

As previously discussed, the proposed rule change is designed to fund the administration of the Series 56 and S501. Thus, the proposed rule change will help the Exchange enforce compliance with the Act and Exchange Rules by those persons registered as Proprietary Traders.

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

The Exchange does not believe that the proposed rule changes will impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. In particular, the proposed rule change will not impose any burden on intermarket competition because it will merely serve to aid the Exchange in fulfilling its obligations as a Self-Regulatory Organization by funding the administration of the Series 56 and S501. The proposed rule change will not impose any burden on intramarket competition because all Registered Representatives are required to pass a qualification examination and fulfill the appropriate CE requirement as outlined in Interpretations and Policies .01 and .02 of Rule 2.5, and the fees for the Series 56 and S501 will apply uniformly to all Members. In addition, as noted above, the Exchange believes other exchanges will be assessing the same fees for the Series 56 and related CE program to be collected by FINRA.

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

The Exchange has neither solicited nor received written comments on the proposed rule change.

### **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) of the Act<sup>14</sup> and paragraph (f) of Rule 19b-4 thereunder.<sup>15</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 necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act.

### **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-BYX-2013-029 on the subject line.

#### *Paper Comments*

- Send paper comments in triplicate to Elizabeth M. Murphy, Secretary, Securities and Exchange Commission, 100 F Street NE., Washington, DC 20549-1090.

All submissions should refer to File Number SR-BYX-2013-029. This file number should be included on the subject line if email is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet Web site (<http://www.sec.gov/rules/sro.shtml>). Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for Web site viewing and printing in the Commission's Public Reference Room, 100 F Street NE., Washington, DC 20549, on official business days between the hours of 10:00 a.m. and 3:00 p.m. Copies of such filing also will be available for inspection and copying at the principal 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-BYX-2013-029 and should be submitted on or before September 20, 2013.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>16</sup>

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

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## **SECURITIES AND EXCHANGE COMMISSION**

[Release No. 34-70259; File No. SR-Phlx-2013-89]

### **Self-Regulatory Organizations; NASDAQ OMX PHLX LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Change the Expiration Date For Most Option Contracts to the Third Friday of the Expiration Month Instead of the Saturday Following the Third Friday**

August 26, 2013.

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 August 21, 2013, NASDAQ OMX PHLX LLC ("Phlx" or "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 Exchange rules to change the expiration date for most option contracts to the third Friday of the expiration month instead of the Saturday following the third Friday. The text of the proposed rule change is available on the Exchange's Web site at <http://nasdaqomxphlx.cchwallstreet.com/nasdaqomxphlx/phlx>, 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.

<sup>14</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>15</sup> 17 CFR 240.19b-4(f).

<sup>16</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.

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

1. Purpose

The Exchange is proposing to change the expiration date for most option contracts to the third Friday of the expiration month instead of the Saturday following the third Friday. More specifically, the Exchange is proposing to amend rule text referencing Saturday expirations. The Exchange notes, however, that this change will apply to all standard expiration contracts including those in which the rules are silent on the expiration date.<sup>3</sup> The Exchange is making this filing to harmonize its rules in connection with a recently approved rule filing made by The Options Clearing Corporation ("OCC") which made substantially similar changes.<sup>4</sup> The Exchange believes that the industry must remain consistent in expiration dates, and, thus, is proposing to update its rules to remain consistent with those of OCC. In addition, the Exchange understands that other exchanges have and will be filing similar rules to effect this industry-wide initiative.<sup>5</sup>

Most option contracts ("standard expiration contracts") currently expire at the "expiration time" (11:59 p.m. Eastern Time) on the Saturday following the third Friday of the specified expiration month (the "expiration date").<sup>6</sup> With this filing, the Exchange is proposing to give advance notice to its members and member organizations that the expiration date for standard expiration contracts is changing to the

third Friday of the expiration month.<sup>7</sup> (The expiration time would continue to be 11:59 p.m. Eastern Time on the expiration date.) The change would apply only to standard expiration contracts expiring after February 1, 2015, and the Exchange, similar to OCC, does not propose to change the expiration date for any outstanding option contracts. The change will apply only to series of option contracts opened for trading after the effective date of the OCC rule change and having expiration dates later than February 1, 2015. Option contracts having non-standard expiration dates ("non-standard expiration contracts") will be unaffected by this proposed rule change, except that FLEX options having expiration dates later than February 1, 2015 cannot expire on a Saturday unless they are specified by OCC as grandfathered.<sup>8</sup>

