

communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for Web site viewing and printing in the Commission's Public Reference Room, 100 F Street NE., Washington, DC 20549 on official business days between the hours of 10:00 a.m. and 3:00 p.m. Copies of the filing also will be available for inspection and copying at the principal office of the Exchange. All comments received will be posted without change; the Commission does not edit personal identifying information from submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR-CBOE-2015-064 and should be submitted on or before August 14, 2015.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>10</sup>

**Robert W. Errett,**

*Deputy Secretary.*

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-75488; File No. SR-Phlx-2015-65]

### Self-Regulatory Organizations; NASDAQ OMX PHLX LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Amend Rules 1092 and 124, and Modify the Phlx Pricing Schedule

July 20, 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 July 15, 2015, 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 the Substance of the Proposed Rule Change

The Exchange proposes to (1) amend Rule 1092 to assess a \$500 Appeal Fee against a member or member organization which initiates and loses an appeal of an Options Exchange Official ("Official") determination regarding an Obvious Error or Catastrophic Error, and to pass through other market center charges associated with obvious error determinations; (2) amend Rule 124, to clarify that that the \$250 appeal fee provided for in Rule 124(d) will not apply to appeals of Obvious Error or Catastrophic Error determinations, and (3) to modify the Phlx Pricing Schedule ("Pricing Schedule") to reflect the new \$500 Appeal Fee and pass-through charges from the other market centers.

The text of the proposed rule change is available on the Exchange's Web site at <http://nasdaqomxphlx.cchwallstreet.com/>, at the principal office of the Exchange, 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 May 8, 2015 the Exchange filed a proposed rule change (the "1092 Replacement Filing") to delete Rule 1092, Obvious Errors and Catastrophic Errors, and replace it with new Rule 1092 entitled "Nullification and Adjustment of Options Transactions including Obvious Errors" ("New Rule 1092"). New Rule 1092 also became operative on May 8, 2015.<sup>3</sup>

<sup>3</sup> See SR-Phlx-2015-43. New Rule 1092 harmonizes rules related to the adjustment and nullification of erroneous options transactions with those of other exchanges. The Exchange believes that New Rule 1092, together with comparable rules filed by the other options exchanges, will provide

The purpose of this proposed rule change is to adopt a \$500 Appeal Fee that will apply in the event of unsuccessful appeals of Official determinations rendered pursuant to Section (I) of New Rule 1092 and to permit the Exchange to pass along charges assessed by another market center in connection with Obvious Error and Catastrophic Error determination requests presented to that market center by the Exchange on a member or member organization's behalf. To accommodate this proposed fee change, the Exchange proposes to amend Rule 124, Disputes-Options, to add new language to section (I) of New Rule 1092, and to make conforming changes to the Exchange's Pricing Schedule, as described below.

(I) *\$500 Appeal Fee/Pass Through Charges.* The Exchange proposes to amend section (I) of the New Rule 1092, pursuant to which the Exchange will assess a \$500 fee against members or member organizations who initiate a request for an appeal of an Official's Obvious Error or Catastrophic Error Market Operations Review Committee ("MORC"), where the appeal is unsuccessful and the MORC votes to uphold the Official's determination. Further, the new rule permits the Exchange to pass any resulting charges through to the relevant member or member organization in instances where the Exchange, on behalf of the member or member organization, requests a determination by another market center that a transaction is an Obvious Error or Catastrophic Error.

(II) *Amendment to Rule 124.* Currently, Rule 124(d) provides for assessment of a \$250 fee to a member or member organization seeking review by the MORC of an Official ruling regarding Obvious Errors or Catastrophic Errors if the Official's ruling is sustained and not overturned or modified by the MORC.<sup>4</sup> The Exchange proposes to amend Rule 124(a) to clarify that no provision of

transparency and finality with respect to the adjustment and nullification of erroneous options transactions, achieving consistent results for participants across U.S. options exchanges while maintaining a fair and orderly market, protecting investors and protecting the public interest.

<sup>4</sup> Exchange Rule 124(a) currently provides that "[t]his Rule 124(a) shall not apply to options transactions that are the result of an Obvious Error (as defined in Rule 1092)." However, the Exchange currently applies Rule 124(d) to unsuccessful appeals of Official determinations of Obvious Errors to the MORC. The Exchange believes that fees associated with MORC appeals of Obvious Errors or Catastrophic Errors will be more logically set forth in the rulebook in Rule 1092(I) which describes the MORC appeals process for Obvious Errors and Catastrophic Errors.

