Market Makers who transact in a Premium Product issue, “less meaningful” quoting activity as described above should become less common given the economics of the proposal. Furthermore, the notion of “premium” or “select” pricing for a subset of issues traded on an Exchange is not novel. For example, both the ISE and Nasdaq OMK PHLX exchanges feature “select” symbol lists on their respective fee schedules.15

The Premium Product Issues List will apply to all NYSE Amex Options Market Makers equally, except for those market makers who are eligible for the newly proposed reduced Floor Market Maker ATP fees, one of the requirements of which is that they achieve 75% or more of their volumes in public outcry. Excluding market makers who are subject to these lower fees is in keeping with the Exchange’s stated goals of continuing to foster price discovery through public outcry while at the same time reducing the instances of “less meaningful” electronic quotes in the more liquid names that comprise the Premium Product Issues List. For these reasons, the Exchange believes that the proposal is reasonable, equitable, and not unfairly discriminatory.

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.

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.

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)16 of the Act and subparagraph (f)(2) of Rule 19b–417 thereunder, because it establishes a due, fee, or other charge imposed by the NYSE MKT.

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.

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);
- Send an email to rule-comments@sec.gov. Please include File Number SR–NYSEMKT–2012–33 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–NYSEMKT–2012–33 on the subject line.

The Exchange proposes to amend Exchange Rule 1080,49040 Federal Register Vol. 77, No. 158 / Wednesday, August 15, 2012 / Notices

should refer to File Number SR–NYSEMK–2012–33 and should be submitted on or before September 5, 2012.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.18

Kevin M. O’Neill,
Deputy Secretary.

[FR Doc. 2012–19985 Filed 8–14–12; 8:45 am]

BILLING CODE 8011–01–P

SECURITIES AND EXCHANGE COMMISSION


Self-Regulatory Organizations: NASDAQ OMX PHLX LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change Relating to Pricing in Select Symbols and Multiply Listed Options

August 9, 2012.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”),1 and Rule 19b–42 thereunder, notice is hereby given that, on August 1, 2012, NASDAQ OMX PHLX LLC (“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 Section I of the Exchange’s Pricing Schedule titled “Rebates and Fees for Adding and Removing Liquidity in Select Symbols,” to amend various Select Symbols,3 increase certain Complex Order4 Rebates for Adding Liquidity, eliminate the Complex Order

3 The rebates and fees in Section I apply to certain Select Symbols which are listed in Section I of the Pricing Schedule.
4 A Complex Order is any order involving the simultaneous purchase and/or sale of two or more different options series in the same underlying security, priced at a net debit or credit based on the relative prices of the individual components, for the same account, for the purpose of executing a particular investment strategy. Furthermore, a Complex Order can also be a stock-option order, which is an order to buy or sell a stated number of units of an underlying stock or exchange-traded fund (“ETF”) coupled with the purchase or sale of options contract(s). See Exchange Rule 1080, Commentary .08(a)(i).
The Exchange also is proposing to increase the Complex Order Fees for Removing Liquidity from $0.36 to $0.39 per contract for Specialists and Market Makers, and to increase the Complex Order Fees for Removing Liquidity from $0.38 to $0.39 per contract for Firms, Broker-Dealers, and Professionals in Select Symbols. The Exchange is proposing to increase these fees in order that it may offer additional rebates for Customer Complex Orders as described below.

Eliminating SPY Discount

The Exchange is proposing to remove the additional incentive for Customers who transact Complex Orders in SPY. The Exchange currently pays a Customer Complex Order Rebate for Adding Liquidity of $0.32 per contract and a Customer Complex Order Rebate for Removing Liquidity of $0.06 per contract, but specifies that the Exchange will increase the Customer Complex Order Rebates for Adding and Removing Liquidity by $0.01 per contract for transactions in SPY. Therefore, with this change, Customer Complex Orders that add liquidity in SPY would receive a rebate of $0.32 per contract and Customer Complex Orders that remove liquidity in SPY would receive a rebate of $0.06 per contract. The Exchange is eliminating the discount in lieu of offering a higher rebate for Customer Complex Orders as described below.

Technical Amendments

The Exchange also is proposing to make technical corrections in Section I, Parts A and B, by replacing “$0.00” with “N/A” for several categories. This is not a change to these fees, but a technical amendment since in these instances “N/A” better reflects that a fee is not relevant for this category rather than “$0.00” which simply reflects that no fee is currently being charged for this category.

