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SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34-72154; File No. SR-CBOE-2014-040)

May 13, 2014

Self-Regulatory Organizations; Chicago Board Options Exchange, Incorporated; Notice of Filing of a Proposed Rule Change Relating to Orders That Are Tied to Stock

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 April 30, 2014, 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**

The Exchange proposed to add rules regarding orders that are tied to stock. The text of the proposed rule change is provided below.

(additions are italicized; deletions are [bracketed])

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**Chicago Board Options Exchange, Incorporated**

**Rules**

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**Rule 6.53. Certain Types of Orders Defined**

One or more of the following order types may be made available on a class-by-class basis. Certain order types may not be made available for all Exchange systems. The classes and/or systems for

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

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

which the order types shall be available will be as provided in the Rules, as the context may indicate, or as otherwise specified via Regulatory Circular.

(a) – (x) No change.

(y) Tied to Stock Order. An order is “tied to stock” if, at the time the Trading Permit Holder representing the order on the Exchange receives or initiates the order, the Trading Permit Holder has knowledge that the order is coupled with an order(s) for the underlying stock or a security convertible into the underlying stock (“convertible security”). The representing Trading Permit Holder must include an indicator on each tied to stock order upon systemization, unless:

(i) the order is submitted to the Exchange as part of a qualified contingent cross order (as defined in this Rule 6.53) through an Exchange-approved device;

(ii) the order is submitted to the Exchange for electronic processing as a stock-option order (as defined in Rule 6.53C); or

(iii) all of the component orders are systematized on a single order ticket.

An order is not “tied to stock” if it is not coupled with an order(s) for the underlying stock or convertible security at the time of receipt or initiation (e.g., an option order that is received or initiated to hedge a previously executed stock transaction, an option transaction or position that is hedged with a subsequently received or initiated stock order).

*... Interpretations and Policies:*

**.01** No change.

\* \* \* \* \*

### **Rule 6.77. Order Service Firms**

(a) – (d) No change.

(e) Order service firms must submit reports pursuant to Rule 15.2A with respect to the stock transactions it executes on behalf of market-makers pursuant to this Rule 6.77.

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**Rule 15.2A. Reports of Execution of Stock Transactions**

In a manner and form prescribed by the Exchange, each Trading Permit Holder must, on the business day following the order execution date, report to the Exchange the following information for the executed stock or convertible security legs of OCC orders, stock-option orders and other tied to stock orders that the Trading Permit Holder executed on the Exchange that trading day: (a) time of execution, (b) execution quantity, (c) execution price, (d) venue of execution, and (e) any other information requested by the Exchange. A Trading Permit Holder may arrange for its clearing firm to submit these reports on its behalf; provided that if the clearing firm does not report an executed stock order, the Trading Permit Holder will be responsible for reporting the information.

**. . . Interpretation and Policies:**

.01 The Exchange will announce by Regulatory Circular any determinations, including the manner and form of the report, that it makes pursuant to Rule 15.2A.

.02 A Trading Permit Holder (or its clearing firm) does not need to report information pursuant to Rule 15.2A with respect to (a) stock-option orders (as defined in Rule 6.53C) submitted to the Exchange for electronic processing or (b) stock or convertible security orders entered into an Exchange-approved device.

.03 A Market-Maker (or its clearing firm) may include the information required by Rule 15.2A in the equity reports submitted to the Exchange pursuant to Rule 8.9(b).

.04 If a tied to stock order executed at multiple options exchanges, a Trading Permit Holder (or its clearing firm) may report to the Exchange the information pursuant to Rule 15.2A for the entire

stock or convertible security component(s) rather than the portion of the stock or convertible security component(s) applicable to the portion of the order that executed at the Exchange.

.05 In lieu of the time of execution pursuant to Rule 15.2A(a), the Exchange may accept the time of the trade report if that time is generally within 90 seconds of the time of execution.

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The text of the proposed rule change is also available on the Exchange's website (<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.

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

#### **1. Purpose**

The Exchange proposes to add rules regarding orders that are tied to stock, which include a proposed definition of tied to stock orders and a related reporting requirement.

