

be submitted on or before December 9, 2014.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>13</sup>

**Kevin M. O'Neill,**

*Deputy Secretary.*

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-73572; File No. SR-CHX-2014-18]

### Self-Regulatory Organizations; Chicago Stock Exchange, Inc.; Notice of Filing and Immediate Effectiveness of Proposed Rule Change Concerning Certain Order Types, Modifiers and Related Functionality

November 10, 2014.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act")<sup>1</sup>, and Rule 19b-4<sup>2</sup> thereunder, notice is hereby given that on October 31, 2014, the Chicago Stock Exchange, Inc. ("CHX" or the "Exchange") filed with the Securities and Exchange Commission ("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 proposes to amend various CHX Rules to clarify the operation of certain order types, modifiers and LULD price sliding and to substantively modify the operation of the cross order type and Cross With Size order handling functionality. Aside from the proposed amendments to the cross order type and Cross With Size order handling functionality, the Exchange does not propose to substantively modify the operation of any other functionality. The Exchange has designated this proposal as non-controversial and provided the Commission with the notice required by Rule 19b-4(f)(6)(iii) under the Act.<sup>3</sup>

#### 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 CHX included statements concerning the purpose of and basis for the proposed rule changes 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 CHX 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 amend various CHX Rules to clarify the operation of certain order types, modifiers and LULD price sliding and to substantively modify the operation of the cross order type and Cross With Size order handling functionality. Aside from the proposed amendments to the cross order type and Cross With Size order handling functionality, the Exchange does not propose to substantively modify the operation of any other functionality.

Amended CHX Article 1, Rule 1(pp) (Working Price)

Under SR-CHX-2014-15, the Exchange adopted, *inter alia*, the term "Working Price," which is defined as "the most aggressive price at which a resting limit order, as defined under Article 1, Rule 2(a)(1), can execute within the Matching System, in compliance with Rule 611 of Regulation NMS."<sup>4</sup> While Rule 611 of Regulation NMS is one of the factors that determine the price at which an order for an NMS security could permissibly execute, other rules and plans such as Rule 201 of Regulation SHO and LULD would also determine the most aggressive price at which an order could permissibly execute. Thus, the Exchange proposes to amend CHX Article 1, Rule 1(pp) to provide that "Working Price" means the

most aggressive price at which a resting limit order can execute within the Matching System in compliance with "CHX Rules and relevant securities law and regulations, including Rule 611 of Regulation NMS and Rule 201 Regulation SHO."

Amended CHX Article 1, Rule 2(a)(1) (Limit Order) and CHX Article 1, Rule 2(c) (Order Display Modifiers)

Current CHX Rules imply, but do not explicitly state, that a limit order not marked Reserve Size or Do Not Display is fully displayable. Specifically, CHX Article 1, Rule 2(c) lists three order display modifiers, where paragraph (c)(1) defines "Always Quote," which requires the unexecuted balance of an order priced at the CHX Best Bid or Offer ("BBO") to be cancelled if it could not be displayed; paragraph (c)(2) defines "Do Not Display," which requires the order to be fully hidden; and paragraph (c)(3) defines "Reserve Size," which requires the order to be partially displayed and partially hidden. Given that there is no order modifier requiring that an order be fully displayable, it can be inferred from CHX Article 1, Rule 2(c) that limit orders are fully displayable, unless marked otherwise.

In the interest of clarity, the Exchange proposes to amend CHX Article 1, Rule 2(a)(1) to add a sentence to the current definition of "limit order" to provide that "all limit orders are fully displayable, unless marked Do Not Display, as defined under paragraph (c)(2), or Reserve Size, as defined under paragraph (c)(3)." Moreover, since order display modifiers are only relevant for orders that post to the CHX Book<sup>5</sup> and the CHX Book only contains resting limit orders,<sup>6</sup> the Exchange proposes to amend CHX Article 1, Rule 2(c) to provide that "one or more order display modifiers may be applied to limit orders, subject to the requirements of Article 20, Rule 5, so long as the modifier is compatible with other applicable order modifiers/terms."

Amended CHX Article 1, Rule 2(b)(1)(A) (BBO Intermarket Sweep Order ("ISO"))

Current CHX Article 1, Rule 2(b)(1)(A) defines BBO ISO and provides, in pertinent part, that a BBO ISO is a limit order modifier that marks an order as required by SEC Rule 600(b)(30) that is to be executed against any orders at the

<sup>13</sup> 17 CFR 200.30-3(a)(12).

