action on the proposed rule change. The Commission finds that it is appropriate to designate a longer period within which to take action on the proposed rule change to help ensure that the Commission has sufficient time to consider whether the proposal is consistent with the Act and, thus, whether the proposal should be approved or disapproved.

Accordingly, pursuant to Section 19(b)(2)(A)(ii)(I) of the Act[6] and for the reason stated above, the Commission designates October 24, 2011, as the date by which the Commission should approve, disapprove, or institute proceedings to determine whether to disapprove File No. SR–CHX–2011–17.

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

Elizabeth M. Murphy,
Secretary.

[FR Doc. 2011–23597 Filed 9–14–11; 8:45 am]

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–65308; File No. SR–CHX–2011–21]

Self-Regulatory Organizations; Chicago Stock Exchange, Incorporated; Order Approving a Proposed Rule Change to Amend Article 20, Rule 9 (Cancellation of Transactions) and Interpretation and Policy .01 Thereunder Regarding the Cancellation of the Stock Leg of Stock-Option Transactions Done on the Exchange

September 9, 2011.

I. Introduction

On July 26, 2011, Chicago Stock Exchange, Incorporated (''Exchange'' or ''CHX'') 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 amend Article 20, Rule 9 (Cancellation of Transactions) and Interpretation and Policy .01 thereunder regarding the cancellation of the stock leg of stock-option transactions done on the Exchange. The proposed rule change was published for comment in the **Federal Register** on August 3, 2011.[3] The Commission

received four comment letters on the proposed rule change.[4] This order approves the proposed rule change.

II. Description of the Proposed Rule Change

Under its former Interpretations and Policies .01(a) to CHX Article 20, Rule 9,[5] a trade representing the execution of the stock leg of a stock-option order could be cancelled only if market conditions in the options exchange prevented the execution of the options leg at the price agreed upon by the parties to the options transaction. By this proposed rule change, the Exchange expands the circumstances in which the stock leg of a stock-option order executed on the CHX's facilities may be cancelled to include situations in which the options leg is executed, but subsequently is cancelled by an options exchange pursuant to its rules. A transaction may not be cancelled pursuant to the provisions of Rule 9(b) unless the original trade was identified by a special trade indicator.[6]

Without the ability to cancel the stock leg of the stock-option trade at the request of the Participants when the transaction representing the options leg has been cancelled, the Exchange states that the parties to the transaction would be left with an unwanted stock position, which originally was taken as a component of (*e.g.,* to hedge) the cancelled options transaction.[7] The Exchange asserts that the circumstance where a trade that represents the stock leg of a stock-option order is cancelled at the request of the parties involved when the transaction representing the options leg has been cancelled is substantially similar to the situation where a trade that represents the stock leg of a stock-option order is cancelled when the options leg of a stock-option order is not executed at all, and that

allowing cancellation of a trade that represents the unwanted stock leg of a stock-option order when the corresponding options leg trade was cancelled would eliminate the need to liquidate the unwanted stock leg.[8]

The Exchange also proposes to require that any request to cancel a transaction involving a stock-option order be made by or on behalf of all Participants that are parties to the transaction, rather than by any party. The Exchange believes that requiring all Participant parties to consent to the cancellation will help prevent the possible abuse by a single party acting unilaterally. The Exchange represents that the ultimate parties to the cash equities transaction are the same parties to the equity options transaction, so any cancellation of the Exchange transaction will not have an impact on other market participants.[9]

Finally, the Exchange proposes corresponding recordkeeping requirements in connection with stock-option order cancellations. CHX Rule 9(b)(3) requires the Participant acting as the broker in trades cancelled pursuant to proposed Rule 9(b)(1)(ii) to maintain records sufficient to establish that the options leg in fact was cancelled by the options exchange on which it was executed. A new requirement of CHX Rule 9(b)(4) is that the Participant acting as broker on the trade identify the reason that the trade was cancelled. The Exchange states that it will use the records to verify that the requirements imposed by the proposed rule changes have been met, and would treat the failure to properly document such cancellations as a rule violation subject to disciplinary treatment under Article 12 of the Exchange's rules.[10]

III. Discussion and Commission's Findings

After careful review, the Commission finds that the proposed rule change is consistent with the requirements of Section 6 of the Act[11] and the rules and regulations thereunder applicable to a national securities exchange.[12] In

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[6] 15 U.S.C. 78s(b)(2)(A)(ii)(I).