In order to provide a smooth transition to the Friday expiration OCC has begun to move the expiration exercise procedures to Friday for all standard expiration contracts even though the contracts would continue to expire on Saturday.<sup>9</sup> After February 1, 2015, virtually all standard expiration contracts will actually expire on Friday. The only standard expiration contracts that will expire on a Saturday after February 1, 2015 are certain options that were listed prior to the effectiveness of the OCC rule change, and a limited number of options that may be listed prior to necessary systems changes of the options exchanges, which are expected to be completed in August 2013. After these systems changes are made, Phlx will not list any additional options with Saturday expiration dates falling after February 1, 2015. Phlx understands that the other exchanges are committed to the same listing schedule.<sup>10</sup>

The Exchange notes that OCC, industry groups, clearing members and the other exchanges have been active participants in planning for the transition to the Friday expiration.<sup>11</sup> In March 2012, OCC began to discuss moving standard contract expirations to Friday expiration dates with industry groups, including two Securities Industry and Financial Markets Association ("SIFMA") committees, the Operations and Technology Steering Committee and the Options Committee, and at two major industry conferences, the SIFMA Operations Conference and

the Options Industry Conference.<sup>12</sup> OCC also discussed the project with the Intermarket Surveillance Group and at an OCC Operations Roundtable. In each case, there was broad support for the initiative.<sup>13</sup>

Certain option contracts have already been listed with Saturday expiration dates as distant as December 2015 (which is the furthest out expiration as of the date of this filing). Additionally, until Phlx completes certain systems enhancements in August 2013, it remains possible that additional option contracts may be listed with Saturday expiration dates beyond February 1, 2015. For these contracts, transitioning to a Friday expiration for newly listed option contracts expiring after February 1, 2015 would create a situation under which certain options with open interest would expire on a Saturday while other options with open interest would expire on a Friday in the same expiration month.

Clearing members have expressed a clear preference to not have a mix of options with open interest that expire on different days in a single month.<sup>14</sup> Accordingly, OCC represented in its recently approved filing that it will not issue and clear any new option contract with a Friday expiration if existing option contracts of the same options class expire on the Saturday following the third Friday of the same month. However, Friday expiration processing will be in effect for these Saturday expiration contracts. As with standard expiration options during the transition period, exercise requests received after Friday expiration processing is complete but before the Saturday contract expiration time will continue to be processed without fines or penalties.

Thus, the Exchange is proposing to update its rules to reflect the above discussed change. More specifically, the Exchange is proposing to amend Rules 1000(b)(21) and 1000A(b)(14), the definition of "expiration date" for each of options on stock or Exchange-Traded Fund Shares and options on stock indexes, to be consistent with the revised OCC definition.<sup>15</sup> Thus, consistent with the OCC filing, the Exchange is proposing to add language to these rules stating that any series expiring prior to February 1, 2015 will have a Saturday expiration date while any series expiring on or after February

<sup>3</sup> These standard expiration contracts also include proprietary products of the Exchange such as Alpha Index option contracts (Rule 1009A(f)), U.S. Dollar-Settled Foreign Currency option contracts (Rule 1057) and PHLX FOREX option contracts (Rules 1000C-1009C). Standard expiration contracts also include the MSCI EM Index option contracts (Rule 1108A) and Full Value MSCI EAFE Index option contracts (Rule 1109A) which are listed pursuant to a license agreement with MSCI Inc. Mini Options expirations are the same as those for standard expirations and would be amended as specified in this proposal.

<sup>4</sup> See Securities Exchange Act Release No. 34-69772 (June 17, 2013), 78 FR 37645 (June 21, 2013) (order approving SR-OCC-2013-004).

<sup>5</sup> See Securities Exchange Act Release Nos. 70091 (August 1, 2013), 78 FR 48212 (August 7, 2013) (SR-CBOE-2013-073) and 69996 (July 17, 2013), 78 FR 44183 (July 23, 2013) (SR-MIAX-2013-32).

<sup>6</sup> Examples of options with non-standard expiration contracts include: FLEX options (Rule 1079), Quarterly Equity and Exchange-Traded Fund Shares ("ETFs") Option Series (Rule 1012, Commentary .08), Quarterly Expiring Index Options Series (Rule 1101A(b)(iv)), Quarterly Options Index Series Program (Rule 1101A(b)(v)), Short Term Option Series (Rule 1012, Commentary .11) and Short Term Option Index Series (Rule 1101A(b)(vi)).