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

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

<sup>3</sup> 17 CFR 240.19b-4(f)(6)(iii).

<sup>4</sup> SR-CHX-2014-15 was immediately effective upon filing, but is not yet operative. The Exchange anticipates that the changes effected under SR-CHX-2014-15 will become operative in the first quarter of 2015, pursuant to an Information Memorandum by the Exchange to its Participants published two weeks prior to such time. See Exchange Act Release No. 73150 (September 19, 2014), 79 FR 57603 (September 25, 2014) (SR-CHX-2014-15) ("Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to Adopt the CHX Routing Services").

<sup>5</sup> Market and cross orders are always handled Immediate Or Cancel ("IOC"). See CHX Article 1, Rule 2(a)(2) and (3); see also CHX Article 1, Rule 2(d)(4).

<sup>6</sup> See CHX Article 20, Rule 8(b).

Exchange's BBO<sup>7</sup> (including any Reserve Size or undisplayed orders at or better than that price) as soon as the order is received by the Matching System, with any unexecuted balance of the order to be immediately cancelled (if the order is IOC) or placed in the Matching System.<sup>8</sup> While the definition accurately describes the BBO ISO functionality, the Exchange now proposes to replace this portion of the definition of BBO ISO with more efficient language that also provides specificity regarding how the unexecuted balance of a BBO ISO would be handled depending on the state of the CHX Book.<sup>9</sup>

The proposed language begins by providing that an incoming BBO ISO shall execute against the CHX Book at prices not to exceed the more restrictive of its limit price or the contra-side displayed BBO. Although this can be inferred from current CHX Rules, which provide that a limit order cannot execute at a price more aggressive than its limit price<sup>10</sup> and a limit order marked BBO ISO could not execute at a price more aggressive than the Exchange's BBO,<sup>11</sup> the Exchange submits that the proposed language more succinctly describes the interplay between the limit order and BBO ISO pricing limitations.

The proposed language continues by providing that any unexecuted balance of the BBO ISO shall be immediately cancelled if -1- marked IOC or -2- the incoming BBO ISO sell (buy) order could execute against any resting order(s) priced below (above) the displayed best bid (offer), regardless of the attached order duration modifier(s). While the first cancellation scenario is already explicitly stated in the current definition of BBO ISO,<sup>12</sup> the second cancellation scenario is only implied from the fact that a BBO ISO cannot execute at prices more aggressive than

the contra-side displayed BBO. If an incoming BBO ISO cannot permissibly execute against resting orders on the CHX Book and since the Exchange's price sliding functionalities (*i.e.*, CHX Only and LULD) are not triggered by the state of the CHX BBO,<sup>13</sup> the only alternative is to cancel the unexecuted balance of the BBO ISO. The following Example 1 illustrates how the second cancellation scenario arises:

*Example 1.* Assume that the displayed best offer on the CHX Book with respect to security XYZ is \$10.02 and there is only one sell order at the displayed best offer for 100 shares ("Sell Order A"). Assume further that there is only one other resting sell order for 100 shares of security XYZ priced at \$10.03/share ("Sell Order B"). Assume then that the Matching System receives a buy limit order for 500 shares of security XYZ priced at \$10.03/share marked BBO ISO and Day ("Buy Order A").<sup>14</sup>

In this Example 1, Buy Order A would execute against the full size Sell Order A at \$10.02/share, which would result in Buy Order A being decremented by 100 shares. However, pursuant to the BBO ISO instruction, the remaining 400 shares of Buy Order A would be immediately cancelled, notwithstanding the Day order designation, because Buy Order A would not be permitted to execute against Sell Order B at \$10.03/share and Buy Order A could not post to the CHX Book at its limit price because that would result in a locked book, which the Exchange never permits.<sup>15</sup>

The proposed language also provides that if the unexecuted balance of the BBO ISO would not be cancelled, it shall be ranked on the CHX Book, pursuant to CHX Article 20, Rule 8(b), and displayed at its limit price, subject to CHX Article 20, Rule 8(b)(6). Although the current definition of BBO ISO does not explicitly provide that a BBO ISO could only be displayed at its limit price, this fact can be inferred from CHX Article 20, Rule 8(b)(1)–(3), which provides that limit orders shall be ranked at each price point up to its limit price.