Section II Amendments
Firm Volume Discount

The Exchange desires to continue to incentivize Firms to transact electronic orders, by providing Firms with an opportunity to pay lower fees in Section II of the Pricing Schedule by offering a lower threshold in order for Firms to receive a reduction of electronic Options Transaction Charges in Penny Pilot and non-Penny Pilot Options. Currently, Firms must have a volume greater than 750,000 electronically delivered contracts in a month to obtain

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5 Section II includes options overlying equities, ETFs, ETNs, indexers, and HOLDRs which are Multiply Listed.

6 SPY is one of the Select Symbols subject to the rebates and fees in Section I. A complete list of Select Symbols is included in Section I of the Pricing Schedule.
the lower fees. The Exchange proposes to lower the threshold volume from 750,000 to 490,000 electronically delivered contracts in a month. The Exchange believes that the lower threshold would enable a greater number of Firms to take advantage of lower fees.

Customer Rebate Program

The Exchange recently adopted a Customer Rebate Program to incentivize members to transact Customer orders on the Exchange. Such liquidity benefits all market participants through increased liquidity. At this time, the Exchange proposes to expand its Customer Rebate Program by adding another Category of orders eligible for rebates, “Category D.” This new category will pay rebates to members executing electronically delivered Customer Complex Orders in Select Symbols that add liquidity. The Exchange proposes to pay the following rebates:

<table>
<thead>
<tr>
<th>Average daily volume threshold</th>
<th>Rebate per contract categories</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Category A</td>
</tr>
<tr>
<td>0 to 49,999 contracts in a month</td>
<td>$0.00</td>
</tr>
<tr>
<td>50,000 to 99,999 contracts in a month</td>
<td>0.07</td>
</tr>
<tr>
<td>Over 100,000 contracts in a month</td>
<td>0.09</td>
</tr>
</tbody>
</table>

The Customer Rebate Program consists of three tiers. The first tier (0 to 49,999 contracts in a month) and the second tier (50,000 to 99,999 contracts in a month) do not earn any rebates defined in Category D. The third tier (over 100,000 contracts in a month) pays a rebate as an additional incentive for member organizations to route Customer Complex Order flow to the Exchange for execution ($0.05 per contract). The $0.05 will be in addition to the Customer Complex Order Rebate for Adding Liquidity (currently $0.32 per contract) for a total rebate of $0.37 for Category D.

As is currently the case with Category A, B, and C, each tier or “Threshold” is calculated by totaling all applicable Multiply-Listed Options electronically delivered Customer Orders, except electronic Qualified Contingent Cross Orders (eQCC Orders). The Exchange proposes to amend the calculation of the Average Daily Volume Threshold by totaling Customer volume in Multiply Listed Options that are electronically delivered and executed, except QCC Orders as defined in Exchange Rule 1080(v), and including electronically delivered and executed Customer Complex Orders in Select Symbols (“Threshold Volume”). The Exchange is proposing to add the word “executed” for clarity and account for the Category D rebates in the Threshold Volume Calculation. The Exchange believes that the addition of Category D will attract additional Customer order flow to the Exchange for the benefit of all market participants.

2. Statutory Basis

The Exchange believes that its proposal to amend its Pricing Schedule is consistent with Section 6(b) of the Act in general, and furthers the objectives of Section 6(b)(4) of the Act in particular, in that it is an equitable allocation of reasonable fees and other charges among Exchange members and other persons using its facilities.

Select Symbols

The Exchange believes that it is reasonable to remove and add the proposed symbols from its list of Select Symbols to attract additional order flow to the Exchange. The Exchange believes that the fees and rebates in Section I will attract order flow for the newly added Select Symbol ARNA. Also, the Exchange believes that applying the fees in Section II of the Pricing Schedule to the Proposed Deleted Symbols, including the opportunity to receive payment for order flow, will attract order flow to the Exchange.

The Exchange believes that it is equitable and not unfairly discriminatory to amend its list of Select Symbols to remove and add the proposed symbols because the list of Select Symbols would apply uniformly to all categories of participants in the same manner. All market participants who trade the Select Symbols would be subject to the rebates and fees in Section I of the Pricing Schedule, which would not include the proposed deleted symbols, but would include the proposed added symbol. Also, all market participants would be uniformly subject to the fees in Section II, which would include the Proposed Deleted Symbols, but would not include the proposed added symbol.

Complex Order Fees

The Exchange believes its proposal to increase the Complex Order Rebate for Adding Liquidity is equitable and not unfairly discriminatory because the Exchange is proposing to uniformly increase the rebates among market participants, except Customers. Today, Customers receive a Complex Order Rebate for Adding Liquidity of $0.32 per contract. Customers would continue to receive a higher rebate already because Customer order flow brings unique benefits to the market which benefits all participants through increased liquidity.

