of ''customized'' options. The first category of options is all open series of FLEX options listed on any exchange that offers FLEX options for trading.[7] The second category is OTC options that have the same degree of customization as FLEX options. The third category includes options with strike prices expressed in percentage terms. Values for such options are expressed in percentage terms and are theoretical values.[8]

The fees that MDX charges for COPS Data are set forth on the Price List on the MDX Web site (*www.marketdataexpress.com*). MDX currently charges a fee per option per day for COPS Data. The amount of the fee is reduced based on the number of options purchased. A subscriber pays $1.25 per option per day for each option purchased up to 50 options, $1.00 per option per day for each option purchased from 51 to 100 options, $0.75 per option per day for each option purchased from 101 to 500 options, and $0.50 per option per day for each option purchased over 500 options.

Historical COPS Data

The Exchange proposes to make available, through MDX, historical COPS data (''Historical COPS Data''). Historical COPS Data consists of COPS Data that is over one month old (*i.e.,* copies of the ''end-of-day'' COPS file that are over one month old). Market participants would also be able to purchase Historical COPS Data through the MDX Web site. All market participants would be charged the same fees for Historical COPS Data. The Exchange will file a separate proposed rule change to establish the fees to be charged by MDX for Historical COPS Data.

COPS Description

COPS Data is currently available only for internal use and internal distribution by Subscribers. Pursuant to a written subscriber agreement between MDX and a Subscriber, a Subscriber may not act as a vendor and distribute the Data externally. The Exchange proposes to make COPS Data and Historical COPS Data (collectively, the ''Data'') available to Subscribers for internal use and internal distribution only. The Exchange also proposes to make COPS Data and Historical COPS Data available to ''Customers'' who, pursuant to a written vendor agreement between MDX and a Customer, may distribute the Data externally (*i.e.,* act as a vendor) and/or use and distribute the Data internally. Customers would be subject to the same fees that Subscribers pay for internal use and internal distribution of the Data. Customers would not be charged any fees initially for their external distribution of the Data. The Exchange would file a proposed rule change to establish the fees to be charged to Customers by MDX for external distribution of the Data.

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.[9] Specifically, the Exchange believes the proposed rule change is consistent with the Section

[3] The Exchange submitted proposed rule changes in 2012 to establish COPS and COPS fees. *See* Securities Exchange Act Release No. 67813 (September 10, 2012), 77 FR 56903 (September 14, 2012) and Securities Exchange Act Release No. 67928 (September 26, 2012), 77 FR 60161 (October 2, 2012). The service was originally named ''Customized Option Valuation Service'' but is now referred to as the ''Customized Option Pricing Service''.

[4] An end of day file refers to data that is distributed prior to the opening of the next trading day.

[5] FLEX options are exchange traded options that provide investors with the ability to customize basic option features including size, expiration date, exercise style, and certain exercise prices.

[6] ''Indicative'' values are indications of potential market prices only and as such are neither firm nor the basis for a transaction.

[7] Current FLEX options open interest spans over 2,000 series on over 300 different underlying securities.

[8] These values are theoretical in that they are indications of potential market prices for options that have not traded (*i.e.* do not yet exist). Market participants sometimes express option values in percentage terms rather than in dollar terms because they find it is easier to assess the change, or lack of change, in the marketplace from one day to the next when values are expressed in percentage terms.

[9] 15 U.S.C. 78f(b).

6(b)(5) [10] 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)[11] requirement that the rules of an exchange not be designed to permit unfair discrimination between customers, issuers, brokers, or dealers because the Data would be available to all of MDX's Customers and Subscribers on an equivalent basis.

In adopting Regulation NMS, the Commission granted self-regulatory organizations and broker-dealers increased authority and flexibility to offer new and unique market data to the public. It was believed that this authority would expand the amount of data available to consumers, and also spur innovation and competition for the provision of market data. The Exchange believes that this proposal is in keeping with those principles by promoting increased transparency through the dissemination of useful data and also by clarifying its availability to market participants. The Exchange believes the proposal to allow Customers of the Data to distribute the Data externally would help further the dissemination of the Data.

Additionally, the Exchange is making a voluntary decision to make this data available. The Exchange is not required by the Act in the first instance to make the Data available. Further, Historical COPS Data consists of COPS Data that is over one month old, so no new data would be made available by the introduction of the Historical COPS Data product.

