and orderly market and protect investors and the public interest because the Service Fee may result in a more efficient use of Exchange resources, which would benefit all market participants.

The Exchange believes that the Service Fee is reasonable, equitable and not unfairly discriminatory because ATP Holders would have the option, as they do today, to perform the Post-Trade Adjustments themselves and the Service Fee would only apply if ATP Holders elected to rely on the Exchange to perform these adjustments for them. Moreover, the Service Fee would apply equally to all market participants who opt to rely on the Exchange to perform the Post-Trade Adjustments. In fact, the Exchange believes that the proposed Service Fee would incentivize ATP Holders to process their own Post-Trade Adjustments going forward.

Finally, the Exchange believes that it is subject to significant competitive forces, as described below in the Exchange's statement regarding the burden on competition.

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

In accordance with Section 6(b)(8) of the Act,[9] the Exchange does not believe that the proposed rule change would impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. The proposed rule Service Fee is not intended to address any competitive issues among exchanges or ATP Holders but rather to more efficiently use the Exchange's employee time and resources, which may ultimately benefit ATP Holders.

The Exchange notes that it operates in a highly competitive market in which market participants can readily favor competing venues, and imposing the Service Fee may enable the Exchange to improve efficiency and ensure the fair and reasonable use of Exchange resources. In such an environment, the Exchange must continually review, and consider adjusting, its fees and credits to remain competitive with other exchanges. For the reasons described above, the Exchange believes that the proposed Service Fee reflects this competitive environment.

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

No written comments were solicited or received with respect to the proposed rule change.

[9] 15 U.S.C. 78f(b)(8).

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

The foregoing rule change is effective upon filing pursuant to Section 19(b)(3)(A) [10] of the Act and subparagraph (f)(2) of Rule 19b–4 [11] thereunder, because it establishes a due, fee, or other charge imposed by the Exchange.

At any time within 60 days of the filing of such 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 under Section 19(b)(2)(B) [12] of the Act to determine whether the proposed rule change 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*. Please include File Number SR–NYSEMKT–2014–87 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–NYSEMKT–2014–87. 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 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–NYSEMKT–2014–87, and should be submitted on or before December 4, 2014.

[10] 15 U.S.C. 78s(b)(3)(A).

[11] 17 CFR 240.19b–4(f)(2).

[12] 15 U.S.C. 78s(b)(2)(B).

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.[13]

Kevin M. O' Neill,

Deputy Secretary.

[FR Doc. 2014–26843 Filed 11–12–14; 8:45 am]

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–73545; File No. SR–Phlx–2014–54]

Self-Regulatory Organizations; NASDAQ OMX PHLX LLC; Notice of Filing of Amendment No. 1 and Order Granting Accelerated Approval of a Proposed Rule Change, as Modified by Amendment No. 1, To Add a New Complex Order Process Called Legging Orders

November 6, 2014.

I. Introduction

On September 10, 2014, NASDAQ OMX PHLX LLC (''Phlx'' or ''Exchange'') filed with the Securities and Exchange Commission (the ''Commission''), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the ''Act'') [1] and Rule 19b–4 thereunder,[2] a proposed rule change to amend its rules governing the trading of complex orders on the Exchange to adopt ''legging orders.'' The proposed rule change was published for comment in the **Federal Register** on September 25, 2014.[3] The Commission received no

[13] 17 CFR 200.30–3(a)(12).

[1] 15 U.S.C. 78s(b)(1).

[2] 17 CFR 240.19b–4.

[3] *See* Securities Exchange Act Release No. 73152 (September 19, 2014), 79 FR 57632.

comment letters regarding the proposed rule change. On November 5, 2014, the Exchange filed Amendment No. 1 to the proposal.[4] The Commission is publishing this notice to solicit comments on Amendment No. 1 from interested persons and is approving the proposed rule change, as modified by Amendment No. 1, on an accelerated basis.

