

of underlying securities. Where the underlying final money amounts are not exactly matched between obligations being paired off, the pair off would result in a cash adjustment, which would be reflected in the Members' money settlement with NSCC on the following business day.

#### Implementation Timeframe

Subject to approval of this filing, NSCC proposes to implement the Pair Off function during the first quarter of 2014. Pending Commission approval, Members will be advised of the implementation date through issuance of an NSCC Important Notice.

#### Proposed Rule Changes

NSCC is proposing to amend Rule 51 (Obligation Warehouse) and add a new Section E to the existing Procedure IIA (Obligation Warehouse) describing the Pair Off function.

#### 2. Statutory Basis

NSCC believes the proposed rule change is consistent with the requirements of the Act and the rules and regulations thereunder applicable to NSCC, in particular Section 17A(b)(3)(F) of the Act,<sup>8</sup> which requires that NSCC's Rules be designed to promote the prompt and accurate clearance and settlement of securities transactions. By providing for greater efficiency and transparency with respect to obligations processed through the OW, the proposed rule change promotes the prompt and accurate clearance and settlement of securities transactions.

#### (B) Self-Regulatory Organization's Statement on Burden on Competition

NSCC does not believe that the proposed rule change will have any impact, or impose any burden, on competition.

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

Written comments relating to the proposed rule change have not yet been solicited or received. NSCC will notify the Commission of any written comments received by NSCC.

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

Within 45 days of the date of publication of this notice in the **Federal Register** or within such longer period up to 90 days (i) as the Commission may designate if it finds such longer period

to be appropriate and publishes its reasons for so finding or (ii) as to which the self-regulatory organization consents, the Commission will:

- (A) by order approve or disapprove such a proposed rule change, or
- (B) institute proceedings to determine whether the proposed rule change should be 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 No. SR-NSCC-2013-11 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 No. SR-NSCC-2013-11. 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 filings also will be available for inspection and copying at the principal office of NSCC and on NSCC's Web site at [http://dtcc.com/downloads/legal/rule\\_filings/2013/nscc/SR-NSCC-2013-02.pdf](http://dtcc.com/downloads/legal/rule_filings/2013/nscc/SR-NSCC-2013-02.pdf).

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 No. SR-NSCC-2013-11 and should be submitted on or before December 20, 2013.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>9</sup>

Kevin M. O'Neill,  
Deputy Secretary.

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-70930; File No. SR-CBOE-2013-093]

### Self-Regulatory Organizations; Chicago Board Options Exchange, Incorporated; Order Approving a Proposed Rule Change To Amend CBOE Rule 6.42

November 22, 2013.

#### I. Introduction

On September 27, 2013, the 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>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> a proposed rule change to amend CBOE Rule 6.42, "Minimum Increments for Bids and Offers," to establish a minimum quoting increment for complex orders. The proposed rule change was published for comment in the **Federal Register** on October 22, 2013.<sup>3</sup> The Commission received no comment letters regarding the proposed rule change. This order approves the proposed rule change.

#### II. Description of the Proposal

Currently, CBOE Rule 6.42(4) provides that bids and offers on complex orders may be expressed in any increment regardless of the minimum increments otherwise appropriate to the individual legs of the order.<sup>4</sup> CBOE

<sup>9</sup> 17 CFR 200.30-3(a)(12).

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

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

<sup>3</sup> See Securities Exchange Act Release No. 70618 (October 7, 2013), 78 FR 62887 ("Notice").

<sup>4</sup> For the purposes of CBOE Rule 6.42, a complex order is a spread, straddle, combination, or ratio order as defined in CBOE Rule 6.53, a stock-option order as defined in CBOE Rule 1.1(ii), a security future-option order as defined in Rule 1.1(zz), or any other complex order as defined in CBOE Rule 6.53C. See CBOE Rule 6.42, Interpretation and Policy .01.

<sup>8</sup> 15 U.S.C. 78q-1(b)(3)(F).

states that this language allows bids and offers for complex orders to be expressed in any increment whatsoever.<sup>5</sup> To establish a minimum quoting increment for complex orders, CBOE proposes to revise CBOE Rule 6.42(4) to state that bids and offers for complex orders may be expressed in any net price increment that may not be less than \$0.01, which CBOE may determine on a class-by-class basis and announce to Trading Permit Holders (“TPHs”) via Regulatory Circular.<sup>6</sup> CBOE would notify TPHs of the minimum quoting increments for complex orders via Regulatory Circular.<sup>7</sup> CBOE would not change the minimum quoting increments for complex orders on an intra-day basis.<sup>8</sup>

According to CBOE, many web-based services that public customers use to enter options orders do not permit the entry of orders in sub-penny increments, a limitation that other market participants may not face.<sup>9</sup> CBOE believes that the proposal will establish a minimum complex order quoting increment that all market participants will be able to monitor and in which all market participants will be able to enter orders.<sup>10</sup> In addition, because CBOE’s electronic complex order execution systems, the Complex Order Book (“COB”) and Complex Order Auction (“COA”), are not configured to permit quoting in sub-penny increments, the \$0.01 minimum increment would place electronic and manually entered complex orders on an even footing.<sup>11</sup> CBOE also believes that establishing a minimum quoting increment of \$0.01 will assure that price improvement occurs at a meaningful increment, and will prevent market participants from jumping ahead of an

existing quote by providing a *de minimus* amount of price improvement.<sup>12</sup>

