previously based on a 7:00 a.m. start to a calendar day to be based on a 2:00 a.m. start to a calendar day. Accordingly, the Exchange is proposing to change all references to ''7:00 a.m.'' to ''2:00 a.m.'' in the charts that are set forth in CFE Rules 414(i) and 415(g). No other changes are being proposed by this rule change.

2. Statutory Basis

The Exchange believes that the proposed rule change is consistent with Section 6(b) of the Act,[5] in general, and furthers the objectives of Section 6(b)(5)[6] in particular in that it is designed to foster cooperation and coordination with persons engaged in 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.

The Exchange believes that the proposed rule change would benefit investors and market participants because it would enhance CFE's ECRP and Block Trade reporting provisions by extending the time frames during which ECRP transactions and Block Trades may be reported. The Exchange also believes that the proposed rule change is equitable and not unfairly discriminatory because amended CFE Rules 414 and 415 would apply to all TPHs and Authorized Reporters and do not discriminate between market participants.

B. Self-Regulatory Organization's Statement on Burden on Competition

CFE 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, in that the rule change makes enhancements to CFE's Block Trade and ECRP reporting process. In addition, the Exchange believes that the expansion of the ability to report Block Trades and ECRP transactions in security futures in conjunction with the expansion of trading hours in VIX futures will promote competition because it will provide for the reporting and dissemination of security futures Block Trades and ECRPs during additional time frames which will serve to promote additional transparency and thus potential further price competition.

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

No written comments were solicited or received with respect to the proposed rule change.

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

The proposed rule change will become operative on or after November 1, 2013.

At any time within 60 days of the date of effectiveness of the proposed rule change, the Commission, after consultation with the CFTC, may summarily abrogate the proposed rule change and require that the proposed rule change be refiled in accordance with the provisions of Section 19(b)(1) of the Act.[7]

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–CFE–2013–006 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–CFE–2013–006. 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–CFE–2013–006, and should be submitted on or before November 27, 2013.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.[8]

Kevin M. O'Neill,

Deputy Secretary.

[FR Doc. 2013–26554 Filed 11–5–13; 8:45 am]

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

[6] 15 U.S.C. 78f(b)(5).

[7] 15 U.S.C. 78s(b)(1).

[8] 17 CFR 200.30–3(a)(12).

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–70791; File No. SR–CHX–2013–16]

Self-Regulatory Organizations; Chicago Stock Exchange, Inc.; Order Approving a Proposed Rule Change To Adopt Standards for the Cancellation or Adjustment of Bona Fide Error Trades, the Submission of Error Correction Transactions, and the Cancellation or Adjustment of Stock Leg Trades of Stock-Option or Stock-Future Orders

October 31, 2013.

I. Introduction

On September 4, 2013, Chicago Stock Exchange, Inc. (''Exchange'' or ''CHX'') filed with the Securities and Exchange Commission (''Commission''), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (''Act'')[1] and Rule 19b–4 thereunder,[2] a proposed rule change to amend CHX Article 20, Rule 9 to outline and clarify the Exchange's current requirements for the cancellation of trades based on Bona Fide Error and to establish new requirements for the adjustment of trades based on Bona Fide Error; to adopt CHX Article 20, Rule 9A to detail the Exchange's current requirements for Error Correction Transactions; and to adopt CHX Article 20, Rule 11 to amend

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

[2] 17 CFR 240.19b–4.

the Exchange's current requirements for the cancellation of the stock leg trade of a Stock-Option order, to establish new requirements for the adjustment of the stock leg trade of a Stock-Option order, and to allow the stock leg trade of Stock-Future orders to be cancelled or adjusted. The proposed rule change was published for comment in the **Federal Register** on September 18, 2013.[3] The Commission received no comments on the proposal. This order approves the proposed rule change.

II. Description of the Proposed Rule Change [4]

Current Article 20, Rule 9 governs the cancellation of both trades based on demonstrable error and stock legs of Stock-Option orders. Among other things, the Exchange proposes to separate current Article 20, Rule 9 into two different rules: proposed Rule 9 sets forth the requirements for the cancellation of trades based on demonstrable error, and proposed Rule 11 sets forth the requirements for the cancellation of the stock leg of a Stock-Option order.