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. To the contrary, the Exchange believes the proposed rule change is pro-competitive in that it would allow the Exchange, through MDX, to disseminate COPS data on a voluntary basis. COPS is voluntary on the part of the Exchange, which is not required to offer such services, and voluntary on the part of prospective subscribers that are not required to use it. The Exchange notes there are at least a small number of market data vendors that produce option value data that is similar to COPS data and market data users may elect to buy these other products if they choose.[12] The Options Clearing Corporation ("OCC") also produces FLEX option value data that is similar to the FLEX option value data that is included in COPS.[13] The Exchange believes that COPS helps attract new users and new order flow to the Exchange, thereby improving the Exchange's ability to compete in the market for options order flow and executions.

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 [14] and Rule 19b–4(f)(6) [15] 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.* Please include File Number SR–CBOE–2013–097 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–2013–097. 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–2013–097 and should be submitted on or before November 13, 2013.

[10] 15 U.S.C. 78f(b)(5).

[11] *Id.*

[12] These vendors include SuperDerivatives, Markit, Prism, and Bloomberg's BVAL service.

[13] The OCC makes this data available on its Web site at *http://www.theocc.com/webapps/flex-reports.*

[14] 15 U.S.C. 78s(b)(3)(A).

[15] 17 CFR 240.19b–4(f)(6). In addition, Rule 19b–4(f)(6) requires a self-regulatory organization to give the Commission written notice of its intent to file 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 requirement.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.[16]

Kevin M. O'Neill,

Deputy Secretary.

[FR Doc. 2013–24769 Filed 10–22–13; 8:45 am]

BILLING CODE 8011–01–P

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–70709; File No. SR–OCC–2013–803]

Self-Regulatory Organizations; The Options Clearing Corporation; Notice of No Objection to Advance Notice Filing To Reflect Enhancements in OCC's System for Theoretical Analysis and Numerical Simulations as Applied to Longer-Tenor Options

October 17, 2013.

On June 4, 2013, The Options Clearing Corporation (''OCC'') filed with the Securities and Exchange Commission (''Commission'') advance notice SR–OCC–2013–803 (''Advance Notice'') pursuant to Section 806(e)(1) of the Payment, Clearing, and Settlement Supervision Act of 2010 (''Clearing Supervision Act'' or ''Title VIII'') [1] and Rule 19b–4(n)(1)(i) under the Securities Exchange Act of 1934 (''Exchange Act'').[2] The Advance Notice was published for comment in the **Federal Register** on July 9, 2013.[3] The Commission did not receive any comments on the Advance Notice publication. This publication serves as a notice of no objection to the Advance Notice.

I. Description of the Advance Notice

On December 14, 2012, the Commission issued an order approving a proposed rule change and a notice of no objection to an advance notice, collectively (''December 14, 2012 Action''), through which OCC proposed to establish a legal and operational framework for OCC to clear certain OTC index options on the S&P 500 Index (''OTC S&P 500 Index Options'').[4] OCC is prohibited from clearing OTC S&P 500 Index Options until the Commission approves and OCC implements certain enhancements to OCC's System for Theoretical Analysis and Numerical Simulations (''STANS'') as applied to all options,[5] including over-the-counter (''OTC'') options that OCC is otherwise permitted to clear, with at least three years of residual tenor (''Risk Management Proposal'').[6] This Advance Notice is the Risk Management Proposal. By this Advance Notice, OCC is enhancing STANS by: (i) Including daily OTC indicative quotations; (ii) introducing variations in implied volatility; and (iii) introducing a valuation adjustment.

STANS is a margin system that OCC uses to calculate clearing-level margin.[7] Through this Risk Management Proposal, OCC is enhancing STANS in the following ways:

(i) *Daily OTC Indicative Quotations.* According to OCC, STANS uses a daily dataset of market prices to value each portfolio.[8] OCC is enhancing this daily dataset of market prices by including daily OTC indicative quotations.[9] OCC will obtain daily OTC indicative quotations from a third-party service provider who obtains it through a daily poll of OTC derivatives dealers.[10]

