

identified by BNPP or any U.S. or non-U.S. regulatory or enforcement agencies as having been responsible for the Conduct will be an officer, director, or employee of FFTW, BSCM, or IAM, or of any other Covered Person; (iii) those identified employees have had no, and will not have any future, involvement in the Covered Persons' activities in any capacity described in section 9(a) of the Act; and (iv) because the personnel of the Applicants (other than certain personnel of BNPP who were not involved in any of the Applicants' Fund Service Activities) did not have any involvement in the Conduct, shareholders of the Funds were not affected any differently than if those Funds had received services from any other non-affiliated investment adviser.

5. Except as discussed above, Applicants have agreed that neither they nor any of the other Covered Persons will employ any of the current or former employees of BNPP or any Covered Person who previously have been or who subsequently may be identified by BNPP or any U.S. or non-U.S. regulatory or enforcement agencies as having been responsible for the Conduct in any capacity without first making a further application to the Commission pursuant to section 9(c). Applicants also have agreed that each Applicant (and any Covered Person that acts in any capacity described in section 9(a) of the Act) will adopt and implement policies and procedures reasonably designed to ensure compliance with the terms and conditions of the order granted under section 9(c). In addition, BNPP has agreed to comply in all material respects with the material terms and conditions of the Plea Agreements and the material terms of the Federal Reserve/ACPR Order, the Federal Reserve CMP Order, the DFS Order and the OFAC Order, all of which are described more fully in the application.

6. Applicants further represent that the inability of FFTW, BSCM, and IAM to continue providing Fund Service Activities would result in potential hardships for both the Funds and their shareholders. Applicants state that they will distribute written materials, including an offer to meet in person to discuss the materials, to the board of trustees/directors of the Funds, including the directors who are not "interested persons," as defined in section 2(a)(19) of the Act, of such Funds, and their independent legal counsel as defined in rule 0-1(a)(6) under the Act, if any, regarding the Plea Agreements, any impact on the Funds, and the application. The Applicants will provide the Funds with all information concerning the Plea

Agreements and the application that is necessary for the Funds to fulfill their disclosure and other obligations under the federal securities laws.

7. Applicants also state that, if FFTW, BSCM, and IAM were barred from providing Fund Service Activities to the Funds, the effect on their business and employees would be severe.

8. Applicants state that none of the Applicants and none of their affiliates previously have received orders under section 9(c).

#### Applicants' Conditions

Applicants agree that any order granted by the Commission pursuant to the application will be subject to the following conditions:

1. Any temporary exemption granted pursuant to the application will be without prejudice to, and will not limit the Commission's rights in any manner with respect to, any Commission investigation of, or administrative proceedings involving or against, Covered Persons, including, without limitation, the consideration by the Commission of a permanent exemption from section 9(a) of the Act requested pursuant to the application or the revocation or removal of any temporary exemptions granted under the Act in connection with the application.

2. Except as set out in the second paragraph on Section IV.E. of the application, neither the Applicants nor any of the other Covered Persons will employ any of the current or former employees of BNPP or any Covered Person who previously have been or who subsequently may be identified by BNPP or any U.S. or non-U.S. regulatory or enforcement agencies as having been responsible for the Conduct in any capacity without first making a further application to the Commission pursuant to section 9(c).

3. Each Applicant and Covered Person will adopt and implement policies and procedures reasonably designed to ensure that it will comply with the terms and conditions of the requested orders within 60 days of the date on which any permanent order is granted or, with respect to condition four, such later date as may be contemplated by the Federal Reserve/ACPR Order, the Federal Reserve CMP Order, the DFS Order or the OFAC Order.

4. BNPP will comply in all material respects with the material terms and conditions of the Plea Agreements and with the material terms of the Federal Reserve/ACPR Order, the Federal Reserve CMP Order, the DFS Order and the OFAC Order.

5. Applicants will provide written notification to the Chief Counsel of the

Commission's Division of Investment Management, with a copy to the Chief Counsel of the Commission's Division of Enforcement, of a material violation of the terms and conditions of the requested orders within 30 days of discovery of the material violation.

#### Temporary Order

The Commission has considered the matter and finds that the Applicants have made the necessary showing to justify granting a temporary exemption. Accordingly

*It is hereby ordered*, pursuant to section 9(c) of the Act, that the Applicants and the other Covered Persons are granted a temporary exemption from the provisions of section 9(a), effective forthwith, solely with respect to guilty pleas entered into pursuant to the Plea Agreements, subject to the representations and conditions in the application, until the date the Commission takes final action on their application for a permanent order.

By the Commission.

