

furtherance of the purposes of the Act. To the contrary, the Exchange believes that the CP Program, which is entirely voluntary, would encourage competition among markets for issuers' listings and among Market Makers for CP assignments.

The CP Program is designed to improve the quality of market for ETPs, thereby incentivizing them to list on the Exchange. The competition for listings among the exchanges is fierce. The Exchange notes that, in addition to the similarities described above between the proposed CP Program and the Exchange's ETP Incentive Program, BATS and NASDAQ have already implemented and received approval for, respectively, programs similar to the Exchange's proposed CP Program.<sup>51</sup> Additionally, the aspect of the proposed CP Program related to the capacity in which CPs may enter orders and quotes (i.e., permitting CP orders and quotes to be for the account of the CP in either a proprietary capacity or a principal capacity on behalf of an affiliated or unaffiliated person) is also substantially similar to the NYSE SLP program.<sup>52</sup>

In addition, the Exchange believes that the CP Program will properly promote competition among Market Makers to seek assignment as CPs for eligible ETPs. The Exchange believes that market quality would be significantly enhanced for ETPs with CPs assigned as compared to ETPs without a CP or LMM. The Exchange believes that market quality would be even further enhanced as a result of the quoting requirements that the Exchange would impose on CPs in the CP Program. The Exchange anticipates that the increased activity of these CPs would attract other market participants to the Exchange, and could thereby lead to increased liquidity on the Exchange in such ETPs. For these reasons, the Exchange does not believe that the proposed rule change would impose any unnecessary or inappropriate burden on competition.

<sup>51</sup> See Interpretation and Policy .02 of BATS Rule 11.8 and Securities Exchange Act Release Nos. 66307 (February 2, 2012), 77 FR 6608 (February 8, 2012) (SR-BATS-2011-051) and 66427 (February 21, 2012), 77 FR 11608 (February 27, 2012) (SR-BATS-2012-011). See also NASDAQ Rule 5950 and Securities Exchange Act Release No. 69195 (March 20, 2013), 78 FR 18393 (March 26, 2013) (SR-NASDAQ-2012-137).

<sup>52</sup> See Securities Exchange Act Release No. 58877 (October 29, 2008), 73 FR 65904 (November 5, 2008) (SR-NYSE-2008-108). See also Securities Exchange Act Release No. 67154 (June 7, 2012), 77 FR 35455 (June 13, 2012) (SR-NYSE-2012-10).

### *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**

Within 45 days of the date of publication of this notice in the **Federal Register** or within such longer period up to 90 days after publication (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 the 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 Number SR-NYSEArca-2013-141 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-NYSEArca-2013-141. 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-NYSEArca-2013-141 and should be submitted on or before January 16, 2014.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>53</sup>

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

[FR Doc. 2013-30767 Filed 12-24-13; 8:45 am]

**BILLING CODE 8011-01-P**

## **SECURITIES AND EXCHANGE COMMISSION**

**[Release No. 34-71139; File No. SR-ISE-2013-73]**

### **Self-Regulatory Organizations; International Securities Exchange, LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Extend the Penny Pilot Program**

December 19, 2013.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the "Act") and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on December 18, 2013, the International Securities Exchange, LLC (the "Exchange" or the "ISE") filed with the Securities and Exchange Commission the proposed rule change as described in Items I and II 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 ISE proposes to amend its rules relating to a pilot program to quote and to trade certain options in pennies

<sup>53</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.

(“Penny Pilot Program”). The text of the proposed rule change is available on the Exchange’s Web site at [www.ise.com](http://www.ise.com), at the Exchange’s principal office 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 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 the Statutory Basis for, the Proposed Rule Change

#### 1. Purpose

Under the Penny Pilot Program, the minimum price variation for all participating options classes, except for the Nasdaq-100 Index Tracking Stock (“QQQQ”), the SPDR S&P 500 Exchange Traded Fund (“SPY”) and the iShares Russell 2000 Index Fund (“IWM”), is \$0.01 for all quotations in options series that are quoted at less than \$3 per contract and \$0.05 for all quotations in options series that are quoted at \$3 per contract or greater. QQQQ, SPY and IWM are quoted in \$0.01 increments for all options series. The Penny Pilot Program is currently scheduled to expire on December 31.<sup>3</sup> The Exchange proposes to extend the time period of the Penny Pilot Program through June 30, 2014, and to provide revised dates for adding replacement issues to the Penny Pilot Program. The Exchange proposes that any Penny Pilot Program issues that have been delisted may be replaced on the second trading day following January 1, 2014. The replacement issues will be selected based on trading activity for the six month period beginning June 1, 2013, and ending November 30, 2013. This filing does not propose any substantive changes to the Penny Pilot Program: all classes currently participating will remain the same and all minimum increments will remain unchanged. The Exchange believes the benefits to public customers and other market participants

who will be able to express their true prices to buy and sell options have been demonstrated to outweigh the increase in quote traffic.

