



## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-74067; File No. SR-CBOE-2015-004]

### **Self-Regulatory Organizations; Chicago Board Options Exchange, Incorporated; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to Delay the Implementation Date of Rule Change SR-CBOE-2014-040**

January 15, 2015

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 January 7, 2015, 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 Exchange filed the proposal as a “non-controversial” proposed rule change pursuant to Section 19(b)(3)(A)(iii) of the Act<sup>3</sup> and Rule 19b-4(f)(6) thereunder.<sup>4</sup> 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 the Substance of the Proposed Rule Change**

The Exchange proposes to delay the implementation date of rule change SR-CBOE-2014-040. There is no proposed change to the rule language.

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

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

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

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

The text of the proposed rule change is 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

On August 13, 2014, CBOE Rules 6.53(y) and 15.2A were approved by the Securities Exchange Commission (SR-CBOE-2014-040).<sup>5</sup> Rule 6.53(y) added a definition of a tied to stock order.<sup>6</sup> Rule 15.2A requires, among other things, that each Trading Permit Holder, ("TPH"), on the business day following the order execution date, report to the Exchange certain information regarding the executed stock or convertible security legs of Qualified Contingent Cross ("QCC") orders, stock-option orders and other Tied to Stock Orders that the TPH executed on the Exchange that trading day. CBOE stated that it would consider feedback from TPHs

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<sup>5</sup> Securities Exchange Act Release No. 34-72839 (August 13, 2014), 79 FR 49123 (August 19, 2014) (Approval Order) (SR-CBOE-2014-040).

<sup>6</sup> Rule 6.53(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").

regarding the timing of the implementation date of SR-CBOE-2014-040.<sup>7</sup> Based on that feedback, the Exchange seeks to extend the implementation date of SR-CBOE-2014-040.

Pursuant to SR-CBOE-2014-040, the Exchange issued CBOE Regulatory Circular RG14-171 on December 10, 2014, to announce the implementation date of Rules 6.53(y) and 15.2A. However, SR-CBOE-2014-040 required the Exchange to announce the implementation date no later than 90 days following the effective date of the filing (i.e., by November 12, 2014).<sup>8</sup> Therefore, even though the rule filing was approved on August 13, 2014, TPHs were unable to fully assess the impact of the rule filing until RG14-171 was issued on December 10, 2014. In addition, the CBOE Regulatory Division held a session with TPHs on December 19, 2014, to discuss the implementation of Rules 6.53(y) and 15.2A.<sup>9</sup> TPHs requested clarity regarding several aspects of Rules 6.53(y) and 15.2A; however, several issues remain outstanding. Furthermore, TPHs expressed their inability to plan technological modifications without further clarity. Although the Exchange plans to hold future training sessions, the Exchange does not believe TPHs are in a position to comply with the requirements of Rules 6.53(y) and 15.2A by the current implementation date of February 9, 2015. Therefore, the Exchange seeks to extend the implementation date of SR-CBOE-2014-040.

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

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<sup>7</sup> See letter to Elizabeth M. Murphy, Secretary, Commission, from Laura G. Dickman, Senior Attorney, CBOE, dated August 6, 2014 (“CBOE Letter II”) at 2.

<sup>8</sup> SR-CBOE-2014-040 was approved on August 13, 2014, but the implementation date was not announced until December 10, 2014.

<sup>9</sup> See CBOE Regulatory Circular RG14-185 – Session on December 19, 2014 Regarding Tied to Stock Order Marking and Reporting Requirements (December 17, 2014).

filing. The implementation date will be no later than 180 days following the effective date of this filing.

## 2. Statutory Basis

The Exchange believes the proposed rule change is consistent with the Securities Exchange Act of 1934 (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>10</sup> Specifically, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)<sup>11</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, 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>12</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 Rules 6.53(y) and 15.2A will aid the Exchange’s efforts to prevent fraudulent and manipulate acts and practice with respect to tied to stock orders, because it will improve the Exchange’s ability to tie executed non-option legs to the applicable option orders that were separately submitted for execution. Additionally, the Exchange believes the data provided pursuant to Rules 6.53(y) and 15.2A will help to remove impediments to and perfect the mechanism of a free and open market, but only if TPHs have a better understanding

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<sup>10</sup> 15 U.S.C. 78f(b).

<sup>11</sup> 15 U.S.C. 78f(b)(5).

<sup>12</sup> Id.

of their obligations because a better understanding is likely to lead to more accurate data, which will permit CBOE to more efficiently and effectively conduct its regulatory surveillance.

Therefore, the Exchange believes that if Rules 6.53(y) and 15.2A is implemented on February 9, 2015, TPHs and CBOE will be negatively impacted.

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 that is not necessary or appropriate in furtherance of the purposes of the Act.

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 proposed rule change.

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

Because the foregoing proposed rule change does not:

- A. significantly affect the protection of investors or the public interest;
- B. impose any significant burden on competition; and
- C. become operative for 30 days from the date on which it was filed, or such shorter

time as the Commission may designate, it has become effective pursuant to Section 19(b)(3)(A) of the Act<sup>13</sup> and Rule 19b-4(f)(6)<sup>14</sup> thereunder. 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. If the Commission takes such action, the Commission will institute proceedings to determine whether the proposed rule change should be approved or disapproved.

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<sup>13</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>14</sup> 17 CFR 240.19b-4(f)(6).

#### 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-2015-004 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-2015-004. 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. 20549-1090 on official business days between the hours of 10 a.m. and 3 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-CBOE-2015-004, and should be submitted on or before **[INSERT DATE 21 DAYS AFTER DATE OF PUBLICATION IN THE FEDERAL REGISTER]**.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>15</sup>

**Brent J. Fields,**  
*Secretary.*

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<sup>15</sup> 17 CFR 200.30-3(a)(12).