II. Description

A. Legging Orders

The Exchange proposes to adopt Phlx Rule 1080.08(f)(iii)(C) relating to the generation and execution of ''legging orders.'' Under the proposal, a legging order is a limit order on the regular order book in an individual series that represents one leg of a two-legged complex order (which improves the cPBBO)[5] to buy or sell an equal quantity of two option series resting on the Exchange's Complex Order Book (''CBOOK'').[6] Phlx proposes that legging orders are firm orders that are included in the Exchange's displayed best bid or offer.[7] According to the Exchange, legging orders are designed to increase the opportunity for complex orders to execute by ''legging'' into the market, whereby all of the legs of the complex order execute against the best bids or offers on the Exchange for the individual options series.[8]

B. Generation of Leg Orders

The Exchange proposes that legging orders may be automatically generated on behalf of Complex Orders resting on the top of the CBOOK so that they are represented at the best bid and/or offer on the Exchange for the individual legs.[9] Phlx proposes that a legging order may be automatically generated for one leg of a Complex Order at a price: (i) that matches or improves upon the best Phlx displayed bid or offer; and (ii) at which the net price can be achieved when the other leg is executed against the best displayed bid or offer (other than against a legging order).[10] The Exchange proposes not to generate legging orders when the Exchange or a particular option has not opened, is halted or is otherwise not available for trading.[11] The Exchange also proposes to not generate a legging order for complex order strategies that are not available for trading.[12]

To determine whether a Legging Order may be generated, the Exchange proposes to evaluate the CBOOK when a Complex Order enters the CBOOK and at a regular time interval to be determined by the Exchange (which interval shall not exceed 1 second) following a change in the National Best Bid/Offer (''NBBO'') or PBBO in any component of a complex order eligible to generate legging orders to determine whether legging orders may be generated.[13] Under the proposal, a legging order may be generated and executed in an increment other than the minimum increment for that series and will be ranked on the order book at its generated price and displayed at a price that is rounded, down for legging orders to buy and up for legging orders to sell, to the nearest minimum increment allowable for that series.[14]

The Exchange proposes to adopt Phlx Rule 1080.08(f)(iii)(C)(2) to provide that legging orders will not be generated if: (i) The price of the legging order would lock or cross the best bid or offer of another exchange; (ii) there is an auction on either side of the market in the series or a ''Posting Period'' under Phlx Rule 1080(p) regarding ''Acceptable Trade Range'' on the same side in progress in the series; (iii) the price of the complex order is outside of the Acceptable Complex Execution (''ACE'') Parameter under Phlx Rule 1080.08(i); (iv) there is already a legging order in that series on the same side of the market at the same price (unless it has priority based on the participant type, under existing Exchange rules); (v) the complex order is an all-or-none order; or (vi) the generated legging order for a complex order would immediately cause resting legging orders to be removed pursuant to section proposed Phlx Rule 1080.08(f)(iii)(C)(4)(ix).[15]

The Exchange proposes that it may limit the number of legging orders generated on an objective basis and may remove existing legging orders to maintain a fair and orderly market in time of extreme volatility or uncertainty.[16] The Exchange represents that it will determine the options for which, if any, legging orders will be available and will communicate this to its participants.[17] Phlx represents that it would not limit the generation of legging orders on the basis of the entering participant or the participant category of the order (*e.g.,* professional or public customer).[18]

C. Execution of Legging Orders

The Exchange proposes that legging orders would be executed only after all other executable orders (including any non-displayed size) and quotes at the same price are executed in full pursuant to the Phlx priority rules applicable to Phlx XL non-Complex Orders, rather than based on the time of receipt of the Complex Order.[19] As a result, the Exchange states the generation of legging orders will not affect the existing priority, or execution opportunities, currently provided to participants in the regular market in any way.[20] Under the proposal, when a legging order is executed, the other leg of the complex order will be automatically executed against the displayed best bid or offer on the Exchange and any other legging order based on that complex order will be removed.[21]

Phlx believes that legging orders will provide additional execution opportunities for complex orders without negatively impacting investors