#### **Tied to Stock Orders**

The Exchange proposes to add a definition of a tied to stock order as Rule 6.53(y). Proposed paragraph (y) provides that an order is tied to stock if, at the time the Trading Permit Holder representing the order on the Exchange receives the order (if the order is a customer order) or initiates the order (if the order is a proprietary order), has knowledge that the order is

coupled with an order(s) for the underlying stock or a security convertible into the underlying stock (“convertible security” and, together with underlying stock, “non-option”). Tied to stock orders may be simple or complex orders and may be part of, among other things, buy-write strategies, married put strategies, delta neutral strategies, contingent strategies and other stock-option trading strategies with definitive option orders and stock orders.

The representing Trading Permit Holder must include an indicator on each tied to stock order upon systemization unless:

- the order is submitted to the Exchange as part of a qualified contingent cross (“QCC”)<sup>3</sup> order through an Exchange-approved device;
- the order is submitted to the Exchange for electronic processing as a stock-option order<sup>4</sup>; or

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<sup>3</sup> A QCC order is an order to buy (sell) at least 1,000 standard option contracts or 10,000 mini-option contracts that is identified as being part of a qualified contingent trade coupled with a contra-side order to sell (buy) an equal number of contracts. These orders may only be entered in the standard increments applicable to simple orders in the options class under Rule 6.42. For purposes of this order type, a “qualified contingent trade” is a transaction consisting of two or more component orders, executed as agent or principal, where: (a) at least one component is an NMS stock, as defined in Rule 600 of Regulation NMS under the Act; (b) all components are effected with a product or price contingency that either has been agreed to by all the respective counterparties or arranged for by a broker-dealer as principal or agent; (c) the execution of one component is contingent upon the execution of all other components at or near the same time; (d) the specific relationship between the component orders (e.g., the spread between the prices of the component orders) is determined by the time the contingent order is placed; (e) the component orders bear a derivative relationship to one another, represent different classes of shares of the same issuer, or involve the securities of participants in mergers or with intentions to merge that have been announced or cancelled; and (f) the transaction is fully hedged (without regard to any prior existing position) as a result of other components of the contingent trade. QCC orders may execute without exposure provided the execution is not at the same price as a public customer order resting in the electronic book and is at or between the national best bid or offer. A QCC order will be cancelled if it cannot be executed. See Rule 6.53(u).

<sup>4</sup> A “stock-option order” is an order buy or sell a stated number of units of any underlying stock or convertible security coupled with the purchase or sale of options contract(s) on

- all components of the trading strategy of which the order is a part, including the non-option orders, are systematized on a single order ticket.

The purpose of the indicator is to enhance the Exchange's audit trail. The Exchange believes there are circumstances in which investors do not submit to or systematize at the Exchange the non-option component(s) of trading strategies with the related option component(s). Instead, they separately submit the non-option component(s) for execution, such as to a broker or directly to another trading venue, which prevents the Exchange from knowing that it relates to an order(s) that executed on the Exchange. For example, suppose a Trading Permit Holder receives a stock-option strategy from a customer to buy 10,000 shares of stock XYZ and buy 100 XYZ puts. The Trading Permit Holder submits the put order to CBOE for execution but requests that a broker at the New York Stock Exchange ("NYSE") execute the stock order. In this case, the Trading Permit Holder must include the tied to stock indicator on the XYZ put order. If the Trading Permit Holder had instead submitted the option and stock orders to CBOE as a stock-option order, then no indicator would have been required. The indicator will alert the Exchange of any non-option order that is part of a trading strategy for which the option order executed on the Exchange.

The proposed rule excludes from the requirement to include the indicator for tied to stock orders upon systemization the situation in the first bullet above because devices used for order submissions may be modified to automatically apply the tied to stock indicator to QCC orders

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the opposite side of the market representing either (i) the same number of units of the underlying stock necessary to create a delta neutral position, but in no case in a ratio greater than eight-to-one, where the ratio represents the total number of units of the underlying stock or convertible security in the option leg to the total number of the underlying stock or convertible security in the stock leg (or such lower ratio as may be determined by the Exchange on a class-by-class basis) [sic]. Only those stock-option orders with no more than the applicable number of legs, as determined by the Exchange on a class-by-class basis, are eligible for processing. See Rule 6.53C(a)(2).

after systemization, in which case the representing Trading Permit Holder would not also need to add the indicator to those orders upon systemization.<sup>5</sup> With respect to the situation in the second and third bullets above (for which no indicator is required), the stock or convertible security component(s) is systematized at the Exchange with the option component, so the Exchange is already aware that these orders include a stock or convertible security component(s). Thus, the Exchange does not believe it is necessary to require Trading Permit Holders to add the “tied to stock” marking to these orders to indicate the stock components for audit trail purposes.