<sup>7</sup> The Exchange will provide notice to members and member organizations regarding the anticipated change by issuing an Options Trader Alert.

<sup>8</sup> See note 6 *supra*.

<sup>9</sup> See SR-OCC-2013-04.

<sup>10</sup> See note 5 *supra*.

<sup>11</sup> See note 9 *supra*.

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

<sup>13</sup> *Id.*

<sup>14</sup> *Id.*

<sup>15</sup> *Id.*

1, 2015 will have a Friday expiration date.<sup>16</sup>

The Exchange also is proposing to change Exchange Rules 1037, 1042(c) and (h), 1057, 1006A, 1009A(f), 1042A(b), 1101A(c), Rule 1101A, Commentary .01, 1006C(a) and Options Floor Procedure Advice B–10 for consistency to reflect the change in the expiration date definitions. To the extent applicable to the timeframes herein, the Exchange is also proposing, with this filing, to replace any reference in the purpose section of any past Exchange rule filings or alerts to any expiration date other than Friday for a standard options contract with the new Friday standard. Essentially, the Exchange is now proposing to replace any relevant historic references to expiration dates to be replaced with the proposed Friday expiration. As stated above, the Exchange believes the proposed change will keep the Exchange consistent with the processing at OCC and will enable the Exchange to give effect to the industry-wide initiative. In addition, the Exchange understands that other exchanges will be filing similar rules, thus creating a uniform expiration date for standard options on listed classes.<sup>17</sup>

The Exchange plans to release an Options Trader Alert to its members and member organizations to inform them of this change prior to the implementation of the rule.

## 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>18</sup> Specifically, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)<sup>19</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>20</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 that keeping its rules consistent with those of the industry will protect all participants in the market by eliminating confusion. The proposed changes thus allow for a more orderly market by allowing all options markets, including the clearing agencies, to have the same expiration date for standard options.

In addition, the proposed changes will foster cooperation and coordination with persons engaged in regulating clearing, settling, processing information with respect to, and facilitating transactions in securities by aligning a pivotal part of the options processing to be consistent industry wide. If the industry were to differ, investors would suffer from confusion and be more vulnerable to violate different exchange rules. The proposed changes do not permit unfair discrimination between any members because they are applied to all members equally. In the alternative, the Exchange believes that it helps all members by keeping the Exchange consistent with OCC practices and those of other Exchanges.

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

Phlx does not believe that the proposed rule change will result in any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act, as amended. Specifically, the Exchange does not believe the proposed rule change will impose a burden on intramarket competition because it will be applied to all members equally. In addition, the Exchange does not believe the proposed rule change will impose any burden to intermarket competition because it will be applied industry wide and apply to all market participants. The proposed rule change is structured to enhance competition because the shift from an expiration date of the Saturday following the third Friday to the third Friday is anticipated to be adopted industry-wide and will apply to all multiply listed classes. This in turn will allow Phlx to compete more effectively with other exchanges making similar rule changes.

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

Written comments were neither solicited nor received. The Exchange notes, however, that a favorable comment was submitted to the OCC filing.

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

Because the foregoing proposed rule change does not: (i) Significantly affect the protection of investors or the public interest; (ii) impose any significant burden on competition; and (iii) become operative for 30 days after the date of the filing, or such shorter time as the Commission may designate, it has become effective pursuant to 19(b)(3)(A) of the Act<sup>21</sup> and Rule 19b–4(f)(6)<sup>22</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 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–2013–89 on the subject line.

### Paper Comments

- Send paper comments in triplicate to Elizabeth M. Murphy, Secretary, Securities and Exchange Commission,

<sup>21</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>22</sup> 17 CFR 240.19b–4(f)(6). In addition, Rule 19b–4(f)(6) requires a self-regulatory organization to give the Commission written notice of its intent to file 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. The Exchange has satisfied this requirement.

<sup>16</sup> With the exception of expirations that were listed prior to the effective date of the OCC filing and have open interest.

<sup>17</sup> See note 5 *supra*.

<sup>18</sup> 15 U.S.C. 78f(b).

<sup>19</sup> 15 U.S.C. 78f(b)(5).