[4] Amendment No. 1 revises the proposal to: (i) modify proposed Phlx Rule 1080.08(f)(iii)(C)(4)(vi) to provide that, in the event the Exchange receives a PIXL Order for the account of a public customer that is paired with another order for the account of a public customer pursuant to Phlx Rule 1080(n)(vi), the Exchange will remove any resting legging orders in those options series; (ii) add a proposed Phlx Rule 1080.08(f)(iii)(C)(4)(xii) to provide that a legging order will be removed when the legging order is on the Exchange's book at a price that is not at the minimum increment for that series and that is more aggressive than the same side Phlx Best Bid or Offer (''PBBO'') and an away market moves to lock the PBBO (which is also the NBBO); (iii) provide that the proposal will be implemented within 30 days of Commission approval and that the Exchange will notify members of implementation by issuing an Options Trader Alert; and (iv) the Exchange expects to implement the new functionality on a symbol by symbol bases over the course of a week to mitigate risks associated with the rollout of new technology; and (v) make certain non-substantive clarifications to the rule text.

[5] According to the Exchange, the term ''cPBBO'' means the best net debit or credit price for a Complex Order Strategy based on the PBBO for the individual options components of such Complex Order Strategy, and, where the underlying security is a component of the Complex Order, the National Best Bid and/or Offer for the underlying security. *See* Notice *supra,* note 3, at n.3 (citing Phlx Rule 1080.08(a)(iv)).

[6] *See* proposed Phlx Rule 1080.08(f)(iii)(C).

[7] *See id.* Under the proposal, legging orders are also not routable and are limit orders with a time-in-force of DAY. *See id.*

[8] *See* Notice, *supra* note 3, at 57632.

[9] *See* proposed Phlx Rule 1080.08(f)(iii)(C)(1). The Exchange represents that there can be only one legging order on the same side of the market in a series. *See* Notice, *supra* note 3, at 57633.

[10] *See* proposed Phlx Rule 1080.08(f)(iii)(C)(1). *See* Notice, *supra* note 3, at 57633 for an example of how legging orders would be generated.

[11] *See* proposed Phlx Rule 1080.08(f)(iii)(C)(1).

[12] *See id.*

[13] *See* proposed Phlx Rule 1080.08(f)(iii)(C)(1). *See also* Notice, *supra* note 3, at 57633. Under the proposal, two legging orders relating to the same complex order can be generated, but only one of those can execute as part of the execution of a particular complex order. *See id.*

[14] *See* proposed Phlx Rule 1080.08(f)(iii)(C)(2).

[15] *See id.*

[16] *See* Notice, *supra* note 3, at 57632–33.

[17] *See id.* at 57633.

[18] *See id.* at n.17.

[19] *See* proposed Phlx Rule 1080.08(f)(iii)(C)(3) *and* Notice, *supra* note 3, at 57634.

[20] *See* Notice, *supra* note 3, at 57634.

[21] *See* proposed Phlx Rule 1080.08(f)(iii)(C)(3).

in the regular market.[22] Phlx also believes that legging orders may facilitate additional executions and enhance execution quality for investors in the regular market by improving the price and/or size of the PBBO and by providing additional execution opportunities for resting orders on the regular book.[23]

D. Removal of Legging Orders

The Exchange proposes to adopt Phlx Rule 1080.08(f)(iii)(C)(4) to provide that a legging order will be removed from the Exchange's regular limit order book automatically if: (i) The price of the legging order is no longer at the Exchange's displayed best bid or offer on the regular limit order book; (ii) execution of the legging order would no longer achieve the net price of the complex order when the other leg is executed against the Exchange's best displayed bid or offer on the regular limit order book (other than another legging order); (iii) the complex order is executed in full or in part; (iv) the complex order is cancelled or modified; (v) the price of the complex order is outside of the ACE Parameter of Phlx Rule 1080.08(i); (vi) the Exchange receives a Qualified Contingent Cross Order [24] which includes a component in which a legging order exists, an order that will trigger an auction under Phlx rules in a component in which there is a legging order (whether a buy order or a sell order), or a PIXL Order for the account of a public customer paired with an order for the account of a public customer pursuant to Phlx Rule 1080(n)(vi); (vii) a legging order is generated by a different complex order in the same leg at a better price or the same price for a participant with a higher priority; (viii) a complex order is marketable against the cPBBO where a legging order is present and has more than one leg in common with the existing complex order that generated the legging order; (ix) a complex order becomes marketable against multiple legging orders; (x) a complex order consisting of an unequal quantity of components is marketable against the cPBBO where a legging order is present but cannot be executed due to insufficient size in at least one of the components of the cPBBO; (xi) an incoming all-or-none order is entered onto the order book at a price which is equal to or crosses the price of a legging order; or (xii) when the legging order is on the book at a price which is not at the minimum price variation and which is more aggressive than the same side PBBO, and an away market moves to lock the PBBO (which is also the NBBO).[25]