The Exchange believes its proposal to eliminate Complex Order Fees for Adding Liquidity is reasonable because market participants would be incentivized to transact additional orders on the Exchange at no cost when adding liquidity. The Exchange believes its proposal to eliminate Complex Order Fees for Adding Liquidity is equitable and not unfairly discriminatory because no market participant would be assessed a Complex Order Fee for Adding Liquidity.

The Exchange believes its proposal to increase the Complex Order Fees for Removing Liquidity from $0.36 to $0.39 per contract for Specialists and Market Participants is reasonable and not unfairly discriminatory because Specialists and Market Participants are paid fees and rebates on the same basis as all other market participants.
Makers, and to increase it from $0.38 to $0.39 per contract for Firms, Broker-Dealers, and Professionals in Select Symbols is reasonable because the Exchange is proposing to utilize these increased fees to fund the proposed new rebates in the Customer Rebate Program. The Exchange believes that the increased Complex Order Fees for Removing Liquidity are equitable and not unfairly discriminatory because all market participants, except Customers will be assessed a uniform fee to remove liquidity. The Exchange believes that it is reasonable, equitable, and not unfairly discriminatory to not assess Customers a Complex Order Fee to Remove Liquidity because Customer order flow brings unique benefits to the market. Also, Customers are not assessed a Complex Order Fee for Removing Liquidity, as is the case on competing exchanges.\footnote{16}

Eliminating SPY Discount

In addition, the Exchange believes that removing the additional $0.01 per contract incentive, when transacting electronically delivered SPY orders, in addition to the Customer Complex Order Rebates for Adding and Removing Liquidity in SPY is reasonable because the Exchange is proposing to incentivize members to transact Customer Complex Orders by offering an incentive in the Customer Rebate Program. The Exchange believes that the elimination of the SPY discount is equitable and not unfairly discriminatory because no market participants would be entitled to this discount.

Technical Amendments

The Exchange’s proposal to make technical corrections in Section I, Parts A and B, by replacing “$0.00” with “N/A” for several categories is reasonable, equitable, and not unfairly discriminatory because this is not a change to these fees, but a clarification that in these instances “N/A” better reflects that a fee is not relevant for this category rather than using “$0.00” which simply reflects that no fee is currently being charged for this category.

Firm Volume Discount

The Exchange’s amendment to the volume threshold applicable to the Electronic Firm Fee Discount in Section II of the Pricing Schedule is reasonable because the Exchange believes that the lower threshold would allow a greater number of Firms to obtain the lower pricing when they meet the volume threshold.

The Exchange’s amendment to the volume threshold applicable to the Electronic Firm Fee Discount in Section II of the Pricing Schedule is equitable and not unfairly discriminatory because it provides all Firms with an opportunity to pay lower fees through the lower volume threshold of 600,000 electronically delivered contracts in a month rather than the current threshold of 750,000. Today Firms that transact 750,000 electronically delivered contracts in a month are entitled to reduce their Firm electronic Options Transaction Charges in Penny Pilot ($0.40 per contract) and non-Penny Pilot ($0.45 per contract) in a given month to $0.13 per contract.\footnote{17} The reduction of the volume threshold from 750,000 electronically delivered contracts in a month to 600,000 electronically delivered contracts in a month would enable firms to obtain the reduction of fees by transacting a lower number of contracts in a month.

Customer Rebate Program

The Exchange’s amendment to the Customer Rebate Program is reasonable because it will provide members another manner in which to earn a rebate on the Exchange. This rebate will be in addition to any rebate that the member receives in Section I of the Pricing Schedule. The Exchange believes that offering the Category D rebate and including Customer Complex Order volume in Select Symbols in the Threshold Volume, will attract additional Customer order flow to the Exchange and benefit all market participants. The Exchange believes that incentivizing members executing electronically delivered Customer Complex Orders in Select Symbols to direct Customer order flow to the Exchange will benefit all market participants.