As the proposed definition indicates, a Trading Permit Holder must have knowledge of the non-option order. In the example above, the customer instructed the Trading Permit Holder to execute a stock-option strategy (buy 10,000 shares of stock XYZ and buy 100 XYZ puts) and thus had knowledge of the stock component at the time it received the order from the customer. Thus, the Trading Permit Holder must mark the put order as tied to stock when it systematizes the order.<sup>6</sup> However, assume the customer gave the put order to the Trading Permit Holder and separately called another broker at NYSE to execute the stock order (but never told the Trading Permit Holder about the related stock order), the Trading Permit Holder would have no knowledge of the stock component and thus would not be required to include the tied to stock marking.

The marking obligation falls on the representing Trading Permit Holder. If a Trading Permit Holder is a routing broker and receives an option order with no knowledge of a related

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<sup>5</sup> Currently, the Floor Broker Workstation (“FBW”) and PULSe workstation would be the only Exchange-approved devices for this proposed rule. If additional devices (whether provided by the Exchange or a third party) are modified to automatically apply the tied to stock indicator to QCC orders when those orders are submitted to the Exchange, then the Exchange may “approve” those devices for purposes of this exclusion.

<sup>6</sup> Similar reasoning applies if the Trading Permit Holder had developed the trading strategy for its proprietary account.

stock component submitted separately for execution, then the routing broker is not required to include the tied to stock indicator. Thus, routing brokers do not need to take any steps to require non-Trading Permit Holder clients to identify orders as tied to stock. If a routing client is a Trading Permit Holder, and that Trading Permit Holder client separates the stock order (or is aware of a separate non-option order) prior to submitting the option order to the routing broker (who ultimately sends the order to the Exchange), the Trading Permit Holder client has the responsibility to include the tied to stock marking (the order would already be marked when received by the routing broker, so the routing broker would have no “re-marking” obligation). However, while routing brokers generally do not populate order information, the Exchange believes they do in certain circumstances. In the event a routing broker does populate order information and either elects to route the non-option order of a trading strategy separately for execution (or has knowledge of a separate non-option component), then the routing broker must include the tied to stock indicator on the option order.

An order is not tied to stock if it is not coupled with an order(s) for the non-option order at the time of receipt or initiation. An order is tied to stock only if part of a trading strategy coupled with at least one non-option component, which trading strategy comprised of a single investment decision for which the investor has the intent of execution of these orders at or near the same time. For example, an option order that is received or initiated to hedge a previously executed stock transaction is not tied to stock. The option order is a separate and subsequent investment decision based on an existing stock position; thus, there is no intent for execution of the option order at or near the same time as a stock order. Similarly, an option transaction or position that is hedged with a subsequently received or initiated stock order is not tied to stock. The decision to submit the stock order was a subsequent investment decision based on an

existing option position. Thus, a Trading Permit Holder does not need to include a tied to stock indicator on option orders that hedge currently held positions (whether in options or non-options). Similarly, a Trading Permit Holder does not need to go back and add the indicator to a previously executed option order for which it later submits a stock order to offset the option position. For example, if a Market-Maker has a current option position (i.e., an option quote or order has already executed), and then submits a stock order to hedge that option position, the original option order is not tied to the subsequent stock order and does not require a tied to stock indicator. The Exchange does not require identification of these types of hedging strategies for audit trail purposes. Trading Permit Holders only need to include the tied to stock indicator on orders that are coupled with non-option orders as part of a trading strategy comprised of a single investment decision for which the intent is to have all components execute at or near the same time.