#### 2. Statutory Basis

The basis under the Securities Exchange Act of 1934 (the “Exchange Act”) for this proposed rule change is found in Section 6(b)(5), in that the proposed rule change is designed to promote just and equitable principles of trade, 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. In particular, the proposed rule change, which extends the Penny Pilot Program for an additional six months, will enable public customers and other market participants to express their true prices to buy and sell options for the benefit of all market participants.

### B. Self-Regulatory Organization’s Statement on Burden on Competition

This proposed rule change does not impose any burden on competition. Specifically, the Exchange believes that, by extending the expiration of the Penny Pilot Program, the proposed rule change will allow for further analysis of the Penny Pilot Program and a determination of how the Penny Pilot Program should be structured in the future. In doing so, the proposed rule change will also serve to promote regulatory clarity and consistency, thereby reducing burdens on the marketplace and facilitating investor protection.

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

The Exchange has not solicited, and does not intend to solicit comments on this proposed rule change. The Exchange has not received any written comments from members or other interested parties.

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

The Exchange has filed the proposed rule change pursuant to Section 19(b)(3)(A)(iii) of the Act<sup>4</sup> and Rule 19b-4(f)(6) thereunder.<sup>5</sup> Because the proposed rule change does not: (i) Significantly affect the protection of investors or the public interest; (ii) impose any significant burden on competition; and (iii) become operative

prior to 30 days from the date on which it was filed, or such shorter time as the Commission may designate if consistent with the protection of investors and the public interest, the proposed rule change has become effective pursuant to Section 19(b)(3)(A) of the Act<sup>6</sup> and Rule 19b-4(f)(6)(iii) thereunder.<sup>7</sup>

A proposed rule change filed under Rule 19b-4(f)(6) normally does not become operative prior to 30 days after the date of the filing.<sup>8</sup> However, pursuant to Rule 19b-4(f)(6)(iii),<sup>9</sup> the Commission may designate a shorter time if such action is consistent with the protection of investors and the public interest. The Exchange has asked the Commission to waive the 30-day operative delay so that the proposal may become operative immediately upon filing. The Commission believes that waiving the 30-day operative delay is consistent with the protection of investors and the public interest because doing so will allow the Pilot Program to continue without interruption in a manner that is consistent with the Commission’s prior approval of the extension and expansion of the Pilot Program and will allow the Exchange and the Commission additional time to analyze the impact of the Pilot Program.<sup>10</sup> Accordingly, the Commission designates the proposed rule change as operative upon filing with the Commission.<sup>11</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.

## IV. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning the foregoing,

<sup>6</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>7</sup> 17 CFR 240.19b-4(f)(6)(iii).

<sup>8</sup> 17 CFR 240.19b-4(f)(6). 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>9</sup> 17 CFR 240.19b-4(f)(6)(iii).

<sup>10</sup> See Securities Exchange Act Release No. 61061 (November 24, 2009), 74 FR 62857 (December 1, 2009) (SR-NYSEArca-2009-44). See also *supra* note 3.

<sup>11</sup> For purposes only of waiving the operative delay for 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>3</sup> See Exchange Act Release No. 69828 (June 21, 2013), 78 FR 38745 (June 27, 2013) (SR-ISE-2013-40).

<sup>4</sup> 15 U.S.C. 78s(b)(3)(A)(iii).

<sup>5</sup> 17 CFR 240.19b-4(f)(6).

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-ISE-2013-73 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-ISE-2013-73. 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-ISE-2013-73 and should be submitted on or before January 16, 2014.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>12</sup>

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

[FR Doc. 2013-30760 Filed 12-24-13; 8:45 am]

**BILLING CODE 8011-01-P**

## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-71148; File No. SR-BOX-2013-43]

### Self-Regulatory Organizations; BOX Options Exchange LLC; Notice of Filing of Amendment Nos. 1 and 2 and Order Granting Accelerated Approval of a Proposed Rule Change, as Modified by Amendment Nos. 1 and 2, to Permit Complex Orders to Participate in Price Improvement Periods

December 19, 2013.

#### I. Introduction

On September 5, 2013, BOX Options Exchange LLC ("Exchange" or "BOX") filed with the Securities and Exchange Commission ("Commission"), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act")<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> a proposed rule change to add new BOX Rule 7245 to permit Complex Orders to participate in Price Improvement Period auctions (the "COPIP") and make certain other conforming changes to accommodate the new COPIP Rule. The proposed rule change was published for comment in the **Federal Register** on September 23, 2013.<sup>3</sup> On November 1, 2013, the Commission extended the time period for Commission action on the proposal to December 20, 2013.<sup>4</sup> On December 16, 2013, BOX filed Amendment No. 1 to the proposal.<sup>5</sup> On December 19, 2013,

<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. 70427 (September 17, 2013), 78 FR 58364 ("Notice").