A. Proposed Article 20, Rule 9: Cancellation or Adjustment of Bona Fide Error Trades

Proposed Rule 9(a) states that a trade executed on the Exchange in ''Bona Fide Error'' [5] may be cancelled or adjusted pursuant to this Rule, subject to the approval of the Exchange. The Exchange notes that proposed Rule 9 only applies to Bona Fide Error trades that were executed on the Exchange and, as such, orders that are routed to other market centers and executed at such away market centers are not within the purview of proposed Rule 9.[6]

Proposed paragraph (b) states that the Exchange may approve a request for a trade cancellation or adjustment pursuant to this Rule and take the corrective action(s) necessary to effectuate such a cancellation or adjustment, provided that the items listed thereunder are submitted to the Exchange, in a form prescribed by the Exchange, by the Participant that submitted the erroneous trade. Proposed Rule 9 requires the Participant that submitted the erroneous trade to: (1) Submit a written request for cancellation or adjustment, including all information and supporting documentation required by proposed Rule 9, no later than 4:30 p.m. CST on T+1, except such a request may be submitted after T+1 in extraordinary circumstances with the approval of an officer of the Exchange; (2) identify the error that is a ''Bona Fide Error'' and the source of the Bona Fide Error, and provide supporting documentation showing the objective facts and circumstances concerning the Bona Fide Error; and (3) provide supporting documentation evidencing that all parties consent to the requested cancellation or adjustment.

Proposed Rule 9(c) provides that a trade adjustment will be made only to the extent necessary to correct the Bona Fide Error (*i.e.,* to reflect the original terms of the order).[7] Under proposed Rule 9(d), if the Exchange approves a request for a trade cancellation or adjustment, Exchange operations personnel will effect all corrective action(s) necessary to effectuate the cancellation or adjustment. Finally, proposed Rule 9(e) mirrors current Article 20, Rule 9(b)(5) which provides that failure to comply with the provisions of this Rule will be considered conduct inconsistent with just and equitable principles of trade and a violation of Article 9, Rule 2.

B. Proposed Article 20, Rule 9A ''Error Correction Transactions''

Proposed Rule 9A adopts requirements for Error Correction Transactions (''ECTs''). Proposed 9A(a) provides that a Participant may submit an ECT to remedy the execution of customer orders that have been placed in error, provided that the following requirements are satisfied: (1) The erroneous transaction was the result of a ''Bona Fide Error,'' as defined under proposed Article 1, Rule 1(hh); (2) the Bona Fide Error is evidenced by objective facts and circumstances and the Participant maintains documentation of such facts and circumstances; (3) the Participant recorded the ECT in its error account; (4) the Participant established, maintained, and enforced written policies and procedures that were reasonably designed to address the occurrence of errors and, in the event of an error, the use and terms of an ECT to correct the error in compliance with this Rule; and (5) the Participant regularly surveilled to ascertain the effectiveness of its policies and procedures to address errors and transactions to correct errors and took prompt action to remedy deficiencies in such policies and procedures.

Proposed Rule 9A(b) states that an ECT may execute without the restrictions of the trade-through prohibition of Rule 611, provided that the ECT is marked with a special Bona Fide Error trade indicator. Proposed Rule 9A(b) further states that this exemption applies only to the ECT itself and does not, for example, apply to any subsequent trades made by a Participant to eliminate a proprietary position connected with the ECT. Proposed Rule 9A(c) provides that failure to comply with the provisions of this Rule will be considered conduct inconsistent with just and equitable principles of trade and a violation of Article 9, Rule 2.

C. Proposed Article 20, Rule 11: Cancelation or Adjustment of Stock Leg Trades

Proposed Rule 11(a) states that, unless otherwise expressly prohibited by the Exchange's rules, a trade representing the stock leg of a Stock-Option order, as defined under proposed

Article 1, Rule 1(ii) [8] or a Stock-Future order, as defined under proposed Article 1, Rule 1(jj),[9] may be subject to

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[3] *See* Securities Exchange Act Release No. 70381 (September 12, 2013), 78 FR 57431 (SR–CHX–2013–16) (''Notice'').

[4] A more detailed description of the proposal is contained in the Notice. *See id.*

[5] Proposed Article 1, Rule 1(hh) defines ''Bona Fide Error'' as: (1) The inaccurate conveyance or execution of any term of an order, including, but not limited to, price, number of shares or other unit of trading; identification of the security; identification of the account for which securities are purchased or sold; lost or otherwise misplaced order tickets; or the execution of an order on the wrong side of a market; (2) the unauthorized or unintended purchase, sale, or allocation of securities, or the failure to follow specific client instructions; (3) the incorrect entry of data into relevant systems, including reliance on incorrect cash positions, withdrawals, or securities positions reflected in an account; or (4) a delay, outage, or failure of a communication system used to transmit market data prices or to facilitate the delivery or execution of an order. Proposed paragraph .01 provides that proposed Rule 9 applies only to Bona Fide Errors committed by the Participant that submitted the order to the Matching System or the customer of the Participant that submitted the order to the Matching System.