The proposed language concludes by providing that a limit order marked BBO ISO may not be marked Do Not Display,

as defined under CHX Article 1, Rule 2(c)(2). Given that one of the purposes of the BBO ISO is to post a new displayed BBO on the CHX Book, the Exchange believes it important to clarify that a BBO ISO could not be fully hidden. Aside from the foregoing proposed amendments, the Exchange does not propose to amend any other part of the CHX Article 1, Rule 2(b)(1)(A) nor substantively amend the current operation of the BBO ISO in any way.

Amended CHX Article 1, Rule 2(b)(2)(B) (Cross With Satisfy) and Rule 2(b)(2)(C) (Cross With Yield)

CHX Article 1, Rule 2(b)(2)(B) and (C) provides definitions for Cross With Satisfy and Cross With Yield, respectively, which are cross order modifiers that have been deactivated since June 27, 2011, pursuant to the Exchange's authority under CHX Article 20, Rule 4(b). In a previous Rule 19b–4 filing, the Exchange represented that it would only enable these order modifiers pursuant to a clarifying Rule 19b–4 filing.<sup>16</sup>

The Exchange does not intend to amend the functionality of the Cross With Satisfy and Cross With Yield modifiers in the near future and, thus, the Exchange now proposes to delete Cross With Satisfy and Cross With Yield from its rulebook. If the Exchange decides to provide similar functionality in the future, the Exchange will propose new order modifiers pursuant to a Rule 19b–4 filing.

Incidentally, the Exchange proposes to delete all references to Cross With Satisfy and Cross With Yield in the CHX Rules, which, in addition to CHX Article 1, Rule 2(b)(2)(A) and (B), includes references to Cross With Yield and/or Cross With Satisfy under CHX Article 1, Rule 2(g)(1); Article 20, Rule 8(e)(2) and (4); and paragraph .02 of the Interpretations and Policies of CHX Article 20, Rule 8.

Amended CHX Article 1, Rule 2(d)(1) (Day)

CHX Article 1, Rule 2(d)(1) defines "Day" as a modifier that requires an order to be in effect only for the day on which it is submitted to the Exchange. While this accurately describes the Day modifier, the Exchange also currently permits order senders to provide specific instructions concerning Day

<sup>7</sup> CHX Article 1, Rule 1(e) defines "BBO" as "the best bid and/or offer displayed in the Exchange's Matching System."

<sup>8</sup> The definition further provides that upon receipt of a BBO ISO, the Matching System will not check the validity of the order against the National Best Bid or Offer ("NBBO") based on the assumption that the order sender has satisfied Protected Quotations of external markets as required by Rule 600(b)(30) of Regulation NMS.

<sup>9</sup> The Exchange notes that the current definition of BBO ISO has remained substantively unchanged since it was initially approved by the Commission in 2007. See Exchange Act Release 54550 (September 26, 2006), 71 FR 59563 (October 10, 2006) (SR-CHX-2006-05) ("Order Approving Proposed Rule Change and Amendment No. 1 Thereto and Notice of Filing and Order Granting Accelerated Approval to Amendment No. 2 Thereto to Implement a New Trading Model").

<sup>10</sup> See CHX Article 1, Rule 2(a)(1).

<sup>11</sup> See CHX Article 1, Rule 2(b)(1)(A).

<sup>12</sup> *Id.*

<sup>13</sup> CHX Only is triggered based on the price of Protected Quotations of external markets relative to the price of the CHX Only order. See CHX Article 1, Rule 2(b)(1)(C). LULD Price Sliding is triggered based on the price of the relevant price bands relative to the price of the limit order. See CHX Article 20, Rule 2A(b).

<sup>14</sup> See CHX Article 1, Rule 2(d)(1) defining "Day" order. The Exchange is also proposing to amend the definition of Day order to include more specificity as to its functionality, as discussed in detail below.

<sup>15</sup> If Buy Order A were not marked BBO ISO, Buy Order A would be permitted to execute against the full size of Sell Order A and the unexecuted balance of 300 shares of Buy Order A would be posted to the CHX Book, provided that the execution and display of the order would be consistent with Regulation NMS.