<sup>4</sup> See Securities Exchange Act Release No. 70799 (November 1, 2013), 78 FR 66980 (November 7, 2013).

<sup>5</sup> In Amendment No. 1, BOX added further information relating to the ability of BOX members ("Options Participants") to respond adequately within the 100 millisecond COPIP period and the effect of Unrelated Orders received during overlapping PIP and COPIP auctions, including additional rule text in proposed BOX IM-7245-3 to describe such effect. BOX also provided an analysis of whether the proposed COPIP rules are consistent with Section 11(a) of the Act and the rules thereunder and additional rule text in existing BOX IM-7245-2(b) regarding prohibited conduct. In addition, BOX also modified its proposed rule text for BOX Rule 7130(a) to reflect a proposed rule change (see Securities Exchange Act Release No. 70395 (September 15, 2013), 78 FR 57911 (September 20, 2013)) that was approved after the initial filing of this proposed rule change. Amendment No. 1 has been placed in the public comment file for SR-BOX-2013-43 at <http://www.sec.gov/comments/sr-box-2013-43/box201343.shtml> (see letter from Lisa J. Fall, President, BOX, to Elizabeth M. Murphy, Secretary, Commission, dated December 16, 2013) and also is available on the Exchange's Web site at [https://lynxstorageaccount.blob.core.windows.net/boxvr/SE\\_resources/SR-BOX-2013-43\\_Amendment\\_1.pdf](https://lynxstorageaccount.blob.core.windows.net/boxvr/SE_resources/SR-BOX-2013-43_Amendment_1.pdf).

BOX filed Amendment No. 2 to the proposal.<sup>6</sup> The Commission received no comments regarding the proposal, as amended. The Commission is publishing this notice to solicit comments on Amendment Nos. 1 and 2 from interested persons and is approving the proposed rule change, as modified by Amendment Nos. 1 and 2, on an accelerated basis.

#### II. Description of the Proposal

Under proposed BOX Rule 7245, Options Participants would be permitted to submit Complex Orders<sup>7</sup> to the COPIP in substantially the same manner as they currently submit orders for single options series instruments to the Price Improvement Period ("PIP"), except as necessary to account for distinctions between non-Complex Orders on the BOX Book<sup>8</sup> and Complex Orders. COPIP also would preserve the already established execution priority of interest on the BOX Book over Complex Orders<sup>9</sup> by providing that the bids and offers on the BOX Book for the individual legs of a Strategy ("BOX Book Interest") will execute in priority over Complex Orders at the same price.<sup>10</sup>

##### A. Auction Eligibility and Auction Process

Under proposed BOX Rule 7245, an Options Participant executing agency

<sup>6</sup> In Amendment No. 2, BOX corrected one sentence to conform it to discussion elsewhere in the Amendment No. 1 analysis of whether the proposed COPIP rules are consistent with Section 11(a) of the Act and the rules thereunder.

Amendment No. 2 has been placed in the public comment file for SR-BOX-2013-43 at <http://www.sec.gov/comments/sr-box-2013-43/box201343.shtml> (see letter from Lisa J. Fall, President, BOX, to Elizabeth M. Murphy, Secretary, Commission, dated December 19, 2013) and also is available on the Exchange's Web site at [https://lynxstorageaccount.blob.core.windows.net/boxvr/SE\\_resources/SR-BOX-2013-43\\_Amendment\\_2.pdf](https://lynxstorageaccount.blob.core.windows.net/boxvr/SE_resources/SR-BOX-2013-43_Amendment_2.pdf).

<sup>7</sup> As defined in proposed BOX Rule 7240(a)(5), the term "Complex Order" means any order involving the simultaneous purchase and/or sale of two or more different options series in the same underlying security, for the same account, in a ratio that is equal to or greater than one-to-three (.333) and less than or equal to three-to-one (3.00) and for the purpose of executing a particular investment strategy.

<sup>8</sup> The "BOX Book" is defined as the "electronic book of orders on each single option series maintained by the BOX Trading Host." BOX Rule 100(a)(10).

<sup>9</sup> The execution priority of interest on the BOX Book over Complex Orders is consistent with existing BOX Rules 7240(b)(3)(i). See also Notice, 78 FR at 58366-67 for an example illustrating the execution and allocation of a COPIP with BOX Book Interest.

<sup>10</sup> See proposed BOX Rule 7245(f)(3)(i). The term "Strategy" is defined as a particular combination of components of a Complex Order and their ratios to one another. See BOX Rule 7240(a)(7).

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