**Jill M. Peterson,**

*Assistant Secretary.*

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BILLING CODE 8011-01-P

## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-72497; File No. SR-OC-2014-03]

### Self-Regulatory Organizations; OneChicago, LLC; Notice of Filing of a Proposed Rule Change To Update OCX's Rulebook for a Filing Previously Made With the Commodity Futures Trading Commission

June 30, 2014.

Pursuant to Section 19(b)(7) of the Securities Exchange Act of 1934 (the "Act"),<sup>1</sup> notice is hereby given that on June 17, 2014, OneChicago, LLC ("OneChicago," "OCX," or the "Exchange") filed with the Securities and Exchange Commission ("SEC" or "Commission") the proposed rule change described in Items I and II below, which Items have been prepared by the self-regulatory organization. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons. OneChicago has previously filed the rule change with the Commodity Futures Trading Commission ("CFTC"). OneChicago filed a written certification with the CFTC under Section 5c(c) of

<sup>1</sup> 15 U.S.C. 78s(b)(7).

the Commodity Exchange Act (“CEA”)<sup>2</sup> on September 12, 2012.

### **I. Self-Regulatory Organization’s Description of the Proposed Rule Change**

OneChicago is proposing to file with the SEC a Notice to Members (“NTM”) that the Exchange has previously filed with the CFTC, but did not file with the SEC. OneChicago is filing the NTM with the SEC because it relates to sales practices.

On September 12, 2012, OCX filed NTM 2012–26 with the CFTC (originally filed as NTM 2012–24 on August 31, 2012, but refiled as NTM 2012–26 to make a technical amendment). NTM 2012–26 updates NTM 2010–13 by separating the issues in NTM 2012–26 (Pre-Execution Discussions and Cross Trades) from the general block trade issues discussed in NTM 2010–13. NTM 2012–26 provides guidance on two issues related to trading and sales practices. First, NTM 2012–26 interprets and provides guidance on OCX Rule 614 with regard to pre-execution discussions. Second, NTM 2012–26 interprets and provides guidance on OCX Rules 409 and 610 with regard to cross trades.

#### *Pre-Execution Discussions*

OCX Rule 614 prohibits market participants from entering any Order into the OneChicago System which has been pre-arranged, except as expressly permitted by Rules 416 and 417 or in accordance with any policies or procedures for pre-execution discussions from time to time adopted by the Exchange. NTM 2012–26 establishes such a pre-execution discussion policy. Specifically, NTM 2012–26 permits market participants to engage in pre-execution discussions pursuant to which one party may agree in advance to take the opposite side of the other party’s Order for a transaction to be executed on the Exchange.

NTM 2012–26 then lays out three conditions which, if applicable, must be met in order for a pre-execution discussion to comply with the NTM. First, customers of each party engaging in a pre-execution discussion must consent to allow pre-execution discussions with other market participants. Second, any market participant who is solicited to participate in an OCX transaction through pre-execution discussions shall not (i) disclose to any other party the details of such discussions, or (ii) enter an order or quote through the Exchange to take advantage of information

conveyed during such discussions. Finally, for any non-bilateral trade conducted on the Exchange pursuant to a pre-execution discussion, a period of four seconds must elapse between entering the first order or quote and entering the second order for the opposite side.

#### *Cross Trades*

OCX Rule 409 states that the Exchange may from time to time adopt procedures to facilitate the crossing of Orders through the OneChicago System. OCX Rule 610 lays out the requirements for market participants executing customers’ orders, and more specifically, explains that customers’ orders are treated with higher priority than proprietary orders.

NTM 2012–26 expands upon OCX Rules 409 and 610 and permits the crossing of Orders so long as one side of the trade is entered into the OneChicago System at least four seconds before the opposite side. In addition, if the market participant crossing the Orders is taking the opposite side of a customer Order, that market participant must enter the customer’s side of the trade into the OneChicago System first.

The NTM then goes on to add that market participants shall not be in violation of either OCX Rule 409 or OCX Rule 610 if no Person on whose behalf the orders are being crossed has knowledge of the other side’s Order and there is no coordination or prearrangement of the cross trade. In such a circumstance, both sides of the trade are responsible for demonstrating to OCX staff that neither side had knowledge of the other’s Order.

The NTM is attached as *Exhibit 4* to the filing submitted by the Exchange, but is not attached to the published notice of the filing.

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

In its filing with the Commission, OneChicago 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 self-regulatory organization 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 purpose of OneChicago’s filing is to update the OCX Rulebook to account for a filing OneChicago has previously made with the CFTC, but has not made concurrently with the SEC. Specifically, the purpose of the NTM is to clarify the obligations of market participants regarding pre-execution discussions and cross trades, and to require that certain conditions are met in order to engage in pre-execution discussions or cross trades.