<sup>16</sup> See Exchange Act Release No. 69538 (May 8, 2013), 78 FR 28671 (May 15, 2013) (SR-CHX-2013-10) ("Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to Consolidate All CHX Order Types, Modifiers, and Related Terms under One Rule and to Clarify the Basic Requirements of All Orders Sent to the Matching System").

orders as to which trading sessions under a trading day the order would be effective. Thus, the Exchange proposes to amend CHX Article 1, Rule 2(d)(1) to add language that reflects this current functionality. Specifically, the proposed language provides that an order sender may identify a limit order marked Day to be effective during specified trading sessions only, as described under CHX Article 20, Rule 1,<sup>17</sup> provided that -1- the identified trading session are consecutive and valid and -2- the order is received during one of the trading sessions for which it is identified as being effective. Moreover, a limit order marked Day without a specified trading session identifier will be considered effective upon receipt and every subsequent valid trading session for the remainder of the trading day.

Specifically, the consecutive and valid requirement means that the identified effective trading sessions, if more than one are identified, must be consecutive (*i.e.*, early, regular and late; early and regular; or regular and late) and that each trading session has to be valid, in that a Day order cannot be identified as being effective during the late crossing session.<sup>18</sup> The requirement that the trading session be received by the Matching System during one of the trading sessions for which it is identified as being effective is meant to prohibit order senders from submitting orders to the Matching System during a trading session for which the order is not effective. For example, if the Matching System receives a Day order identified as regular trading session only during the early session, the order shall be rejected from the Matching System.

Amended CHX Article 1, Rule 2(a)(2) (Cross Order) and Rule 2(g)(1) (Cross With Size)

Current CHX Article 1, Rule 2(a)(2) defines cross order, in pertinent part, as an order to buy and sell the same security at a specific price better than the best bid and offer *displayed* in the Matching System. The Exchange now proposes to require cross orders to be

priced better than the Working Price<sup>19</sup> of all resting orders on the CHX Book, as opposed to merely the “best bid and offer displayed in the Matching System.”<sup>20</sup> As proposed, a cross order would now have to be priced better than any order resting on the CHX Book, including limit orders marked Do Not Display, as all resting orders have a Working Price.

Current CHX Article 1, Rule 2(g)(1) defines the Cross With Size order handling functionality, which is a special order handling functionality for cross orders that meet its price and size requirements. As for the current price requirement, the rule requires the cross order to be at a price equal to or better than the best bid or offer *displayed* in the Matching System. In order to be consistent with the proposed amendment to the cross order type, the Exchange now proposes to amend the price requirement of the Cross With Size modifier to require that the cross be of a price equal to or better than the Working Price of all orders resting on the CHX Book, as opposed to merely the “best bid or offer displayed in the Matching System.”<sup>21</sup> As proposed, a cross order, in order to be eligible for Cross With Size handling, would now have to be priced at or better than any order resting on the CHX Book, including limit orders marked Do Not Display, as all resting orders have a Working Price.

Moreover, the Exchange proposes to eliminate the prohibition against cross orders marked ISO from being eligible for Cross With Size handling functionality. Given that, from a mechanical standpoint, the ISO modifier only relieves the Exchange from checking the incoming ISO against the NBBO,<sup>22</sup> a cross order marked ISO is identical to a simple cross order in every other way. Thus, the Exchange no longer believes it appropriate to prohibit cross orders marked ISO from being eligible for Cross With Size handling.

Amended CHX Article 20, Rule 2A(b) (LULD Price Sliding)

Under SR-CHX-2014-15, the Exchange, *inter alia*, amended CHX Article 20, Rule 2A(b)(1) to modify the LULD Price Sliding functionality so as to expand the applicability of LULD

Price Sliding from fully displayable orders only to all limit orders, regardless of the attached order display modifier.<sup>23</sup> However, in doing so, the Exchange inadvertently overlooked certain paragraphs under Rule 2A(b), which currently describe LULD Price Sliding in the context of displayed prices only. Thus, the Exchange now proposes to make the following amendments to CHX Article 20, Rule 2A(b)(1) to comport the rule to the amendments effected under SR-CHX-2014-15, which permits all limit orders to be eligible for LULD Price Sliding:

- Amend paragraph (b)(1)(A) to replace the phrase “that would be displayed at a price” with the more inclusive “with a limit price”;
- Eliminate the sentence which states, “an ineligible incoming buy (sell) order that would post at a price above (below) the Upper (Lower) Price Band shall be cancelled,” because only limit orders may post the CHX Book and all limit orders will be eligible for LULD Price Sliding;<sup>24</sup>
- Amend paragraph (b)(1)(B) to replace the phrase “displayed at a price” with the more inclusive “priced”;
- Eliminate the sentence which states, “an ineligible resting buy (sell) order that, at the time of entry, was posted at a price at or below (above) the Upper (Lower) Price Band, but, due to movements in the Price Band, would now be posted at a price above (below) the Upper (Lower) Price Band, shall be cancelled,” because all resting orders will be eligible for LULD Price Sliding;<sup>25</sup> and
- Amend paragraph (b)(1)(C) to replace the term “displayed” with the more inclusive “priced” and “price slid to.”