#### Reporting Requirement

The proposed rule change adopts Rule 15.2A, which provides that in a manner and form prescribed by the Exchange, each Trading Permit Holder must, on the business day following the order execution date, report to the Exchange the following information for the executed stock or convertible security legs of QCC orders, stock-option orders and other tied to stock orders that the Trading Permit Holder executed on the Exchange that trading day: (a) time of execution, (b) execution quantity, (c) execution price, (d) venue of execution, and (e) any other information requested by the Exchange. The proposed rule change also allows a Trading Permit Holder to arrange for its clearing firm to submit these reports on its behalf; provided that if the clearing firm does not report an executed stock order, the Trading Permit Holder will be responsible for reporting the information. Allowing clearing firms to report the information to the Exchange provides

Trading Permit Holders with flexibility in the event that clearing firms are better-positioned to report the information.<sup>7</sup> However, the ultimate responsibility lies with the executing Trading Permit Holder (who would also have the responsibility to report the option transaction information).

Proposed Interpretation and Policy .01 provides that the Exchange will designate by Regulatory Circular any determinations<sup>8</sup> that it makes under Rule 15.2A, including the manner and form in which Trading Permit Holders should submit these reports to the Exchange.

Proposed Interpretation and Policy .02 provides that Trading Permit Holders do not need to report information pursuant to Rule 15.2A with respect (a) stock-option orders submitted to the Exchange for electronic processing (such as to the complex order book (COB), the complex order auction (COA) or the automated improvement mechanism (AIM)) or (b) stock or convertible security orders entered into an Exchange-approved device. Because the Exchange routes for execution through a routing broker to stock exchanges or trading centers the stock components of these orders, the Exchange will already have access to the transaction information for the stock components of stock-option orders submitted to the Exchange for electronic processing. With respect to stock or convertible legs that are entered into an Exchange-approved device, the Exchange is able to receive the applicable data for these orders and thus does not need to also receive the data directly from Trading Permit Holders.<sup>9</sup>

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<sup>7</sup> The Exchange provides Market-Makers with similar flexibility in Rule 8.9(b) with respect to equity trade reports.

<sup>8</sup> This includes the implementation date of the reporting requirement and any updates or changes to any determinations made by the Exchange.

<sup>9</sup> The Exchange will announce by Regulatory Circular which devices provided by the Exchange (e.g., FBW, PULSe) will be “Exchange-approved” for purposes of this rule. The Exchange will also announce by Regulatory Circular how other devices may become approved for purposes of this rule.

Proposed Interpretation and Policy .03 provides that a Market-Maker (or its clearing firm, if applicable) may include the information required by proposed Rule 15.2A in the equity reports it must already submit to the Exchange pursuant to Rule 8.9(b). Allowing Market-Makers to combine these reports will eliminate potential duplicate reports.

Proposed Interpretation and Policy .04 provides that if a tied to stock order executed at multiple options exchanges, a Trading Permit Holder (or its clearing firm, as applicable) may report to the exchange the information pursuant to Rule 15.2A for the entire stock or convertible security component(s) rather than the portion applicable to the portion of the order that executed at the Exchange. The Exchange believes this flexibility is appropriate given the potential for executions in multiple markets. For example, suppose a Trading Permit Holder sells 100 calls on XYZ, 20 of which execute at CBOE, and contemporaneously purchases 10,000 shares of YXX. CBOE appreciates the difficulty in identifying the 2,000 shares of XYZ that “relate” to the 20 options sold at CBOE. The proposed rule change will provide the Exchange with the information it needs while minimizing the burden on Trading Permit Holders.

Proposed Interpretation and Policy .05 provides that in lieu of time of execution, the Exchange may accept the time of the trade report for the non-option transaction if that time is generally within 90 seconds of the time of execution. This timing is consistent with Rule 6.51, which requires Trading Permit Holders to report option transaction information within 90 seconds of execution. The time of the trade report, if it is generally within this 90-second time frame,<sup>10</sup> will provide the Exchange with sufficient information for surveillance purposes while providing Trading

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<sup>10</sup> Under Rule 6.51, a pattern or practice of late reporting options transactions without exceptional circumstances may be considered conduct inconsistent with just and equitable principles of trades. Similarly, the Exchange may not accept this substitute information for non-option transactions from Trading Permit Holders that exhibit such a pattern or practice of late reporting, as regular late reporting times would not provide the Exchange with the information necessary to conduct its surveillances.

Permit Holders with flexibility if they determine that the trade report time is easier to provide than trade execution time.

