

## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-63562; File No. SR-Phlx-2010-177]

### Self-Regulatory Organizations; Notice of Filing and Immediate Effectiveness of Proposed Rule Change by NASDAQ OMX PHLX, Inc. Relating to Options Overlying QNET

December 16, 2010.

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 December 15, 2010, NASDAQ OMX PHLX, Inc. (“Phlx” 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 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 the Exchange’s Fee Schedule for Sector Index Options to expand the promotional pricing period for options overlying the NASDAQ Internet Index (“QNET”).

The text of the proposed rule change is available on the Exchange’s Web site at <http://nasdaqtrader.com/micro.aspx?id=PHLXfilings>, 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, the Proposed Rule Change

##### 1. Purpose

The Exchange previously filed a rule change to add additional transaction fees to Category III of its Fee Schedule, titled Sector Index Options, for options overlying QNET from trade date April 30, 2010 through trade date December 30, 2010.<sup>3</sup> The purpose of the promotional pricing is to assess a fixed rate across all market participants for a specified period of time to incentivize members to trade QNET.

The Exchange currently assesses a \$.20 per contract transaction fee for options overlying QNET for the following market participants: Customers, registered options traders (on-floor), specialists, professionals,<sup>4</sup> firms and broker-dealers. Pursuant to the rule change, on December 31, 2010, the Exchange will assess the options transaction charges for sector index options as designated by category of market participant on the Fee Schedule.<sup>5</sup>

The Exchange is proposing to expand the promotional pricing to trade date December 31, 2010. This proposal would eliminate the \$.20 per contract transaction promotional pricing after December 31, 2010, and would instead cause members to be assessed the applicable sector index options transaction charges, by market participant, starting on January 3, 2011 (the next trade date). For example, for transactions in QNET sector index options, a customer would no longer be assessed \$.20 per contract on trade date January 3, 2011, but instead would be assessed the option transaction charge, which is currently \$.44 per contract.

The Exchange recently filed a proposal to amend its calculation of transaction fees for billing purposes from settlement date to trade date

billing.<sup>6</sup> In that filing, the Exchange amended the billing cycle so that a member who receives an invoice for the month of December 2010 will be assessed fees from November 30, 2010 (trade date) through December 31, 2010 (trade date) instead of through December 30, 2010 (trade date).<sup>7</sup> The Exchange is proposing to amend the QNET promotional pricing to allow members to obtain the promotional pricing through the end of the December billing period. The Exchange also proposes amending the Fee Schedule to reflect this amendment of the date for the QNET promotional period.

##### 2. Statutory Basis

The Exchange believes that its proposal to amend its Fee Schedule is consistent with Section 6(b) of the Act<sup>8</sup> in general, and furthers the objectives of Section 6(b)(4) of the Act<sup>9</sup> in particular, in that it is an equitable allocation of reasonable fees and other charges among Exchange members. The Exchange believes that expanding the promotional pricing for sector index option fees for QNET is equitable because all market participants would be able to obtain the promotional pricing for the extra day. The Exchange further believes that offering the \$.20 per contract fee for a specified promotional period and thereafter assessing the standard sector index option transaction fees is also equitable because it is intended to encourage trading in QNET.

#### 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 not necessary or appropriate in furtherance of the purposes of the Act.

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

No written comments were either solicited or received.

#### 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)(ii) of the Act<sup>10</sup> and

<sup>3</sup> See Securities Exchange Act Release No. 61984 (April 26, 2010), 75 FR 23313 (May 3, 2010) (SR-Phlx-2010-60).

<sup>4</sup> The Exchange defines a “professional” as any person or entity that (i) is not a broker or dealer in securities, and (ii) places more than 390 orders in listed options per day on average during a calendar month for its own beneficial account(s).

<sup>5</sup> See footnote 3. The Exchange’s filing eliminates the \$.20 per contract transaction promotional pricing after December 30, 2010, and instead assesses members the applicable sector index options transaction charges, by market participant, starting on December 31, 2010. For example, for transactions in QNET sector index options, a customer would no longer be assessed the \$.20 per contract on trade date December 31, 2010, but instead would be assessed the option transaction charge, which is currently \$.44 per contract.