Moreover, the Exchange proposes to amend paragraph (b)(2)(A), which addresses the interplay between LULD Price Sliding and CHX Only Price Sliding.<sup>26</sup> Given that SR-CHX-2014-15, in addition to the amendments to LULD Price Sliding, expanded the applicability of CHX Only Price Sliding to orders that could post at its limit price without violating Regulation NMS (*e.g.*, limit orders marked Do Not Display),<sup>27</sup> the Exchange proposes to replace the phrase “would be displayed at a price in violation of Rule 610(d) of Regulation NMS, Rule 201 of Regulation SHO” with the more inclusive “that

<sup>17</sup> The Exchange has four trading sessions during each trading day, which include the early session, which is from 6:00 a.m. to 8:30 a.m.; the regular trading session, which is from 8:30 a.m. to 3:00 p.m.; the late trading session, which is from 3:00 p.m. to 3:15 p.m.; and the late crossing session, which is from 3:15 p.m. to 4:00 p.m., during which time only cross orders may be executed. See CHX Article 20, Rule 1(b); see also paragraph .03(a) of the Interpretations and Policies of CHX Article 20, Rule 1. All times are in Central Time.

<sup>18</sup> *Id.*

<sup>19</sup> As proposed above, the Working Price of an order is defined as the “most aggressive price at which a resting limit order, as defined under Article 1, Rule 2(a)(1), can execute within the Matching System, in compliance with CHX Rules and relevant securities laws and regulations, including Rule 611 of Regulation NMS and Rule 201 of Regulation SHO.”

<sup>20</sup> See CHX Article 1, Rule 2(a)(2).

<sup>21</sup> See CHX Article 1, Rule 2(g)(1).

<sup>22</sup> See CHX Article 1, Rule 2(b)(3)(B).

<sup>23</sup> See *supra* note 4.

<sup>24</sup> See *supra* note 4. Market and cross orders are always handled IOC. See CHX Article 1, Rule 2(a)(2) and (3).

<sup>25</sup> See *supra* note 4.

<sup>26</sup> See CHX Article 1, Rule 2(b)(1)(C).

<sup>27</sup> See *supra* note 4.

triggers LULD and/or CHX Only Price Sliding” and include the term “CHX Rules” as one of the rules and regulations with which price slid orders must comply. Moreover, in light of the expansion of both LULD and CHX Only Price Sliding, the Exchange proposes to add the term “if applicable” immediately after the term “displayed at” in light of the fact that undisplayed orders may also be price slid pursuant to CHX Only and LULD Price Sliding.<sup>28</sup>

The Exchange also proposes to amend paragraph (b)(3) to delete the last sentence, which incorrectly cites to an obsolete rule, which was amended under SR-CHX-2014-15. The current citation should have read “Article 20, Rule 8(b)(7),” which currently provides that orders price slid pursuant to CHX Only and LULD Price Sliding shall receive order execution priority based first on its working price, then original time of receipt by the Matching System.<sup>29</sup> In light of the fact that the term Working Price has been adopted to apply to the execution price of all resting orders, the Exchange no longer believes it necessary to maintain a redundant rule that specifically refers to the execution priority of price slid orders, as CHX Article 20, Rule 8(b)(1)–(3), as amended by SR-CHX-2014-15, is applicable to all limit orders, including those that have been price slid.<sup>30</sup>

#### Amended CHX Article 20, Rule 4(a)(7)(D) (Eligible Orders)

Current CHX Article 20, Rule 4(a)(7)(D) provides that orders in securities that customarily trade at a per share price of \$100,000 or greater must be submitted in minimum increments of \$0.10. This rule provides an exception from current CHX Article 20, Rule 4(a)(5), which provides that unless otherwise permitted pursuant to exemptive relief granted by the Commission, orders priced at or above \$1.00 must not be submitted in increments less than \$0.01 and orders priced less than \$1.00 must not be submitted in increments less than \$0.0001.