The Exchange is responsible for regulating its markets and Trading Permit Holders. To carry out its regulatory responsibilities, the Exchange needs to have sufficient trade data to effectively monitor cross-market trading activity, assist with investigations of potential violations of federal securities laws and Exchange rules, and perform market reconstructions or other analysis necessary to understand trading activity. CBOE currently requires Trading Permit Holders to submit various execution data in real-time or daily to help the Exchange monitor trading activity.<sup>11</sup> The Exchange believes that as use of electronic, interconnected markets continues to increase, access to additional cross-market order information, specifically information regarding stock trades tied to stock orders, would enhance the Exchange's ability to monitor this trading activity and therefore allow it to more effectively fulfill its regulatory responsibilities.<sup>12</sup>

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<sup>11</sup> See, e.g., Rules 4.13 (requires Trading Permit Holders to submit reports to the Exchange related to position limits); 6.24 (which requires Trading Permit Holders to systemize certain order information); 6.51 (requires Trading Permit Holders to report to the Exchange certain information regarding transactions on and off the Exchange); 8.9 (requires Clearing Trading Permit Holders to report to the Exchange executed orders by Market-Makers for the purchase or sale of equity securities, as well as opening and closing positions in those securities); 15.2 (requires Trading Permit Holders to submit to the Exchange a daily report of all transactions); and 15.3 (requires Trading Permit Holders, upon request of the Exchange, to submit a report of the total uncovered short positions in each option contract class); see also Rule 15.1, Interpretation and Policy .01.

<sup>12</sup> The Consolidated Audit Trail ("CAT") highlights the need for self-regulatory organizations to have access to cross-market activity. While CBOE appreciates that CAT will capture this stock transaction information when implemented, the Exchange believes that the implementation of CAT may be several years away and that it should continue to enhance its audit trail when it identifies opportunities to do so, particularly when the enhancements will reduce the long-term costs and burdens on both the Exchange and Trading Permit Holders.

The Exchange believes the additional information it will receive pursuant to proposed Rule 15.2A (including information from orders service firms) will enhance its ability to effectively monitor and conduct surveillance of the CBOE market and its Trading Permit Holders with respect to stock orders whose execution information is not electronically captured by its audit trail, and their relevant cross-market trading activity, and thus to detect and investigate illegal activity in a more timely fashion. The Exchange also believes that the proposed rule change will improve its ability to conduct more timely and accurate trading analyses, market reconstructions, complex enforcement inquiries or investigations, and inspections and examinations. The proposed marking of tied to stock orders will greatly improve the Exchange's ability to tie an executed non-option leg to the applicable option order and thus the Exchange's ability to conduct surveillances related to these orders, such as surveillances for compliance with Regulation SHO and frontrunning rules.

The Exchange believes the proposed rule change to mark tied to stock orders will place minimal additional burden on Trading Permit Holders, because the indicator will merely be adding one additional notation when entering a tied to stock order. The Exchange also believes the proposed rule change to report to the Exchange information regarding stock trades will place minimal additional burden on Trading Permit Holders, as the Exchange believes Trading Permit Holders keep records of their stock transaction information and, to the extent stock executions occur on registered exchanges, must report stock transaction to stock exchanges. Additionally, as discussed above, Exchange rules already require Trading Permit Holders to systemize or report various types of information regarding their orders and transactions to the Exchange. Further, while Trading Permit Holders may need to perform systems work to allow for the indicator, the Exchange believes that this proposed rule change will substantially decrease

Trading Permit Holders' administrative burden in the long-term, in addition to the Exchange's administrative burden, in having to otherwise manually gather this cross-market information and tie non-option legs to option orders in connection with the Exchange's regulatory duties.

Order service firms,<sup>13</sup> which are Trading Permit Holders, will be subject to the reporting requirements set forth in proposed Rule 15.2A with respect to stock transactions that they execute on behalf of market-makers on the floor of the Exchange. The proposed rule change adds paragraph (e) to Rule 6.77 to include this reporting requirement, as the Exchange believes that including all requirements applicable to order service firms in a single Exchange rule will benefit these firms.

The Exchange will announce the implementation date of the proposed rule change in a Regulatory Circular to be published no later than 90 days following the effective date. The implementation date will be no later than 180 days following the effective date.