### III. Discussion and Commission Findings

After careful review, the Commission finds that the proposed rule change is consistent with the requirements of the Act and the rules and regulations thereunder applicable to a national securities exchange.<sup>13</sup> In particular, the Commission finds that the proposed rule change is consistent with Section 6(b)(5) of the Act,<sup>14</sup> which requires, among other things, that the rules of a national securities exchange be designed 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. As discussed above, CBOE Rule 6.42(4) currently allows bids and offers for complex orders to be expressed in any increment, which potentially could permit bids and offers for complex orders to be expressed in increments smaller than \$0.01. In contrast, complex orders entered in the COB and RFR Responses to a COA auction may not be entered in increments smaller than \$0.01.<sup>15</sup> Thus, under CBOE’s current rules, complex orders that are entered manually potentially could be entered in increments smaller than \$0.01, while complex order trading interest entered electronically in the COB and the COA may not be entered in increments smaller than \$0.01. By establishing a \$0.01 minimum quoting increment for complex orders, the proposal is designed to protect investors by establishing a consistent minimum quoting increment for complex orders that are entered manually and complex orders that are entered electronically through the COB and COA.

### IV. Conclusion

*It is therefore ordered*, pursuant to Section 19(b)(2) of the Act,<sup>16</sup> that the proposed rule change (SR–CBOE–2013–093) is approved.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>17</sup>

**Kevin M. O’Neill,**  
*Deputy Secretary.*

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–70927; File No. 4–669]

### Self-Regulatory Organizations; Topaz Exchange, LLC; Notice of Filing of Proposed Minor Rule Violation Plan

November 22, 2013.

Pursuant to Section 19(d)(1) of the Securities Exchange Act of 1934 (the “Act”),<sup>1</sup> and Rule 19d–1(c)(2) thereunder,<sup>2</sup> notice is hereby given that on November 14, 2013, Topaz Exchange, LLC (d/b/a ISE Gemini) (the “Exchange”) filed with the Securities and Exchange Commission (“Commission”) a proposed minor rule violation plan (“MRVP”) with sanctions not exceeding \$2,500 which would not be subject to the provisions of Rule 19d–1(c)(1) of the Act<sup>3</sup> requiring that a self-regulatory organization (“SRO”) promptly file notice with the Commission of any final disciplinary action taken with respect to any person or organization.<sup>4</sup> In accordance with Rule 19d–1(c)(2) under the Act,<sup>5</sup> the Exchange proposes to designate certain specified rule violations as minor rule violations, and requests that it be relieved of the prompt reporting requirements regarding such violations, provided it gives notice of such violations to the Commission on a quarterly basis.

The Exchange proposes to include in its MRVP the procedures and violations currently included in Exchange Rule 1614 (“Imposition of Fines for Minor Rule Violations”), which has been

<sup>17</sup> 17 CFR 200.30–3(a)(12).

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

<sup>2</sup> 17 CFR 240.19d–1(c)(2).

<sup>3</sup> 17 CFR 240.19d–1(c)(1).

<sup>4</sup> The Commission adopted amendments to paragraph (c) of Rule 19d–1 to allow SROs to submit for Commission approval plans for the abbreviated reporting of minor disciplinary infractions. See Securities Exchange Act Release No. 21013 (June 1, 1984), 49 FR 23828 (June 8, 1984). Any disciplinary action taken by an SRO against any person for violation of a rule of the SRO which has been designated as a minor rule violation pursuant to such a plan filed with and declared effective by the Commission shall not be considered “final” for purposes of Section 19(d)(1) of the Act if the sanction imposed consists of a fine not exceeding \$2,500 and the sanctioned person has not sought an adjudication, including a hearing, or otherwise exhausted his administrative remedies.

<sup>5</sup> 17 CFR 240.19d–1(c)(2).

<sup>5</sup> See Notice 78 FR at 62887.

<sup>6</sup> CBOE states that the rule would allow the Exchange to establish uniform complex order quoting increments within a class, and to set and vary the minimum complex order quoting increments for different classes in response to different market conditions in those classes and to encourage more trading in those classes. CBOE notes that its rules currently allow it to establish minimum quoting increments for complex orders in options on the S&P 500 Index (“SPX”), the p.m.-settled S&P 500 Index (“SPXPM”), and on the S&P 100 Index (“OEX” and “XEO”). See Notice 78 FR at 62888 and CBOE Rule 6.42(4).

<sup>7</sup> See Notice 78 FR at 62888.

<sup>8</sup> See *id.* at note 4.

<sup>9</sup> See Notice 78 FR at 62887.

<sup>10</sup> See *id.*

<sup>11</sup> See Notice 78 FR at 62887–62888. See also CBOE Rules 6.53C(c)(ii) and 6.53C(d)(iii)(1) (providing for quoting increments of no less than \$0.01 in the COB and Requests for Responses (“RFRs”) in increments of no less than \$0.01 in the COA). CBOE notes that the \$0.01 minimum increment would prevent sophisticated market participants from manually entering complex order quotations in sub-penny amounts. See Notice 78 FR at 62888, note 5.

<sup>12</sup> See Notice 78 FR at 62888.

<sup>13</sup> In approving this proposal, the Commission has considered the proposed rule’s impact on efficiency, competition, and capital formation. See 15 U.S.C. 78c(f).

<sup>14</sup> 15 U.S.C. 78f(b)(5).

<sup>15</sup> See CBOE Rules 6.53C(c)(ii) and (d)(iii)(1).

<sup>16</sup> 15 U.S.C. 78s(b)(2).