The Exchange proposes to eliminate the \$0.10 minimum price increment requirement for orders in securities priced at \$100,000/share. The Exchange does not currently permit the trading of any securities with this minimum price increment. Moreover, eliminating this requirement would make the Exchange’s minimum price increment rules

consistent with the rules of other exchanges, such as the BATS Y-Exchange (“BYX”).<sup>31</sup>

#### Amended CHX Article 20, Rule 8(b) (Ranking and display of orders)

Under SR-CHX-2014-15, the Exchange amended, *inter alia*, CHX Article 20, Rule 8(b) to clarify how orders are ranked in the Matching System. In doing so, the Exchange adopted language under Rule 8(b)(1)–(3) that states that “at each price point up to their limit prices,” orders shall be ranked “based on their sequence numbers.” Given that limit orders could be either buy or sell orders, the Exchange proposes to insert “or down” after the phrase “at each price up,” so that the rule also contemplates limit *sell* orders being ranked at each price point down to its limit price.

#### Operative Date for Proposed Rule Change

The Exchange proposes to make all amendments proposed within this proposed rule change operative on the same date as all changes proposed under SR-CHX-2014-15, which will become operative upon two weeks’ notice by the Exchange to its Participants via Information Memorandum.<sup>32</sup> The Exchange anticipates that all changes in this proposed rule filing and SR-CHX-2014-15 will become operative in the first quarter of 2015.

#### 2. Statutory Basis

The Exchange believes that the proposed rule change to amend various CHX Rules to clarify the operation of certain order types, modifiers and LULD price sliding and to substantively modify the operation of the cross order type and Cross With Size order handling functionality is consistent with Section 6(b) of the Act in general<sup>33</sup> and furthers the objectives of Sections 6(b)(1)<sup>34</sup> and 6(b)(5) in particular.<sup>35</sup> As discussed below, the Exchange believes that the proposed rule change would further enable the Exchange to be so organized as to have the capacity to be able to carry out the purposes of the Act and to comply, and to enforce compliance by its Participants and persons associated with its Participants, with the provisions of the Act, the rules and regulations thereunder, and the rules of the Exchange, in furtherance of the objectives of Section 6(b)(1). The

Exchange also believes that the proposed rule change 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 transaction in securities, to remove impediments to, and perfect the mechanisms of, a free and open market and, in general, by protecting investors and the public interest, in furtherance of the objectives of Section 6(b)(5).

Specifically, with respect to the non-substantive clarifying amendments, the Exchange believes that clarification of the CHX Rules is consistent with Section 6(b)(1) and Section 6(b)(5) because it improves the transparency and consistency of the CHX Rules, which is in the public interest. Similarly, with respect to the proposed deletion of Cross With Satisfy and Cross With Yield, the Exchange submits that the deletion of the related rules are consistent with Section 6(b)(1) and Section 6(b)(5) because, as a result of such deletion, the CHX Rules, and specifically CHX Article 1, Rule 2, will only list order types and modifiers that are either currently available or only temporary unavailable, pursuant to notice,<sup>36</sup> which would promote clarity as to the Exchange’s order types and modifiers, which is also in the public interest.

With respect to the substantive amendments to the cross order type and Cross With Size order handling functionality, the Exchange believes that prohibiting cross orders and Cross With Size orders from trading through better-priced precedent orders resting on the CHX Book is consistent with Section 6(b)(5), because such consistency promotes just and equitable principles of trade by honoring the executable price of every resting order on the CHX Book.

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

The Exchange 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. Given that the proposed changes promote clarity as to existing rules and substantively amends other functionality to be consistent with analog functionality of other national securities exchanges or to be more restrictive than they are currently, the Exchange believes that any burden on competition is necessary as clarity and consistency of rules across

<sup>28</sup> *Id.*

<sup>29</sup> The version of CHX Article 20, Rule 8(b)(7) that was not amended under SR-CHX-2014-15, is currently operative. See *supra* note 4.

<sup>30</sup> See *supra* note 4.

<sup>31</sup> See BYX Rule 11.11(a).

<sup>32</sup> See *supra* note 4.

<sup>33</sup> 15 U.S.C. 78f(b).