## 2. Statutory Basis

The Exchange believes the proposed rule change is consistent with the Act and the rules and regulations thereunder applicable to the Exchange and, in particular, the requirements of Section 6(b) of the Act.<sup>14</sup> Specifically, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)<sup>15</sup> 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,

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<sup>13</sup> Order service firms are regular Trading Permit Holder organizations that are registered with the Exchange for the purpose of taking orders for the purchase or sale of stocks or commodity futures contracts (and options thereon) from market-makers on the floor of the Exchange and forwarding such orders for execution. Rule 6.77(a).

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

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

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)<sup>16</sup> requirement that the rules of an exchange not be designed to permit unfair discrimination between customers, issuers, brokers, or dealers.

In particular, the Exchange believes the proposed rule change will significantly aid the Exchange's efforts to prevent fraudulent and manipulative acts and practices with respect to tied to stock orders, because it will greatly improve the Exchange's ability to tie executed non-option legs to the applicable option orders that were separately submitted for execution. This, along with the additional stock transaction information that the Exchange will receive pursuant to proposed Rule 15.2A, will provide the Exchange with information that will permit CBOE to more efficiently and effectively conduct its regulatory surveillances of CBOE trading activity and cross-market trading activity, such as surveillances to ensure compliance with Regulation SHO and frontrunning rules. Because the proposed rule change will enhance the Exchange's surveillance of cross-market trading activity, the Exchange believes the proposed rule change will also remove impediments to and perfect the mechanism of a free and open market and a national market system. In addition, the Exchange believes the proposed rule change will promote just and equitable principles of trade and protect investors by allowing the Exchange to detect and investigate illegal activity in a more timely fashion and improving the Exchange's ability to conduct more timely and accurate trading analyses, market reconstructions, complex enforcement inquiries or investigations, and inspections and examinations. Finally, the

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Id.

Exchange believes that the proposed changes to Rule 6.77 will benefit investors by including all requirements with respect to stock transactions executed by orders service firms, respectively, in a single place within the Exchange's rules.

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 not necessary or appropriate in furtherance of the purposes of the Act. The proposed rule change will impose the same marking and reporting requirements on all Trading Permit Holders with respect to tied to stock orders. The Exchange believes that the proposed rule change does not impose any burden on intermarket competition not necessary or appropriate in furtherance of the purposes of the Act. While the proposed rule change may impose requirements with respect to tied to stock orders submitted to CBOE that other options exchanges do not, the Exchange believes that, as discussed above, any additional burden imposed on Trading Permit Holders by this proposed rule change is minimal. The Exchange believes that, while the proposed rule change is imposing a new marking and reporting requirement on Trading Permit Holders, it requires only an indicator with respect to the marking requirement and it provides flexibility with respect to the reporting requirement (such as allowing clearing firms to report the stock transaction information and allowing Market-Makers to combine the required information with reports they already provide to the Exchange) to minimize any additional burden. The Exchange believes Trading Permit Holder already have records of the non-option transaction information in order to satisfy other reporting requirements (such as those of stock exchanges). The Exchange recognizes that Trading Permit Holders may need to perform system work to allow for the indicator and the reports. However, the Exchange believes these upfront costs on Trading Permit Holders will offset their long-term burden associated with providing the Exchange with this information pursuant to individual requests. In

addition, the Exchange believes that the flexibility provided within the proposed reporting rule further reduces any additional burdens that the rule imposes on Trading Permit Holder.

Additionally, the proposed rule change will reduce the Exchange's costs associated with identifying and gathering this information. Currently, the Exchange is not aware of separate non-option components and does not have access to non-option transaction information of trading strategies that were not submitted to the Exchange for electronic processing. It must gather this information manually, which is time-consuming and expensive for both the Exchange and Trading Permit Holders. The Exchange believes the benefits that the proposed rule change will provide to the Exchange and Trading Permit Holders outweigh any minimal additional burden and upfront costs imposed on Trading Permit Holders.

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 proposal.

**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 Exchange consents, the Commission will:

- A. by order approve or disapprove such 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 e-mail to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include File Number SR-CBOE-2014-040 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-CBOE-2014-040. This file number should be included on the subject line if e-mail 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 website (<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 website viewing and printing in the Commission's Public Reference Room, 100 F Street, NE, Washington, D.C. 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-2014-040 and should be submitted on or before [insert date 21 days from publication in the Federal Register].

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

Kevin M. O'Neill  
Deputy Secretary

[FR Doc. 2014-11435 Filed 05/16/2014 at 8:45 am; Publication Date: 05/19/2014]

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