[6] Although the Exchange anticipates implementing it in the near future, the Exchange does not currently offer order routing. *See* Notice, *supra* note 3, 78 FR at 57432 n.10.

[7] Proposed Rule 9(c) states that, prior to approving an adjustment, the Exchange will validate that the proposed adjusted trade could have been executed in the Matching System at the time the trade was initially executed, in compliance with all applicable CHX and Commission rules.

[8] Proposed Article 1, Rule 1(ii) provides that a ''Stock-Option'' order is a combination order where at least one component is a cross order for a stated number of units of an underlying or related security coupled with the purchase or sale of options contract(s) on the opposite side of the market representing at least the same number of units as the underlying or related security portion of the order.

[9] Proposed Article 1, Rule 1(jj) provides that a ''Stock-Future'' order is a combination order where at least one component is a cross order for a stated number of units of an underlying or a related security coupled with the purchase or sale of futures contract(s) on the opposite side of the market representing at least the same number of

cancellation or adjustment by the Exchange pursuant to proposed Rule 11, if the stock leg trade was marked by a special trade indicator when it was originally submitted to the Matching System.[10] Proposed Rule 11(a) clarifies that if the stock leg trade was not originally marked by a special trade indicator, the trade will not be eligible for cancellation or adjustment, notwithstanding compliance with the other requirements of this Rule.

Cancellation of Stock Leg Trades

Proposed Rule 11(b) outlines the requirements for cancelling a stock leg trade that is a component of a Stock-Option/Stock-Future order. Proposed Rule 11(b)(1) provides that the Exchange may approve a request to cancel a stock leg trade that was originally marked by a special trade indicator and take the corrective action(s) necessary to effectuate such a cancellation, provided that certain items are submitted to the Exchange, in a form prescribed by the Exchange, by the Participant that submitted the stock leg trade. Proposed Rule 11(b) requires the Participant that submitted the stock leg trade to: (1) Submit a written request for cancellation, including all information and supporting documentation required by proposed Rule 9, no later than 4:30 p.m. CST on T+1, except such a request may be submitted after T+1 in extraordinary circumstances with the approval of an officer of the Exchange; (2) identify the Qualified Cancellation Basis [11] and provide supporting documentation showing the objective facts and circumstances supporting the Qualified Cancellation Basis; and (3) provide supporting documentation evidencing that all parties consent to the requested cancellation.

Adjustments of Stock Leg Trades

Proposed Rule 11(c) adopts new requirements that allow under specified circumstances adjustments to a stock leg trade that is a component of a Stock-Option or Stock-Future order. Proposed Rule 11(c)(1) provides that the Exchange may approve a request to adjust a stock leg trade that was originally marked by a special trade indicator and take the corrective action(s) necessary to effectuate such an adjustment, provided that certain items are submitted to the Exchange, in a form prescribed by the Exchange, by the Participant that submitted the stock leg trade. It further states that the requirements of proposed Rule 11(c) must be complied with, to the satisfaction of the Exchange, before a stock leg trade adjustment pursuant to this Rule may be approved or any corrective action may be taken.

Proposed Rule 11(c) requires the Participant that submitted the stock leg trade to: (1) submit a written request for adjustment, including all information and supporting documentation required by proposed Rule 9, no later than 4:30 p.m. CST on T+1, except such a request may be submitted after T+1 in extraordinary circumstances with the approval of an officer of the Exchange; (2) identify the Qualified Cancellation Basis [12] and provide supporting documentation showing the objective facts and circumstances supporting the Qualified Cancellation Basis; (3) provide supporting documentation evidencing that all parties consent to the requested adjustment; and (4) submit a proposed Adjusted Stock Price or Adjusted Stock Quantity, as detailed under proposed Rule 11(c)(3).

