

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 No. SR-ISE-2014-16 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-ISE-2014-16. 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 ISE. 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-ISE-2014-16 and should be submitted by April 16, 2014.

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

Kevin M. O'Neill,
Deputy Secretary.

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**SECURITIES AND EXCHANGE
COMMISSION**

[Release No. 34-71759; File No. SR-ISE-2014-09]

**Self-Regulatory Organizations;
International Securities Exchange,
LLC; Notice of Filing of Proposed Rule
Change Related to Market Maker Risk
Parameters**

March 20, 2014.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the "Act"),¹ and Rule 19b-4 thereunder,² notice is hereby given that on March 10, 2014, the International Securities Exchange, LLC (the "Exchange" or the "ISE") 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 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 its rules to mitigate market maker risk by adopting an Exchange-provided risk management functionality. The text of the proposed rule change is available on the Exchange's Web site 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 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

Pursuant to ISE Rules 722 and 804, the Exchange automatically removes a market maker's quotes in all series of an

options class when certain parameter settings are triggered. Specifically, there are four parameters that can be set by market makers on a class-by-class basis. These parameters are available for market maker quotes in single options series and for market maker quotes in complex instruments on the complex order book. Market makers establish a time frame during which the system calculates: (1) The number of contracts executed by the market maker in an options class; (2) the percentage of the total size of the market maker's quotes in the class that has been executed; (3) the absolute value of the net between contracts bought and contracts sold in an options class, and (4) the absolute value of the net between (a) calls purchased plus puts sold, and (b) calls sold plus puts purchased. The market maker establishes limits for each of these four parameters, and when the limits are exceeded within the prescribed time frame, the market maker's quotes in that class are removed or curtailed.³ The Exchange also recently adopted another risk management parameter that allows market maker quotes to be removed from the trading system if a specified number of curtailment events occur across the ISE market. If the specified number of curtailment events is exceeded within the prescribed time period, the market maker's quotes in all classes in which it makes a market are automatically removed from the trading system.⁴ It is mandatory for market makers to enter values into all of these quotation risk management parameters for all options classes in which it enters quotes.

The Exchange now proposes to further enhance its risk management offering for market maker quotes. Specifically, the Exchange proposes to implement functionality to allow market maker quotes to be removed from the trading system if a specified number of curtailment events occur across ISE and ISE Gemini, LLC ("ISE Gemini").⁵ The Exchange notes that a single trading system governs the trading activity on ISE and ISE Gemini.⁶

³ See Securities Exchange Act Release No. 70132 (August 7, 2013), 78 FR 49311 (August 13, 2013) (SR-ISE-2013-38).

⁴ See Securities Exchange Act Release No. 71446 (January 30, 2014), 79 FR 6951 (February 5, 2014) (SR-ISE-2014-04).

⁵ ISE Gemini recently changed its name from Topaz Exchange, LLC to ISE Gemini, LLC. See Exchange Act Release No. 71586 (February 20, 2014), 79 FR 10861 (February 26, 2014) (SR-Topaz-2014-06).

⁶ See Exchange Act Release No. 70050 (July 26, 2013), 78 FR 46622 (August 1, 2013) (In the Matter of the Application of Topaz Exchange, LLC for Registration as a National Securities Exchange).

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

¹³ 17 CFR 200.30-3(a)(12).

As proposed, market makers who choose to use this risk management tool must request each Exchange [sic] to set the proposed market wide parameter to govern its trading activity across both markets. Once this parameter is set, the trading system will count the number of times a market maker's pre-set curtailment occurs on each exchange, as specified in ISE Rule 804(g) (for regular orders) and ISE Rule 722, Supplementary Material .04 (for complex orders), and sum them together. Once the sum of the specified number of curtailment events across both markets has been reached, the trading system will remove all of the market maker's quotes in all classes on both ISE and ISE Gemini in which that market maker makes a market thereby reducing the risk to the market maker in the event the market maker is suffering from a systems issue or due to the occurrence of unusual or unexpected market activity. Any quotes sent by the market maker after the market wide parameter across both markets has been triggered will be rejected until such time that the market maker notifies the market operations staff that supports each exchange that it is ready to come out of its curtailment.⁷ In the interest of maintaining fair and orderly markets, ISE believes it is important that market makers communicate their readiness to Exchange staff in a non-automated manner, such as by email or telephone. Once notified by the market maker, the market operations staff for each exchange will reactivate the market maker's quotes on both ISE and ISE Gemini and market makers on both ISE and ISE Gemini will once again be active in the options classes in which they make markets.