The purpose of the pre-execution discussion section in NTM 2012–26 is to explain to market participants how a pre-execution discussion may be effected within the bounds of OCX Rule 614. The NTM lays out three conditions that must be met in order to engage in a pre-execution discussion. These three conditions have been imposed for two purposes: (1) To protect customers, and (2) to preserve the integrity of OCX’s markets. Regarding customer protection, market participants engaging in pre-execution discussions on behalf of customers must receive consent from their customers to engage in such discussions. This requirement ensures that customers are aware of the method by which their Orders are being executed. With regard to preserving the integrity of OCX’s markets, market participants are prohibited from entering any Order on the basis of information gained through a pre-execution discussion. This prohibition preserves market integrity by ensuring that market participants are not trading on the basis of non-public information that is not freely available.

The purpose of the cross trade section in NTM 2012–26 is to explain to market participants how a cross trade may be effected within the bounds of OCX Rule 409 and 610. The NTM preserves market integrity by requiring cross trades to be exposed to market risk for a period of at least four seconds. This delay ensures that the trade to be crossed has the chance to execute competitively with other market participants. Additionally, the four second delay rule requires market participants to enter the customer side of the trade (if the market participant is taking the opposite side of a customer order) first, allowing the customer to be executed against a third party market participant. This requirement ensures that customers receive fair and reasonable prices for their trades.

<sup>2</sup> 7 U.S.C. 7a–2(c).

## 2. Statutory Basis

OneChicago believes that the proposed rule change is consistent with Section 6(b) of the Act,<sup>3</sup> in general, and furthers the objectives of Section 6(b)(5) of the Act,<sup>4</sup> in particular in that it is 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 facilitating transactions in securities, and 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.

NTM 2012–26 promotes just and equitable principles of trade and fosters cooperation and coordination with persons engaged in facilitating transactions in securities by explaining the method by which these market participants may engage in two distinct trading practices that are permitted by the Exchange. The NTM sets forth requirements for market participants effecting pre-execution discussions and cross trades. The Exchange also believes that the rule change benefits investors and market participants because it enhances customer protection and helps preserve the integrity of OCHX's market.

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

OneChicago does not believe that the rule change will impose any burden on competition not necessary or appropriate in furtherance of the purposes of the Act. The Exchange believes that the proposed rule change is equitable and promotes the principles of trade because it is designed to prevent manipulative acts and protect investors. Additionally, all of the conditions to engage in pre-execution discussions and cross trades apply equally to all market participants and are not enforced in a discriminatory manner.

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

Comments on the OneChicago proposed rule change have not been solicited and none have been received.

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

OneChicago filed the proposed rule change with the CFTC on September 12, 2012. OneChicago did not file the

proposed rule change concurrently with the SEC. Instead, OneChicago filed the proposed rule change on June 17, 2014.<sup>5</sup>

At any time within 60 days of the date of effectiveness<sup>6</sup> 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.<sup>7</sup>

## 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-OC-2014-03 on the subject line.

### Paper Comments

- Send paper comments in triplicate to Secretary, Securities and Exchange Commission, 100 F Street NE., Washington, DC 20549-1090.
- All submissions should refer to File Number SR-OC-2014-03. 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-OC-2014-03, and should be submitted on or before July 28, 2014.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>8</sup>

Jill M. Peterson,

Assistant Secretary.

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-72499; File No. SR-C2-2014-012]

### Self-Regulatory Organizations; C2 Options Exchange, Incorporated; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change Relating to the Exchange's Quote Risk Monitor Mechanism

June 30, 2014.

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 20, 2014, C2 Options Exchange, Incorporated (the "Exchange" or "C2") filed with the Securities and Exchange Commission (the "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 Exchange proposes to amend its Quote Risk Monitor Mechanism rule. The text of the proposed rule change is provided below.

(additions are *italicized*; deletions are [bracketed])

\* \* \* \* \*

<sup>8</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>5</sup> Section 19(b)(7)(B) of the Act provides that a proposed rule change filed with the SEC pursuant to section 19(b)(7)(A) of the Act shall be filed concurrently with the CFTC.

<sup>6</sup> Section 19(b)(7)(C) of the Act provides, *inter alia*, that "[a]ny proposed rule change of a self-regulatory organization that has taken effect pursuant to [Section 19(b)(7)(B) of the Act] may be enforced by such self-regulatory organization to the extent such rule is not inconsistent with the provisions of this title, the rules and regulations thereunder, and applicable Federal law."

<sup>7</sup> 15 U.S.C. 78s(b)(1).

<sup>3</sup> 15 U.S.C. 78f(b).

<sup>4</sup> 15 U.S.C. 78(f)(b)(5).