Finally, the Exchange proposes to implement the proposed rule change within 30 days of approval by the Commission, and represents that it will notify Exchange members of implementation by issuing an Options Trader Alert.[26] The Exchange expects to implement the new functionality on a symbol by symbol basis over the course of a week in order to mitigate risks associated with the rollout of new technology.[27]

III. Discussion

After careful review, the Commission finds that the proposed rule change, as modified by Amendment No. 1, is consistent with the requirements of the Act and the rules and regulations thereunder applicable to a national securities exchange.[28] In particular, the Commission finds that the proposed rule change, as amended, is consistent with Section 6(b)(5) of the Act,[29] which requires, among other things, that the rules of a national securities exchange be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, 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.

The Commission believes that legging orders could facilitate the execution of complex orders resting on the Exchange's CBOOK by increasing the opportunities for eligible complex orders to execute against interest in the regular market on the Exchange's regular order book, thereby benefitting investors seeking to execute complex orders. In addition, the Commission believes that legging orders could benefit participants in the regular market by providing additional liquidity, and potentially more favorable executions, for regular market interest. The Commission notes that it previously approved proposals by other options exchanges to implement legging orders.[30]

Under the proposal, legging orders will be firm orders that represent one leg of a two-legged complex order involving a one-to-one ratio resting on the top of the CBOOK.[31] The Commission notes that, on Phlx, legging orders may be generated and executed in an increment other than the minimum increment for that options series and will be ranked on the order book at its generated price and displayed at a price that is rounded, down for legging orders to buy and up for legging orders to sell, to the nearest minimum increment allowable for that series.[32] The Commission also notes that a legging order will be executed only after all other executable orders (including any non-displayed size) and quotes at the same price are executed in full pursuant to the Exchange's priority rules applicable to non-complex orders.[33] Accordingly, the Exchange represents that the generation of a legging order will not affect the existing priority, or execution opportunities, currently provided to market participants in the regular market in any way.[34]

As noted above, the Exchange represents that it will carefully manage and curtail the number of legging orders being generated so that they do not negatively impact system capacity and performance.[35] Phlx represents, further, that it may curtail the number of leg orders on an objective basis, such as by limiting the number of leg orders generated in a particular option, and that it will not limit the generation of leg orders on the basis of the entering participant or the participant category of the order (*i.e.,* professional or public customer).[36]

IV. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether Amendment No. 1 is consistent with the Act. Comments may be submitted by any of the following methods:

[22] *See* Notice, *supra* note 3, at 57634.

[23] *See* Notice, *supra* note 3, at 57637.

[24] *See* Phlx Rule 1080(o).

[25] *See* proposed Phlx Rule 1080.08(f)(iii)(C)(4). *See also* Notice, *supra* note 3, at 57634–57636 for examples illustrating the removal of legging orders and *supra* note 4 describing Amendment No. 1 to the proposal.

[26] *See supra* note 4 describing Amendment No. 1 to the proposal.

[27] *See id.*

[28] In approving this proposal, the Commission has considered the proposed rule's impact on efficiency, competition, and capital formation. *See* 15 U.S.C. 78c(f).

[29] 15 U.S.C. 78f(b)(5).