<sup>10</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.

Rule 124, including the Rule 124(d) \$250 appeal fee, shall apply to Obvious Errors or Catastrophic Errors, both of which instead are to be subject to the new \$500 Appeal Fee provision and procedures of Rule 1092. The Exchange does not propose to move or make any further changes to any provision of Rule 124, which will continue to apply to disputes occurring on and relating to the trading floor (but not to Obvious Errors or Catastrophic Errors).

(III) *Amendment to Pricing Schedule.*

Currently, chapter VII, part D of the Exchange's Pricing Schedule reflects the \$5,000 Catastrophic Error Fee provided for in prior Exchange Rule 1092(f)(ii), which was eliminated in favor of New Rule 1092 which does not contain such a fee.<sup>5</sup> The Pricing Schedule is being revised to reflect the elimination of the \$5000 Catastrophic Error Fee and the addition instead, pursuant to the proposed new language in section (I) of New Rule 1092, of the \$500 Appeal Fee and pass through charges described in (I) above.<sup>6</sup>

## 2. Statutory Basis

The Exchange believes that its proposal to amend Rule 124 and New Rule 1092 as well as the Pricing Schedule as proposed herein is consistent with section 6(b) of the Act<sup>7</sup> in general, and furthers the objectives of section 6(b)(4) and (b)(5) of the Act<sup>8</sup> in particular, in that it provides for the equitable allocation of reasonable dues, fees and other charges among members

<sup>5</sup> Pursuant to section (f) of prior Exchange Rule 1092 titled "Obvious Error and Catastrophic Errors," if an Exchange member believed that it had participated in a transaction that qualified as a Catastrophic Error, it could request a determination that a Catastrophic Error occurred. If an Options Exchange Official determined that a Catastrophic Error had occurred, the Options Exchange Official would adjust the execution price of the transaction according to Rule 1092. If it were determined that a Catastrophic Error had not occurred, the member requesting the determination would be assessed a charge of \$5,000 pursuant to Exchange Rule 1092(f)(ii). See Securities Exchange Act Release No. 58002 (June 23, 2008), 73 FR 36581 (June 27, 2008).

<sup>6</sup> The purpose of removing the \$5,000 Catastrophic Error Fee, as part of replacing prior Rule 1092 with New Rule 1092 in the 1092 Replacement Filing, was to remove a potential disincentive from requesting a review of what a market participant may believe to be a Catastrophic Error. Currently, the mere possibility—even if slight—that the Official could determine not to adjust or nullify the transaction in question and thus trigger the assessment of the \$5,000 fee may unnecessarily deter members from requesting reviews which they believe to be justified. By eliminating the fee, the significant financial consequence of an adverse decision on a review will be lessened, and market participants should feel more comfortable with the fairness of the markets and the process adopted by the Exchange for requesting Officials to conduct reviews for determinations of Catastrophic Errors.

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

<sup>8</sup> 15 U.S.C. 78f(b)(4), (5).

and issuers and other persons using any facility or system which Phlx operates or controls, and is not designed to permit unfair discrimination between market participants to whom the Exchange's fees and rebates are applicable. The \$500 Appeal Fee and the provision of pass through charges from other market centers are proposed herein are equitable, in that they apply equally to all member and member organizations lodging appeals to the MORC pursuant to New Rule 1092(l) or requesting Obvious Error or Catastrophic Error determinations from other market centers through the Exchange. The new fee and pass through charges are reasonable, in that they allow the Exchange to recoup administrative costs associated with such MORC appeals and with seeking Obvious Error or Catastrophic Error determinations of other market centers, while discouraging frivolous appeals or determination requests. The Exchange believes the new \$500 Appeal Fee, which would reflect a \$250 increase from the current appeal fee under Rule 124(d), is reasonable in that it will provide the Exchange additional resources with which to administer its regulatory functions, including the appeal of decisions made under New Rule 1092.

### 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 not necessary or appropriate in furtherance of the purposes of the Act. The Exchange does not believe the proposal will have any impact on competition. The \$500 Appeal Fee and the provision of pass through charges from other market centers proposed herein will apply equally to all member and member organizations lodging appeals to the MORC pursuant to New Rule 1092(l) or requesting Obvious Error or Catastrophic Error determinations from other market centers through the Exchange.

