

SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34-75109; File No. SR-CBOE-2015-053)

June 4, 2015

Self-Regulatory Organizations; Chicago Board Options Exchange, Incorporated; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change Relating to Intermarket Order Routing

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 May 28, 2015, Chicago Board Options Exchange, Incorporated (the “Exchange” or “CBOE”) 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 amend Rule 6.14B regarding order routing to other exchanges to include certain references to provisions of Rule 15c3-5 under the Act<sup>3</sup> and make certain miscellaneous non-substantive changes to the existing text of Rule 6.20. The text of the proposed rule change is provided below.

(additions are italicized; deletions are [bracketed])

\* \* \* \* \*

**Chicago Board Options Exchange, Incorporated  
Rules**

\* \* \* \* \*

---

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

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

<sup>3</sup> See Securities Exchange Act Release No. 63241 (November 3, 2010), 75 FR 69792 (November 15, 2010).

## **Rule 6.14B. Order Routing to Other Exchanges**

The Exchange may automatically route intermarket sweep orders to other exchanges under certain circumstances, including pursuant to Rule 6.14A ("Routing Services"). In connection with such services, the following shall apply:

(a) – (g) No change.

(h) Each routing broker is required to establish, document, and maintain a system of risk management controls and supervisory procedures reasonably designed to manage the financial, regulatory and other risks of providing Trading Permit Holders and their customers access to other exchanges, pursuant to Rule 15c3-5 under the Exchange Act. Pursuant to the policies and procedures developed by the routing broker to comply with Rule 15c3-5, if an order or series of orders are deemed by the routing broker to violate the applicable pre-trade requirements of Rule 15c3-5, the routing broker will reject the order(s) prior to routing and may seek to cancel any orders that have been routed.

*. . . Interpretations and Policies:*

**.01** No change.

\* \* \* \* \*

## **Rule 6.20. Admission to and Conduct on the Trading Floor; Trading Permit Holder Education**

(a) – (e) No change.

*. . . Interpretations and Policies:*

**.01** Only those Trading Permit Holders who have been approved to perform a floor function are authorized to enter into transactions on the floor. Such Trading Permit Holders include Floor Brokers who are registered pursuant to Rule 6.71[, Board Brokers who are registered pursuant to Rules 7.2 and 7.3] and Market-Makers registered pursuant to Rules 8.2 and 8.3. While on the floor such floor Trading Permit Holders shall at all times display a floor Trading Permit Holder's badge.

**.02 – .10** No change.

\* \* \* \* \*

The text of the proposed rule change is also available on the Exchange's website

(<http://www.cboe.com/AboutCBOE/CBOELegalRegulatoryHome.aspx>), at the Exchange's Office

of the Secretary, and at the Commission’s Public Reference Room.

II. Self-Regulatory Organization’s Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, the Exchange included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. The Exchange has prepared summaries, set forth in sections A, B, and C below, of the most significant aspects of such statements.

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

1. Purpose

Market Access Rule

The Commission adopted Rule 15c3-5 (also referred to herein as the “Market Access Rule”) to require broker-dealers providing others with access to an exchange or alternative trading system to establish, document and maintain a system of risk management controls and supervisory procedures reasonably designed to manage the financial, regulatory, and other risks of providing such access.<sup>4</sup> Broker-dealers routing orders on behalf of exchanges or alternative trading systems for the purpose of accessing other trading centers in compliance with Rule 611 of Regulation NMS,<sup>5</sup> or in compliance with a national market system plan for listed options, are not required to comply with Rule 15c3-5 with regard to such routing services, except with regard to paragraph (c)(1)(ii). Paragraph (c)(1)(ii) provides in relevant part that the broker-dealer’s risk management controls and supervisory procedures be reasonably designed to systematically limit

---

<sup>4</sup> Id.

