

SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34-72919; File No. SR-ISEGemini-2014-22)

August 26, 2014

Self-Regulatory Organizations; ISE Gemini Exchange LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change on Sweep Orders

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 August 19, 2014, ISE Gemini, LLC (the “Exchange” or “ISE Gemini”) filed with the Securities and Exchange Commission (“Commission”) the proposed rule change as described in Items I and II below, which Items have been prepared by the self-regulatory organization. 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

ISE Gemini proposes to amend its rules to adopt a definition of “Sweep Order,” an order type that will be introduced in rules incorporated by reference to rules of the Exchange’s affiliate, International Securities Exchange, LLC (“ISE”), and to allow market makers to enter Sweep Orders in their appointed options classes. The text of the proposed rule change is available on the Exchange’s Internet website at <http://www.ise.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

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

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

in Item IV below. The self-regulatory organization 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 July 31, 2014, the ISE filed a proposed rule change that introduced a new order type: the “Sweep Order.”<sup>3</sup> Pursuant to the rules adopted in the ISE filing, which will become effective on September 1, 2014, a “Sweep Order” is a limit order that is executed against any available interest in the order book at the NBBO or better and immediately sent to the Linkage Handler for away market routing, without being exposed to members first under Supplementary Material .02 to ISE Rule 1901. Furthermore, a Sweep Order that is not marketable when it is submitted is cancelled, as is any portion of a marketable Sweep Order that is not immediately executed by an eligible exchange. New Supplementary Material .05 to ISE Rule 1901, which describes order handling for Sweep Orders, is incorporated by reference into Chapter 19 of ISE Gemini rules. The purpose of this proposed rule change is to amend ISE Gemini Rule 715 to include a definition of “Sweep Order,” as described above. In conjunction with this change, the Exchange also proposes to amend ISE Gemini Rule 805(a) to allow market makers to submit Sweep Orders in their appointed options classes,<sup>4</sup> consistent with treatment on the ISE.

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<sup>3</sup> See Securities Exchange Act Release No. 72816 (August 12, 2014), 79 FR 48811 (August 18, 2014) (SR-ISE-2014-37).

<sup>4</sup> Market makers are currently permitted to submit the following order types in their appointed options classes: opening only orders, immediate-or-cancel (“IOC”) orders, market orders, fill-or-kill orders, and certain block orders and non-displayed penny orders. See ISE Gemini Rule 805(a).

## 2. Basis

The Exchange believes that the proposed rule change is consistent with the requirements of the Act,<sup>5</sup> and the rules and regulations thereunder that are applicable to a national securities exchange, including the requirements of Section 6(b) of the Act.<sup>6</sup> In particular, the proposal is consistent with Section 6(b)(5) of the Act,<sup>7</sup> because it is designed to promote just and equitable principles of trade, remove impediments to and perfect the mechanisms of a free and open market and a national market system and, in general, to protect investors and the public interest.

ISE Gemini's affiliated exchange, ISE, recently adopted Sweep Orders in a filing that will become effective on September 1, 2014, and order handling for this order type is provided for in rules that will be incorporated by reference into ISE Gemini rules. The introduction of Sweep Orders on ISE Gemini will facilitate the routing of Public Customer and Non-Customer Orders, and will allow Members to quickly access available liquidity on ISE Gemini and away markets. The proposed rule change removes impediments to and perfects the mechanism of a free and open market and a national market system because it clarifies ISE Gemini rules, which as stated above will incorporate order handling for Sweep Orders, by adopting a definition for this order type. Furthermore, ISE Gemini believes that it is in the public interest to allow market makers to enter Sweep Orders in their appointed options classes so that they can use this order type to access liquidity on ISE Gemini and other options exchanges. Under ISE Gemini Rules, Market Makers are permitted to provide resting liquidity in their appointed classes through the use of quotes entered in compliance with Rule 804. In order to access liquidity provided by other firms, however, Market Makers use IOC and other order types that do not rest on the

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<sup>5</sup> 15 U.S.C. 78f.

<sup>6</sup> 15 U.S.C. 78f(b).

<sup>7</sup> 15 U.S.C. 78f(b)(5).

regular order book.<sup>8</sup> Because any portion of a Sweep Order that is not executed is cancelled, the proposed addition of Sweep Orders to the list of order types that market makers may use in their appointed classes is generally consistent with Rule 805(a), which was intended to prevent market makers from having both standing limit orders and quotes in the same options class.

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 as it merely defines an order type that will be available on the Exchange, and allows market makers to enter this order type, consistent with treatment on the ISE. With the introduction of Sweep Orders, both Public Customer and Non-Customer Orders will be able to use this order type to quickly access better-priced liquidity on ISE Gemini and other competing markets.

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

The Exchange has not solicited, and does not intend to solicit, comments on this proposed rule change. The Exchange has not received any unsolicited written comments from members or other interested parties.

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 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)(ii) of the Act<sup>9</sup> and subparagraph (f)(6) of Rule 19b-4 thereunder.<sup>10</sup>

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<sup>8</sup> See supra note 4.

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

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 e-mail to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include File Number SR-ISEGemini-2014-22 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-ISEGemini-2014-22. 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

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<sup>10</sup> 17 CFR 240.19b-4(f)(6). In addition, Rule 19b-4(f)(6) requires the Exchange to give the Commission written notice of the Exchange's intent to file the proposed rule change along with a brief description and text of the proposed rule change, at least five business days prior to the date of filing of the proposed rule change, or such shorter time as designated by the Commission. The Exchange has satisfied this requirement.

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 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-ISEGemini-2014-22 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>11</sup>

Kevin M. O'Neill  
Deputy Secretary

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<sup>11</sup> 17 CFR 200.30-3(a)(12).