### 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

The foregoing rule change has become effective pursuant to section 19(b)(3)(A)(ii) of the Act.<sup>9</sup>

At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is: (i) Necessary or appropriate in the public interest; (ii) for the protection of investors; or (iii) otherwise in furtherance of the purposes of the Act. If the Commission takes such action, the Commission shall institute proceedings 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 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-Phlx-2015-65 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 20549-1090. All submissions should refer to File Number SR-Phlx-2015-65. 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.,

<sup>9</sup> 15 U.S.C. 78s(b)(3)(A)(ii).

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 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-Phlx-2015-65, and should be submitted on or before August 14, 2015.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>10</sup>

**Robert W. Errett,**

*Deputy Secretary.*

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-75490; File No. SR-BX-2015-041]

### Self-Regulatory Organizations; NASDAQ OMX BX, Inc.; Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Amend the BX Routing Order Rule

July 20, 2015.

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 July 10, 2015, NASDAQ OMX BX, Inc. (“BX” or “Exchange”) filed with the Securities and Exchange Commission (“SEC” or “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 BX Rules at chapter VI (Trading Systems) at section 11 (Order Routing) to clarify the manner in which a SEEK Order will route again after an initial routing attempt to another market center.

The text of the proposed rule change is available on the Exchange’s Web site at <http://nasdaqomxbx.cchwallstreet.com/>, at the principal office of the Exchange, 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’s rules at chapter VI, section 11 provide for the manner in which orders submitted to the System<sup>3</sup> will route to other market centers.<sup>4</sup> The System provides two routing options pursuant to which orders are sent to other available market centers for potential execution, per the entering firm’s instructions. The routing options are SEEK and SRCH. Routing options may be combined with all available order types and times-in-force, with the exception of order types and times-in-force whose terms are inconsistent with the terms of a particular routing option. The Exchange is seeking to clarify the manner in which a SEEK order will route again, after it is initially routed (“re-route”).<sup>5</sup>

SEEK is a routing option pursuant to which an order will first check the System for available contracts for execution. After checking the System for available contracts, orders are sent to other available market centers for potential execution, per the entering firm’s instructions. When checking the book, the System will seek to execute at the price at which it would send the order to a destination market center.

SRCH is a routing option pursuant to which an order will first check the System for available contracts for execution. After checking the System for available contracts, orders are sent to other available market centers for

potential execution, per the entering firm’s instructions. When checking the book, the System will seek to execute at the price at which it would send the order to a destination market center.

Both SEEK and SRCH eligible unexecuted orders will continue to be routed utilizing a route timer. The SEEK or SRCH order will post to the book and will be routed after a time period (“Route Timer”) not to exceed one second as specified by the Exchange on its Web site provided that the order’s limit price would lock or cross other market center(s).<sup>6</sup> If, during the Route Timer, any new interest arrives opposite the order that is equal to or better than the ABBO<sup>7</sup> price, the order will trade against such new interest at the ABBO price. Eligible unexecuted orders will be routed at the end of the Route Timer provided the order was not filled and the order’s limit price would continue to lock or cross the ABBO. If an order was routed with either the SEEK or SRCH routing option, and has size after such routing, it will execute against contra side interest in the book, post in the book, and route again pursuant to the process described above, if applicable, if the order’s limit price would lock or cross another market center(s).

With respect to SRCH Orders, if contracts remain un-executed after routing, they are posted on the book. Once on the book, should the order subsequently be locked or crossed by another market center, it will re-route. With SEEK orders, the rule currently states, if contracts remain un-executed after routing, they are posted on the book. Once on the book at the limit price, should the order subsequently be locked or crossed by another market center, the System will not route the order to the locking or crossing market center.

The Exchange seeks to amend the rule text in chapter VI, section 11(a)(1)(A) to state, *while*, on the book at the limit price, should the order subsequently be locked or crossed by another market center, the System will not route the order to the locking or crossing market center. The purpose of this change is to make clear that the SEEK order will not re-route as long as that order is at the limit price. The SEEK order may re-

<sup>6</sup> Pursuant to section 11(c) of chapter VI, orders sent by the System pursuant to the SEEK and SRCH routing options to other markets would not retain time priority with respect to other orders in the System. If an order routed pursuant to SEEK or SRCH is subsequently returned, in whole or in part, that order, or its remainder, will receive a new time stamp reflecting the time of its return to the System.

<sup>7</sup> ABBO is the away market’s best bid or offer.

<sup>3</sup> The term “System” is defined in BX Rules at chapter VI, section 1(a).

<sup>4</sup> Participants can designate orders as either available for routing or not available for routing. See chapter VI, sec. 11(a).

<sup>5</sup> If an order is only partially routed the portion that was not routed will be posted to the book.

<sup>10</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.