[30] *See* Securities Exchange Act Release Nos. 66234 (January 25, 2012), 77 FR 4852 (January 31, 2012) (order approving File No. SR–ISE–2011–82); 69419 (April 19, 2013), 78 FR 24449 (April 25, 2013) (order approving File No. SR–BOX–2013–01); and 69987 (July 15, 2013), 78 FR 43254 (July 19, 2013) (order approving File No. SR–CBOE–2013–026).

[31] *See infra* note 6 and accompanying text.

[32] *See infra* note 14 and accompanying text.

[33] *See infra* note 19 and accompanying text.

[34] *See infra* note 20 and accompanying text.

[35] *See infra* note 16 and accompanying text.

[36] *See infra* note 18 and accompanying text.

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.* Please include File Number SR–Phlx–2014–54 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–2014–54. 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 20549–1090 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 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–Phlx–2014–54, and should be submitted on or before December 4, 2014.

V. Accelerated Approval of Proposed Rule Change, as Modified by Amendment No. 1

The Commission finds good cause for approving the proposed rule change, as amended by Amendment No. 1, prior to the 30th day after the date of publication of notice in the **Federal Register**. Amendment No. 1 revises the proposal to, among other things, provide for two instances whereby the Exchange will remove legging orders to ensure that legging orders are removed when public customer orders are crossed through the Exchange's PIXL auction pursuant to Phlx Rule 1080(n)(vi) and to ensure that legging orders are removed consistent with Phlx Rule 1084 governing order protection.[37] The Commission notes that the revisions are designed to provide market participants with more specificity regarding the operation and implementation of the Exchange's legging order functionality. Accordingly, the Commission finds good cause for approving the proposed rule change, as amended, on an accelerated basis, pursuant to Section 19(b)(2) of the Act.[38]

VI. Conclusion

It is therefore ordered, pursuant to Section 19(b)(2) of the Act,[39] that the proposed rule change (SR–Phlx–2014–54), as amended, be, and hereby is, approved.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.[40]

Kevin M. O'Neill,

Deputy Secretary.

[FR Doc. 2014–26809 Filed 11–12–14; 8:45 am]

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–73540; File No. SR–NASDAQ–2014–099]

Self-Regulatory Organizations; The NASDAQ Stock Market LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change Relating to Cancel-Replacement and Route Timer

November 6, 2014.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (''Act''),[1] and Rule 19b–4 thereunder,[2] notice is hereby given that on October 28, 2014, The NASDAQ Stock Market LLC (''NASDAQ'' 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 NASDAQ. 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

NASDAQ proposes to add specificity to the Exchange's options trading rules. The NASDAQ Options Market (''NOM'') is Nasdaq's facility for executing and routing standardized equity and index options. The Exchange proposes to define cancel-replacement orders and also describe a route timer in Chapter VI, entitled ''Trading Systems.''

The text of the proposed rule change is available on the Exchange's Web site at *http://www.nasdaq.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, Proposed Rule Change

1. Purpose

The Exchange is proposing to amend Chapter VI to add additional specificity to its rules. The Exchange proposes to amend Section 1, Definitions, to define a cancel- replacement order. The Exchange proposes to amend Section 11, Order Routing, to add greater specificity to the Rulebook concerning a route timer.

Cancel-Replacement Orders

A market participant today has the option of either sending in a cancel order and then separately sending in a new order which serves as a replacement of the original order (two separate messages) or sending a single cancel-replacement order in one message.

If an order is submitted to the System and then subsequently a cancel order is sent to the System cancelling the original order, the original order will be cancelled by the System provided the original order was not already filled partially or in its entirety. A subsequent replacement order would be treated as a new order by the System and will not retain the priority of the cancelled order.

An order that is entered as one single message (''cancel-replacement order'')

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[37] *See supra* note 4 for a description of Amendment No. 1.

[38] 15 U.S.C. 78s(b)(2).

[39] *Id.*

[40] 17 CFR 200.30–3(a)(12).

[1] 15 U.S.C. 78s(b)(1).

[2] 17 CFR 240.19b–4.