To illustrate how the proposed market wide parameter would apply when set for both ISE and ISE Gemini, suppose market maker WXYZ, who is a member of both ISE and ISE Gemini, makes a market in 50 options classes on ISE and in 50 options classes on ISE Gemini, sets the proposed market wide parameter so that it is triggered at 60 curtailment events within a 30 second time period. On a given trading day, if market maker WXYZ is curtailed,

within the prescribed time period, 35 times across all the options classes in which it makes a market on ISE and 25 times across all the options classes in which it makes a market on ISE Gemini then ISE will remove all of market maker WXYZ's quotes on ISE and ISE Gemini will remove all of market maker WXYZ's quotes on ISE Gemini. The 60 curtailment events can occur in just one class or in any number of classes in which market maker WXYZ makes a market.

While the proposed risk management functionality is a useful feature that serves an important risk management purpose, it operates consistent with the firm quote obligations of a broker-dealer pursuant to Rule 602 of Regulation NMS. Specifically, any marketable orders or quotes that are executable against a market maker's quotes that are received prior to the time this functionality is engaged will be automatically executed at the price up to the market maker's size, regardless of whether such execution results in executions in excess of the market maker's pre-set parameters.

The proposed market wide parameter is meant to provide market makers with protection across both ISE and ISE Gemini from the risk of multiple executions across multiple series of an option or across multiple options. The risk to market makers is not limited to a single series in an option or even to all series in an option. Nor is this risk limited to a single market. Market makers that quote in multiple series of multiple options on multiple markets have significant exposure, requiring them to offset or hedge their overall positions. The proposed functionality will be useful for market makers, who are required to continuously quote in assigned options classes on ISE and ISE Gemini. Quoting across many series in an option or multiple options creates the possibility of executions that can create large, unintended principal positions that could expose market makers to unnecessary risk. The proposed functionality is intended to assist market makers in managing their market risk, and providing deep and liquid markets to the benefit of all investors.

While the Exchange is adopting the proposed functionality following consultation with market makers, usage of the proposed market wide parameter will not be mandatory. Further, the Exchange notes that market makers who prefer to use their own risk-management systems can set values that assure the Exchange-provided parameter will not

be triggered.⁸ Accordingly, the proposal does not require members to manage their risk using the Exchange-provided tools. The Exchange will provide at least two weeks' notice to members via an Exchange circular prior to implementing the proposed functionality to allow members the opportunity to perform any system changes.

2. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Securities Exchange Act of 1934 (the "Act")⁹ in general, and furthers the objectives of Section 6(b)(5) of the Act¹⁰ in particular, in that it is designed to promote just and equitable principles of trade, to remove impediments to and perfect the mechanism for a free and open market and a national market system, and, in general, to protect investors and the public interest.

The Exchange currently provides market makers with a risk management tool that allows market maker quotes to be removed from the trading system if a specified number of curtailment events occur across ISE. The Exchange believes the proposed rule change is appropriate and reasonable because it enhances each Exchange's [sic] current risk management offering by allowing market makers to manage their risk across ISE and ISE Gemini and thereby strengthen their ability to manage risk across both markets. The proposed market wide parameter will protect market makers across both markets from inadvertent exposure to excessive risk and thereby allow market makers to quote aggressively and provide more liquidity with greater size to both markets which promotes just and equitable principles of trade and removes impediments to a free and open market to the benefit of investors.

The Exchange believes it will not be unreasonably burdensome for market makers who choose to utilize the proposed functionality to set values into the proposed risk parameter, as all market makers currently utilize the Exchange's risk management functionality, all of which are mandatory, as noted above. Moreover, the Exchange is proposing this rule change at the request of its market makers to further reduce their risk in the event the market maker is suffering from a systems issue or due to the occurrence of unusual or unexpected market activity. As discussed above, the

⁸ For example, a market maker could set the value for the total number of curtailment events across both markets at a high number so as not to trigger the Exchange-provided parameter.