The Exchange’s amendment to the Customer Rebate Program is equitable and not unfairly discriminatory because all market participants are eligible to receive the new rebate provided they meet both the volume and order type requirement of Category D. Also, the Exchange believes it is equitable and not unfairly discriminatory to base rebates not only on volume but on the type of orders because the Exchange would uniformly apply the rebates to all market participants by order type. The Exchange currently offers no rebate under Category D for the first tier (between 0 and 49,999 contracts in a month) and the second tier (between 50,000 and 99,000 contracts in a month). It is only in the third tier (over 100,000 contracts in a month) that there is a rebate and it is $0.05 per contract to members that execute electronically delivered Customer Complex Orders in any Select Symbol that adds liquidity. Further, the concept of volume tiers and rebates based on tiers is not novel. Market participants entitled to Category A, B, or C rebates are subject to Section II of the Pricing Schedule, which has no rebates. Market participants entitled to Category D rebates are subject to Section I of the Pricing Schedule and also receive the Rebate for Adding Liquidity in Section I.

The Exchange operates in a highly competitive market, comprised of ten exchanges, in which market participants can easily and readily direct order flow to competing venues if they deem fee and rebate levels at a particular venue to be excessive. Accordingly, the fees that are assessed and the rebates paid by the Exchange must remain competitive with fees charged and rebates paid by other venues and therefore must continue to be reasonable and equitably allocated to those members that opt to direct orders to the Exchange rather than competing venues.

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.\footnote{18} 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 email to rule-comments@sec.gov. Please include File Number SR–Phlx–2012–104 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–2012–104. 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 on the Commission’s Public Reference Room, 100 F Street NE., Washington, DC 20549, on official business days between the hours of 10 a.m. and 3 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–Phlx–2012–104 and should be submitted on or before September 5, 2012.

SECURITIES AND EXCHANGE COMMISSION


Self-Regulatory Organizations; NYSE Arca, Inc.; Notice of Designation of a Longer Period for Commission Action on Proposed Rule Change To List and Trade Option Contracts Overlying 10 Shares of a Security

August 9, 2012.

On June 15, 2012, NYSE Arca, Inc. (“Exchange”) filed with the Securities and Exchange Commission (“Commission”), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)1 and Rule 19b–4 thereunder,2 a proposed rule change to list and trade option contracts overlying 10 shares of a security. The proposed rule change was published for comment in the Federal Register on July 3, 2012.3 The Commission received two comment letters on this proposal.4

Section 19(b)(2) of the Act5 provides that within 45 days of the publication of notice of the filing of a proposed rule change, or within such longer period up to 90 days as the Commission may designate if it finds such longer period to be appropriate and publishes its reasons for so finding or as to which the self-regulatory organization consents, the Commission shall either approve the proposed rule change, disapprove the proposed rule change, or institute proceedings to determine whether the proposed rule change should be disapproved. The 45th day for this filing is August 17, 2012. The Commission is extending this 45-day time period.

The Commission finds it appropriate to designate a longer period within which to take action on the proposed rule change so that it has sufficient time to consider this proposed rule change, which would allow the listing of a new type of options product, the comment letters that have been submitted in connection with this proposed rule change, and any response to the comment letters submitted by the Exchange.

Accordingly, the Commission, pursuant to Section 19(b)(2) of the Act,6 designates October 1, 2012 as the date by which the Commission should either approve or disapprove, or institute proceedings to determine whether to disapprove, the proposed rule change (File No. SR–NYSEArca–2012–64).

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.7

Kevin M. O’Neill,

Deputy Secretary.

[BFR Doc. 2012–19983 Filed 8–14–12; 8:45 am]

BILLING CODE 8011–01–P

SECURITIES AND EXCHANGE COMMISSION


Self-Regulatory Organizations; International Securities Exchange, LLC; Notice of Designation of a Longer Period for Commission Action on Proposed Rule Change To List and Trade Option Contracts Overlying 10 Shares of a Security

August 9, 2012.

On June 20, 2012, the International Securities Exchange, LLC (“Exchange”) filed with the Securities and Exchange Commission (“Commission”), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)1 and Rule 19b–4 thereunder2 a proposed rule change to list and trade option contracts overlying 10 shares of a security. The proposed rule change was published for comment in the Federal Register on July 3, 2012.3 The Commission received one comment letter on this proposal.4

Section 19(b)(2) of the Act5 provides that within 45 days of the publication of notice of the filing of a proposed rule change, or within such longer period up to 90 days as the Commission may designate if it finds such longer period to be appropriate and publishes its reasons for so finding or as to which the

4 See letters to Elizabeth M. Murphy, Secretary, Commission, from Christopher Nagy, President, KOR Trading LLC, dated July 10, 2012 and Edward T. Tilly, President and Chief Operating Officer, Chicago Board Options Exchange, incorporated, dated July 24, 2012.
11 See letter to Elizabeth M. Murphy, Secretary, Commission, from Edward T. Tilly, President and Chief Operating Officer, Chicago Board Options Exchange, incorporated, dated July 24, 2012.