<sup>5</sup> 17 CFR 242.611.

the financial exposure of the broker or dealer that could arise as a result of market access, including being reasonably designed to prevent the entry of erroneous orders, by rejecting orders that exceed appropriate price or size parameters, on an order-by-order basis or over a short period of time, or that indicate duplicative orders.<sup>6</sup>

#### Proposal to Modify Rules Related to Routing Brokers

The Exchange proposes to amend Rule 6.14B to make explicit that broker-dealers routing Exchange orders to other markets must establish, document, and maintain a system of risk management controls and supervisory procedures reasonably designed to manage the financial, regulatory and other risks of providing Trading Permit Holders and their customers access to other options exchanges and stock trading centers (as applicable), pursuant to Rule 15c3-5 under the Act. The proposed rule change would also state that pursuant to the policies and procedures developed by the routing broker to comply with Rule 15c3-5, if an order or series of orders are deemed by the routing broker to violate the applicable pre-trade requirements of Rule 15c3-5, the routing broker will reject the order(s) prior to routing and may seek to cancel any orders that have been routed. To the extent that any Exchange-affiliated routing broker determines, based on its procedures, that an order should be rejected, the routing broker may also seek to cancel orders that have already been routed away.

#### Proposal to Modify Rule 6.20 to Make Miscellaneous, Non-Substantive Changes

The Exchange is also proposing certain non-substantive amendments to Rule 6.20 pertaining to admissions to, and conduct on, the CBOE trading floor and Trading Permit Holder education. In particular, the Exchange is proposing in Rule 6.20.01 to eliminate reference to the term “Board Brokers” as these market participants no longer exist.

---

<sup>6</sup> See 17 CFR 240.15c3-5(b) and (c)(1)(ii).

## 2. Statutory Basis

The Exchange believes the proposed rule change is consistent with 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>7</sup> Specifically, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)<sup>8</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>9</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, by including specific references to the existing requirements of Rule 15c3-5 under the Act within the Exchange Rules, the Exchange is reiterating a routing broker's obligation under Rule 15c3-5. The Exchange also believes that the proposed rule change will benefit Trading Permit Holders because it provides clarity on the process employed for away market routing consistent with the Market Access Rule. The Exchange believes that the changes to conform the text of Rule 6.14B (pertaining to options order routing to other exchanges) will simplify the Rules and make it easier to administer having consistent provisions across both

---

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

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

<sup>9</sup> Id.

markets. Finally, the Exchange believes that the miscellaneous, non-substantive changes to Rule 6.20 will simplify and update the rules, and make them easier to read.

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. The Exchange does not believe that the proposed rule change will impose any burden on intramarket competition that is not necessary or appropriate in furtherance of the purposes of the Act because the proposed rule change is technical in nature in that is designed to reiterate existing requirements under the Market Access Rule, which will provide clarity on the process employed for away market routing and make the Market Access Rule easier to administer consistently across markets. The Exchange's other proposal to make other miscellaneous, non-substantive changes to Rule 6.20 will simplify and update the Rules, and make them easier to read. For these reasons, the Exchange does not believe that the proposed rule change will impose any burden on intermarket competition that is not necessary or appropriate in furtherance of the purposes of the Act. The Exchange also notes that another exchange, EDGA Exchange, Inc. ("EDGA"), has substantially similar provisions in its rules.<sup>10</sup> To the extent that the proposed rule change may make CBOE a more attractive venue for market participants on other exchanges, such market participants may elect to become CBOE market participants.

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

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

---

<sup>10</sup> See EDGA Rule 11.11(i).

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

Because the foregoing proposed rule change does not:

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

time as the Commission may designate, it has become effective pursuant to Section 19(b)(3)(A) of the Act<sup>11</sup> and Rule 19b-4(f)(6)<sup>12</sup> thereunder. At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act. If the Commission takes such action, the Commission will institute proceedings to determine whether the proposed rule change should be approved or disapproved.

### IV. Solicitation of Comments

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

#### Electronic Comments:

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>); or
- Send an e-mail to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include File Number SR-CBOE-2015-053 on the subject line.

---

<sup>11</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>12</sup> 17 CFR 240.19b-4(f)(6). As required under Rule 19b-4(f)(6)(iii), the Exchange provided the Commission with written notice of its intent to file the proposed rule change, along with a brief description and the 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.

Paper Comments:

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

All submissions should refer to File Number SR-CBOE-2015-053. This file number should be included on the subject line if e-mail is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet website (<http://www.sec.gov/rules/sro.shtml>). Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for website viewing and printing in the Commission's Public Reference Room, 100 F Street, NE, Washington, 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-2015-053 and should be submitted on or before [insert date 21 days from publication in the Federal Register].

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

Robert W. Errett  
Deputy Secretary

---

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