⁹ 15 U.S.C. 78f(b).

¹⁰ 15 U.S.C. 78f(b)(5).

Section D. *Trading System*, 4. Order Display, Execution, and Priority discusses variously the similarities between ISE and ISE Gemini.

⁷ *Id.* Pursuant to a facilities management agreement entered into by Topaz Exchange with ISE, ISE provides certain services, for example, business management services, facilities management services, IT services, fiscal services, as well as Commission and other regulatory compliance services and other legal services, such as surveillance programs, legal programs, systems and other operational services, which include services provided by the market operations staff.

proposed market wide parameter will protect ISE and ISE Gemini market makers from inadvertent exposure to excessive risk across both markets. Reducing such risk will enable market makers to enter quotations without any fear of inadvertent exposure to excessive risk, which in turn will benefit investors through increased liquidity for the execution of their orders. Such increased liquidity benefits investors because they receive better prices and because it lowers volatility in the options market.

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

The proposed rule change does not impose any burden on competition. The proposed rule change is meant to protect market makers from inadvertent exposure to excessive risk when trading on both ISE and ISE Gemini. Accordingly, the proposed rule change will have no impact on competition. Market makers are not required to use the proposed functionality and may use their own risk-management systems and enter out-of-range values so that the Exchange-provided parameters will not be triggered. Accordingly, the proposal does not require members to use or manage their risk using an Exchange-provided tool.

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

Within 45 days of the publication date of this notice in the **Federal Register** or within such longer period up to 90 days (i) as the Commission may designate if it finds such longer period to be appropriate and publishes its reasons for so finding or (ii) as to which the self-regulatory organization consents, the Commission will:

- (A) By order approve or disapprove such proposed rule change; or
- (B) institute proceedings to determine whether the proposed rule change should be 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-ISE-2014-09 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-ISE-2014-09. 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 inspection and copying 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 office of the ISE. 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-ISE-2014-09, and should be submitted on or before April 16, 2014.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.¹¹

Kevin M. O'Neill,

Deputy Secretary.

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¹¹ 17 CFR 200.30-3(a)(12).

DEPARTMENT OF STATE

[Public Notice 8673]

FY 2013 Fiscal Transparency Report Pursuant to Section 7031(B) of the Department of State, Foreign Operations and Related Programs Appropriations Act, 2012 (Div. I, Pub. L. 112-74), as Carried Forward by the Full-Year Continuing Appropriations Act, 2013 (Div. F, Pub. L. 113-6); 2013 Fiscal Transparency Report

AGENCY: Department of State.

ACTION: Notice.

SUMMARY: The Department of State hereby presents the findings from the FY 2013 fiscal transparency review process in its second annual Fiscal Transparency Report. This report describes the minimum standards of fiscal transparency developed by the Department of State, identifies countries that did not meet these standards, and indicates whether those countries made progress towards meeting these standards.

Fiscal Transparency

Fiscal transparency is a critical element of effective public financial management, helps in building market confidence, and sets the stage for economic sustainability. Transparency also provides a window into government budgets for citizens of any country, helping them to hold their leadership accountable. The International Monetary Fund (IMF) defines fiscal transparency as "the clarity, reliability, frequency, timeliness, and relevance of public fiscal reporting and the openness to the public of the government's fiscal policy-making process."

Annual reviews of the fiscal transparency of countries that receive U.S. assistance via their central governments help to ensure that U.S. taxpayer money is used appropriately and to sustain a dialogue with governments to improve their fiscal performance, leading to greater macroeconomic stability and better development outcomes.

Section 7031(b)(1) of the Department of State, Foreign Operations, and Related Programs Appropriations Act, 2012 (Div. I, Pub. L. 112-74) (SFOAA), as carried forward by the Full-Year Continuing Appropriations Act, 2013 (Div. F, Pub. L. 113-6) (CR), restricts U.S. assistance to the central government of any country that does not meet the Department's minimum standards of fiscal transparency, unless the Secretary of State, or his designee, determines that a waiver is important to