(ii) *Variations in Implied Volatility.* According to OCC, STANS currently uses a two-day risk horizon which assumes that implied volatilities of option contracts do not change during that period.[11] OCC will introduce variations in implied volatility in the modeling of all longer-tenor options under STANS.[12] OCC plans to achieve this by ''incorporating, into the set of risk factors whose behavior is included in the econometric models underlying STANS, time series of proportional changes in implied volatilities for a range of tenors and in-the-money and out-of-the-money amounts representative of the dataset provided by OCC's third-party service provider.'' [13]

(iii) *Valuation Adjustment.* OCC intends to enhance the portfolio net asset value that STANS uses, by introducing a valuation adjustment.[14] According to OCC, the valuation adjustment will be ''based upon the aggregate sensitivity of any longer-tenor options in a portfolio to the overall level of implied volatilities at three years and five years and to the relationship between implied volatility and exercise prices at both the three- and five-year tenors in order to allow for the anticipated market impact of unwinding a portfolio of longer-tenor options, as well as for any differences in the quality of data in OCC's third party service provider's dataset, given that month-end data may be subjected to more extensive validation by the service provider than daily data.'' [15]

II. Discussion and Commission Findings

Although Title VIII does not specify a standard of review for an advance notice, the Commission believes that the stated purpose of Title VIII is instructive.[16] The stated purpose of Title VIII is to mitigate systemic risk in the financial system and promote financial stability by, among other things, promoting uniform risk management standards for systemically-important financial market utilities (''FMUs'') and strengthening the liquidity of systemically important FMUs.[17]

Section 805(a)(2) of the Clearing Supervision Act [18] authorizes the Commission to prescribe risk management standards for the payment, clearing, and settlement activities of designated clearing entities and financial institutions engaged in designated activities for which it is the supervisory agency or the appropriate

[16] 17 CFR 200.30–3(a)(12).

[1] 12 U.S.C. 5465(e)(1).

[2] 17 CFR 240.19b–4(n)(1)(i). OCC is a designated financial market utility and is required to file advance notices with the Commission. *See* 12 U.S.C. 5465(e). OCC also filed the proposal in this Advance Notice as a proposed rule change under Section 19(b)(1) of the Exchange Act and Rule 19b–4 thereunder, which was published for comment in the **Federal Register** on June 14, 2013. 15 U.S.C. 78s(b)(1); 17 CFR 240.19b–4. *See* Release No. 69723 (June 10, 2013), 78 FR 36002 (June 14, 2013) (SR–OCC–2013–08). OCC withdrew the proposed rule change on August 27, 2013. Prior to the date of withdrawal, the Commission did not receive any comments on the proposed rule change. On October 10, 2013, OCC re-filed the proposal in this Advance Notice as a proposed rule change under Section 19(b)(1) of the Exchange Act and Rule 19b–4 thereunder.

[3] Release No. 69925 (July 3, 2013), 78 FR 41161 (July 9, 2013) (SR–OCC–2013–803) (''Notice'').

[4] Release No. 68434 (December 14, 2012), 77 FR 75243 (December 19, 2012) (SR–OCC–2012–14, AN–OCC–2012–01).

[5] OCC represents that its Risk Management Proposal is part of OCC's ongoing efforts to test and improve its risk management operations with respect to all longer-tenor options that OCC currently clears. *See* December 14, 2012 Action, *supra* note 4, 77 FR at 75243. OCC states it intends to use its STANS margin system to calculate margin requirements on the same basis as for exchange-listed options cleared by OCC. *See* Notice, *supra* note 3, 78 FR at 41161.

[6] Release No. 68434 (December 14, 2012), 77 FR 75243 (December 19, 2012) (SR–OCC–2012–14, AN–OCC–2012–01).

[7] According to OCC, STANS calculates margin by determining the minimum expected liquidating value of each account using a large number of projected price scenarios created by large-scale Monte Carlo simulations. *See* Notice, *supra* note 3, 78 FR at 41161.

[8] *See* Notice, *supra* note 3, 78 FR at 41161.

[9] *Id.*

[10] OCC selected a third-party service provider rather than having the OTC derivatives dealers provide the information directly to OCC to avoid unnecessarily duplicating reporting that is already being done in the OTC markets. *See* Notice, *supra* note 3, 78 FR at 41161–62.

[11] *See* Notice, *supra* note 3, 78 FR at 41162.

[12] *Id.*

[13] *Id.*

[14] *Id.*

[15] *Id.*

[16] *See* 12 U.S.C. 5461(b).

[17] *Id.*

[18] 12 U.S.C. 5464(a)(2).