Proposed Rule 11(c)(3) provides that the Participant that submitted the stock leg trade may request only one of the following adjustments per Stock-Option or Stock-Future order: Adjusted Stock Price; Adjusted Stock Quantity; or Adjusted Stock Quantity (Stock-Option trade only). Proposed Rule 11(c)(3)(A) details the necessary calculations for Adjusted Stock Price, where a non-stock leg executed at a price or was adjusted to a price other than the price originally agreed upon by all of the parties to the Stock-Option or Stock-Future order and the parties wish to maintain the original aggregate cash flow of the Stock-Option or Stock-Future order. Proposed Rule 11(c)(3)(B) details the necessary calculations for Adjusted Stock Quantity, where a non-stock leg executed at a quantity or was adjusted to a quantity other than the quantity originally agreed upon by all of the parties to the Stock-Option or Stock-Future order. Proposed Rule 11(c)(3)(C) details the necessary calculations for Adjusted Stock Quantity for a Stock-Option order only, where an options leg trade executed at a price or was adjusted to a price other than the price originally agreed upon by all of the parties to the Stock-Option order and the parties wish to maintain the original delta-based hedge ratio.

Once the Adjusted Stock Quantity or Adjusted Stock Price has been presented to the Exchange pursuant to proposed Rule 11(c)(3), pursuant to proposed Rule 11(c)(4), the Exchange will ascertain whether the proposed adjusted stock leg trade could have been executed in the Matching System at the time the trade was initially executed, in compliance with all applicable CHX and Commission rules. Proposed Rule 11(c)(4) provides that, if the trade adjustment is approved, the adjustment will be accepted, recorded, and submitted to a Qualified Clearing Agency, without regard to orders residing in the Matching System at the time the adjustment is made.

Proposed Rule 11(d) provides that if the Exchange approves a request for a stock leg trade cancellation or adjustment, any corrective action(s) necessary to effectuate the cancellation or adjustment, including, but not limited to, corrective entries into the Exchange's records and/or corrective clearing submissions to a Qualified Clearing Agency, will be taken only by Exchange operations personnel. Finally, proposed Rule 11(e) provides that failure to comply with the provisions of this Rule will be considered conduct inconsistent with just and equitable principles of trade and a violation of Article 9, Rule 2.

III. Discussion and Commission Findings

After careful review, the Commission finds that the Exchange's proposal is consistent with the Act and the rules and regulations thereunder applicable to a national securities exchange.[13] In particular, the Commission finds that the proposed rule change is consistent with Section 6(b)(5) of the Act,[14] which requires that the rules of a national securities 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

units of the underlying or related security portion of the order.

[10] This special trade indicator requirement is in current Article 20, Rule 9(b)(6). The Exchange notes that the purpose of the special trade indicator is to mark a stock leg trade as being part of a Stock-Option order and consequently notifies the market after execution that the trade may be cancelled, as the trade is contingent upon the execution of non-stock legs that comprise the total Stock-Option order.

[11] Proposed Rule 11(b)(2) defines the ''Qualified Cancellation Basis'' as follows: (A) A non-stock leg executed at a price/quantity or was adjusted to a price/quantity other than the price/quantity originally agreed upon by all of the parties to the Stock-Option or Stock-Future order; (B) a non-stock leg could not be executed; or (C) a non-stock leg was cancelled by the exchange on which it was executed.

[12] Proposed Rule 11(c)(2) defines the ''Qualified Adjustment Basis'' as when a non-stock leg executed at a price/quantity or was adjusted to a price/quantity other than the price/quantity originally agreed upon by all of the parties to the Stock-Option or Stock-Future order.

[13] In approving the CHX proposed rule change, the Commission has considered its impact on efficiency, competition and capital formation. 15 U.S.C. 78c(f).

[14] 15 U.S.C. 78f(b)(5).

system, and, in general, to protect investors and the public interest.

As discussed above, the Exchange proposes to expand Article 20, Rule 9 to permit the adjustment of Bona Fide Error trades and to clarify the requirements for cancelling a Bona Fide Error trade. The Commission finds that proposed Rule 9 is consistent with Section 6(b)(5) of the Act because it should allow the Exchange, through the cancellation and adjustment of Bona Fide Error trades, to promote the proper execution of trades, to promote the accurate reporting of trades, and to potentially prevent excessive reporting of trade activity to the Consolidated Tape.

Proposed Rule 9(b) enumerates the specific requirements that must be met by the executing broker Participant before the Exchange can consider a request to cancel or adjust an erroneous trade. The Commission believes that these requirements, which are designed to ensure that Participants can cancel or adjust erroneous trades while also creating the necessary filters to ensure that the Exchange only acts upon truly erroneous trades, are reasonable and provide a fair, objective process by which the Exchange may review requests to cancel or adjust an erroneous trade. Specifically, the Commission believes that the requirement that the written request for cancellation or adjustment be submitted no later than 4:30 p.m. CST on T+1 except in extraordinary circumstances is reasonable because it affords Participants with adequate time to identify an erroneous trade and to prepare its submission request. Additionally, the Commission believes that the requirements that all parties to a Bona Fide Error trade must consent to the Participant's request to cancel or adjust the erroneous trade and that the request to cancel or adjust be supported with documentation showing the objective facts and circumstances evidencing the Bona Fide Error should protect all parties to a trade and should prevent unfair or fraudulent cancellations or adjustments of trades from taking place. Similarly, the Commission believes that the requirement in proposed Rule 9(c), that the any potential trade adjustment will only be taken to the extent necessary to correct the Bona Fide Error and only if the proposed adjusted trade could have been executed in the Matching System at the time the trade was initially executed, should promote the integrity of the market system by ensuring that all adjusted trades comply with Exchange and Commission rules.