<sup>20</sup> *Id.*

100 F Street NE., Washington, DC 20549-1090.

All submissions should refer to File Number SR-Phlx-2013-89. This file number should be included on the subject line if email is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet Web site (<http://www.sec.gov/rules/sro.shtml>). Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for Web site viewing and printing in the Commission's Public Reference Room, 100 F Street NE., Washington, DC 20549, on official business days between the hours of 10:00 a.m. and 3:00 p.m. Copies of such filing also will be available for inspection and copying at the principal 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 publicly available. All submissions should refer to File Number SR-Phlx-2013-89 and should be submitted on or before September 20, 2013.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>23</sup>

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

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-70255; File No. SR-BOX-2013-42]

### Self-Regulatory Organizations; BOX Options Exchange LLC; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change To Amend the Fee Schedule

August 26, 2013.

Pursuant to Section 19(b)(1) under 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 August 19, 2013, BOX Options Exchange LLC (the "Exchange") 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 proposed rule change pursuant to Section 19(b)(3)(A)(ii) of the Act,<sup>3</sup> and Rule 19b-4(f)(2) thereunder,<sup>4</sup> which renders the proposal effective upon filing with the Commission. 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 is filing with the Securities and Exchange Commission ("Commission") a proposed rule change to amend the Fee Schedule to establish fees for the Proprietary Trader Program (S501) Continuing Education Regulatory Element Session on the BOX Market LLC ("BOX") options facility. While changes to the fee schedule pursuant to this proposal will be effective upon filing, the changes will become operative on August 19, 2013. The text of the proposed rule change is available from the principal office of the Exchange, at the Commission's Public Reference Room and also on the Exchange's Internet Web site at <http://boxexchange.com>.

#### 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 amend the Fee Schedule for trading on BOX to establish fees for the Proprietary Trader Program (S501) Continuing Education Regulatory Element Session.

Specifically, the Exchange is proposing to add subsection C., Continuing Education Fee, to Section VI (Regulatory Fees) in the BOX Fee Schedule and add a \$60 session fee for each individual who is required to have Proprietary Trader ("Series 56") registration.

BOX Rule 2020 (Participant Eligibility and Registration) outlines the registration and qualification requirements (including prerequisite examinations) for Options Participants. Each person associated with a Participant who is included within the definition of Representative<sup>5</sup> may register with the Exchange as a Limited Representative—Proprietary Trader if A) his activities in the investment banking or securities business are limited solely to proprietary trading; and B) he passes an appropriate Qualification Examination for Limited Representative—Proprietary Trader. The appropriate Qualification Examination is the Series 56; and C) he is an associated person of a proprietary trading firm.<sup>6</sup> Interpretive Material 4 to BOX Rule 2040 requires the Regulatory Element of the Continuing Education Requirement for all persons engaged or to be engaged in the options securities business of [sic] Participant who are to function as Principals or Representatives of Members.<sup>7</sup> Recently, the Exchange amended IM-2040-5 to enumerate the different Continuing Education ("CE") programs offered by the Exchange including the S501 Series 56 Proprietary Trader Continuing Education Program ("S501").<sup>8</sup> The Exchange is now proposing to outline the necessary fee associated with the Regulation Element of the Series 56.

The Exchange has determined that these changes are necessary to administer the Series 56 CE program. Specifically, the \$60 session fee will be used to fund the CE program administered to Proprietary Traders that have a Series 56 registration<sup>9</sup> and are required to complete the S501.

<sup>5</sup> See BOX Rule 100 (a)(56). The term "Representative" means persons associated with a Participant, including assistant officers other than principals, who are engaged in the investment banking or securities business for the Participant including the functions of supervision, solicitation, or conduct of business in securities or who are engaged in the training of persons associated with a Participant for any of these functions.

<sup>6</sup> See BOX Rule 2020.

<sup>7</sup> See Interpretive Material 4 to BOX Rule 2040.

<sup>8</sup> See Securities Act [sic] Release No. 34-70224 (August 16, 2013) (SR-BOX-2013-41) (immediately effective rule change to specify the different CE requirements for registered persons based upon their registration with the Exchange).

<sup>9</sup> Both individuals that have successfully passed the Series 56 examination and individuals that have had the examination waived by the Exchange are required to take the S501.

<sup>23</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> 15 U.S.C. 78s(b)(3)(A)(ii).

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