<sup>6</sup> See Securities Exchange Act Release No. 63406 (December 1, 2010), 75 FR 76511 (December 8, 2010) (SR-Phlx-2010-165).

<sup>7</sup> See footnote 6.

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

<sup>9</sup> 15 U.S.C. 78f(b)(4).

<sup>10</sup> 15 U.S.C. 78s(b)(3)(A)(ii).

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

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

paragraph (f)(2) of Rule 19b-4<sup>11</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.

#### 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-Phlx-2010-177 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-Phlx-2010-177. 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 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. 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-Phlx-2010-177 and should be submitted on or before January 13, 2011.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>12</sup>

**Florence E. Harmon,**

*Deputy Secretary.*

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#### SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-63564; File No. SR-CHX-2010-25]

#### **Self-Regulatory Organizations; Chicago Stock Exchange, Inc.; Notice of Filing and Order Granting Accelerated Approval of a Proposed Rule Change To Eliminate the Validated Cross Trade Entry Functionality**

December 16, 2010.

Pursuant to Section 19(b)(1)<sup>1</sup> of the Securities Exchange Act of 1934 (the "Act")<sup>2</sup> and Rule 19b-4 thereunder,<sup>3</sup> notice is hereby given that, on December 10, 2010, the Chicago Stock Exchange, Inc. (the "Exchange" or "CHX") filed with the Securities and Exchange Commission (the "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 and is approving the proposed rule change on an accelerated basis.

#### **I. Self-Regulatory Organization's Statement of the Terms of Substance of the Proposed Rule Change**

The CHX proposes to amend its rules to eliminate the Validated Cross Trade Entry Functionality for Exchange-registered Institutional Brokers. The text of this proposed rule change is available on the Exchange's Web site at (<http://www.chx.com>) and in 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 CHX included statements concerning the purpose of and basis for the

proposed rule change and discussed any comments it received regarding the proposal. The text of these statements may be examined at the places specified in Item IV below. The CHX 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 its rules relating to the submission and execution of certain cross orders by CHX-registered Institutional Brokers ("Institutional Brokers") by eliminating the ability of an Institutional Broker to execute trades on the Exchange's trading facilities outside of the Exchange's Matching System.<sup>4</sup> Institutional Brokers represent a voluntary registration category of Exchange Participants and the provisions of Article 17 of the Exchange's Rules apply specifically to them. Institutional Brokers are deemed to be trading on the facilities of the Exchange.<sup>5</sup> Institutional Brokers are the successors to the previous Floor Broker category and they largely handle orders from their customers on a manual basis.<sup>6</sup>

With the adoption and implementation of Regulation NMS ("Reg NMS"), the Exchange transitioned from its traditional floor-based, auction trading archetype to its current electronic trading model.<sup>7</sup> In order to facilitate the handling and execution of orders by Institutional Brokers, Article 17 has provided a means by which Institutional Brokers could attempt to manually execute and report transactions outside the CHX Matching System while complying with the trade-through prohibitions of Reg NMS and the order priority rules of the

<sup>4</sup> See, Article 20 for rules relating to the operation of the CHX Matching System.

<sup>5</sup> See, Securities Exchange Act Rel. No. 54550 (Sept. 29, 2006), 71 FR 59563 (October 10, 2006) (SR-CHX-2006-05) at Section ILC. (Institutional Broker), note 65 and accompanying text.

<sup>6</sup> For example, an Institutional Broker Representative ("IBR") may receive an order instruction from a customer over the telephone or some electronic means of communication (e.g., e-mail or instant message). The IBR is then responsible for entering the terms of the order into an electronic database (for the purpose of facilitating automated surveillance of such activity. See, Article 11, Rule 3) and seeking execution thereof.

<sup>7</sup> See, Securities Exchange Act Rel. No. 54550 (Sept. 29, 2006), 71 FR 59563 (October 10, 2006) (SR-CHX-2006-05).

<sup>11</sup> 17 CFR 240.19b-4(f)(2).

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

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

<sup>25</sup> U.S.C. 78a.

<sup>37</sup> 17 CFR 240.19b-4.