The Commission also finds that proposed Rule 9A, which codifies in CHX's rules the requirements that a Participant must follow when submitting an ECT, is consistent with the Act. The Exchange currently accepts ECTs to remedy the execution of customer orders that have been placed in error, but does not explain these requirements in its rules. The Commission believes that the inclusion of these requirements in CHX's rules should provide clarity and guidance to Participants and thereby promote the efficient functioning of the securities markets.[15]

As discussed in further detail above, proposed Rule 11 expands situations where a stock leg of a Stock-Option order or Stock-Future order stock leg may be cancelled and to permit the adjustment of stock leg trades if the stock leg trade was marked by a special trade indicator when it was originally submitted to the Matching System. This proposal allows Participants to adapt to changes to the options or futures leg of a trade and thereby facilitate the execution of Stock-Option or Stock-Future orders in ratios as originally agreed by the parties to the order, which the Commission believes should promote the efficient functioning of the securities market.

The Commission also finds that the requirements in proposed Rule 11(b) that a Participant must satisfy to request cancellation of a stock leg trade are consistent with the Act. The requirements contained in Rule 11(b)—that all parties submit a timely request no later than 4:30 p.m. CST on T+1, that the submitting Participant supports its request with appropriate documentation, and that all parties consent to the submission of the cancellation request—track those of Rule 9(b), and the Commission believes they are consistent with the Act for the reasons discussed above. In addition, the Commission believes that requiring the submitting Participant to identify the Qualified Adjustment Basis is reasonable because it should allow the Exchange to more quickly act upon the Participant's request for cancellation under proposed Rule 11(b).

Further, the Commission believes that proposed Rule 11(c), which proposes to allow adjustments of the stock leg trade, should prevent excessive reporting of activity to the Consolidated Tape and thereby should enhance the integrity of the securities markets by removing duplicative trade reports. As with proposed Rules 9(b) and 11(b), the Commission believes that the requirements of proposed Rule 11(c)—that a submitting Participant must comply with T+1 requirement, identify the qualified adjustment basis, ensure that all parties consent to the request, and support its submission with a proposed Adjusted Stock Price or Adjusted Stock Quantity—are consistent with the Act for the reasons discussed above. The Commission also believes that the Exchange's detailed methodology for determining and verifying the exact adjusted terms of a trade are adequate to effect the intent of the parties to the trade and ensure that any adjustments will be consistent with the rules of the Exchange and the Commission, including Rule 611 of Regulation NMS.

IV. Conclusion

It is therefore ordered, pursuant to Section 19(b)(2) of the Act,[16] that the proposed rule change (SR–CHX–2013–16) be, and it hereby is, approved.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.[17]

Kevin M. O'Neill,

Deputy Secretary.

[FR Doc. 2013–26555 Filed 11–5–13; 8:45 am]

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[15] The Commission also notes that that the language of proposed Rule 9A is substantially similar to the key portions of the Commission order exempting certain error correction transactions From Rule 611 of Regulation NMS. *See* Securities Exchange Act Release No. 55884 (June 8, 2007), 72 FR 32926 (June 14, 2007).

[16] 15 U.S.C. 78s(b)(2).

[17] 17 CFR 200.30–3(a)(12).

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–70795; File No. SR–NYSEArca–2013–109]

Self-Regulatory Organizations; NYSE Arca, Inc.; Notice of Filing and Immediate Effectiveness of Proposed Rule Change Amending the NYSE Arca Options Fee Schedule To Apply Routing Fees to Penny Pilot Issues

October 31, 2013.

Pursuant to Section 19(b)(1) [1] of the Securities Exchange Act of 1934 (the ''Act'') [2] and Rule 19b–4 thereunder,[3] notice is hereby given that, on October 22, 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 self-

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

[2] 15 U.S.C. 78a.

[3] 17 CFR 240.19b–4.