<sup>34</sup> 15 U.S.C. 78f(b)(1).

<sup>35</sup> 15 U.S.C. 78f(b)(5).

<sup>36</sup> See CHX Article 20, Rule 4(b).

national securities exchanges further the purposes of the Act.

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

No written comments were either solicited or received.

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

Pursuant to Section 19(b)(3)(A) of the Act<sup>37</sup> and Rule 19b-4(f) thereunder,<sup>38</sup> CHX has designated this proposal as one that effects a change that (A) does not significantly affect the protection of investors or the public interest; (B) does not impose any significant burden on competition; and (C) by its terms, does not become operative for 30 days after the date of the filing, or such shorter time as the Commission may designate if consistent with the protection of investors and the public interest. The Exchange has also provided the Commission written notice of its intent to file the proposed rule change, along with a brief description and 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.<sup>39</sup> Given that the proposed rule change clarifies existing rules, deletes obsolete rules and amends the functionality of the cross order type and Cross With Size order handling to be more restrictive than it is currently, the Exchange believes that this proposed rule filing qualifies for summary effectiveness.

At any time within the 60-day period beginning on the date of filing this proposed rule change in accordance with the provisions of Section 19(b)(1) of the Act,<sup>40</sup> the Commission summarily may temporarily suspend the change in the rules of the self-regulatory organization made thereby, 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 the furtherance of the purposes of the Act. If the Commission takes such action, the Commission shall institute proceedings under Section 19(b)(2)(B) of the Act<sup>41</sup> to determine whether the proposed rule should be approved or disapproved.

**IV. Solicitation of Comments**

Interested persons are invited to submit written data, views and arguments concerning the foregoing, including whether the proposal is consistent with the Act. Comments may be submitted by any of the following methods:

*Electronic Comments*

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>); or
- Send an email to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include File No. SR-CHX-2014-18 on the subject line.

*Paper Comments*

- Send paper comments in triplicate to Brent J. Fields, Secretary, Securities and Exchange Commission, 100 F Street NE., Washington, DC 20549.

All submissions should refer to File No. SR-CHX-2014-18. 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 changes 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 CHX. All comments received will be posted without change; the Commission does not edit personal identifying information from submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File No. SR-CHX-2014-18 and should be submitted on or before December 9, 2014.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>42</sup>

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

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**SECURITIES AND EXCHANGE COMMISSION**

**[Release No. 34-73580; File No. SR-Phlx-2014-72]**

**Self-Regulatory Organizations; NASDAQ OMX PHLX LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change Relating to PIXL Executions in SPY and PIXL Pricing**

November 12, 2014.

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> notice is hereby given that, on October 31, 2014, NASDAQ OMX PHLX LLC ("Phlx" or "Exchange") filed with the Securities and Exchange Commission ("SEC" or "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 proposes to modify Section I entitled "Rebates and Fees for Adding and Removing Liquidity in SPY"<sup>3</sup> and Section IV entitled "Other Transaction Fees" of the Phlx Pricing Schedule ("Pricing Schedule"). Specifically, the Exchange proposes to amend its Initiating Order Fee for PIXL<sup>4</sup> Executions in SPY and PIXL Pricing for Initiating Order that is contra to a Customer<sup>5</sup> PIXL order, to allow for volume discounts. While the changes proposed herein are effective upon filing, the Exchange has designated that

<sup>42</sup> 17 CFR 200.30-3(a)(12).

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

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

<sup>3</sup> SPY options are based on the SPDR exchange-traded fund ("ETF"), which is designed to track the performance of the S&P (Standard and Poors) 500 Index.

<sup>4</sup> PIXL is the Exchange's price improvement mechanism known as Price Improvement XL or (PIXL<sup>SM</sup>). See Rule 1080(n).

<sup>5</sup> The term "Customer" applies to any transaction that is identified by a member or member organization for clearing in the Customer range at The Options Clearing Corporation ("OCC") which is not for the account of broker or dealer or for the account of a "Professional" (as that term is defined in Rule 1000(b)(14)).

<sup>37</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>38</sup> 17 CFR 240.19b-4(f)(6).

<sup>39</sup> 17 CFR 240.19b-4(f)(6)(iii).

<sup>40</sup> 15 U.S.C. 78s(b)(1).

<sup>41</sup> 15 U.S.C. 78s(b)(2)(B).