[7] 17 CFR 200.30–3(a)(31).

[1] 15 U.S.C. 78s(b)(1).

[2] 17 CFR 240.19b–4.

[3] *See* Securities Exchange Act Release No. 64985 (July 28, 2011), 76 FR 46866 (''Notice'').

[4] *See* letters from Darren Story, CFA, Student Options, LLC, dated July 27, 2011 (''Story Letter''); Mike Bristow, Managing Director, Institutional Stock & Options, dated July 28, 2011 (''Bristow''); Nick DiCicco, D and D Securities, dated August 23, 2011; and Stephen Floirendo, Broker, Husky Trading, dated August 23, 2011 (''Floirendo Letter'').

[5] By this proposal, CHX reorganizes its Rule 9, moving the text of Interpretation and Policy .01 into new paragraph (b), because the Exchange believes that the requirements of that Interpretation and Policy constitute an independent basis for the cancellation of transactions, rather than act as an interpretation of the general provisions of Rule 9. *See* Notice, *supra* note 3, 76 FR at 46866.

[6] *See* CHX Article 20, Rule 9(b)(6). *See also* Notice, *supra* note 3, 76 FR at 46866 (''A special trade indicator will be reported by the Exchange to the Consolidated Tape in order that the parties and other market participants are aware that the transaction may be cancelled by the parties if the requirements of the rule are satisfied.'').

[7] *See* Notice, *supra* note 3, 76 FR at 46866.

[8] *See id.*

[9] In some instances, the parties to the options transactions may not be Exchange Participants. The orders of such firms would be executed on the Exchange in the name of its clearing firm, which must be an Exchange Participant. The clearing firm would then allocate the transaction to the options firm.

[10] *See* Notice, *supra* note 3, 76 FR at 46866. The Exchange represents that it will implement surveillance procedures reasonably designed to detect possible violations of these provisions simultaneous with the approval of the proposed rule changes. *See id.* at note 6.

[11] 15 U.S.C. 78f.

[12] In approving this proposed rule change, the Commission has considered the proposed rule's
Continued

particular, the Commission finds that the proposed rule change is consistent with Section 6(b)(5) of the Act,[13] which requires, among other things, that the Exchange's rules 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 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.

The Commission received four comment letters on the proposed rule change,[14] all of which supported the proposal. All of the commenters noted that permitting cancellation of the stock leg of a stock-option transaction when the options leg is cancelled, upon mutual consent, would keep erroneous stock trades off the tape. Additionally, three commenters offered that this proposal would bolster investors' confidence in the marketplace.[15]

The Commission believes that the proposed rule change should promote market efficiency by permitting CHX Participants, upon mutual consent, to cancel a trade that represents the stock leg of a stock-option order when the options leg trade is cancelled, thereby saving Participants the expense of liquidating the unwanted stock leg. The Commission notes that the Exchange will not cancel any transaction pursuant to the provisions of Rule 9(b) unless the original trade was identified by a special trade indicator.[16] The Commission believes that the presence of the special trade indicator will improve transparency by notifying market participants of the possibility of a potential cancellation and will foster cooperation and coordination with persons engaged in facilitating such transactions. In addition, the Commission notes that the Exchange represents that the ultimate parties to the cash equities transaction are the same parties to the equities options transactions so that cancellation of an Exchange trade that represents the stock leg of a stock option order will not have an impact on other market participants.[17] The Commission also notes that CHX is adopting new recordkeeping obligations in connection with its expansion of stock-option order

impact on efficiency, competition, and capital formation. *See* 15 U.S.C. 78c(f).

[13] 15 U.S.C. 78f(b)(5).

[14] *See supra* note 4.

[15] *See* Bristow Letter, Floirendo Letter, and Story Letter, *supra* note 4.

[16] *See supra* note 6.

[17] *See supra* note 9 and accompanying text.

cancellations to verify that the requirements have been met. CHX has represented that it will treat the failure to properly document such cancellations as a rule violation subject to disciplinary treatment under Article 12 of the Exchange's rules. The Commission believes these procedures should protect investors and market participants by helping to ensure that the requirements have been met for stock-option cancellations.

IV. Conclusion

It is therefore ordered, pursuant to Section 19(b)(2) of the Act,[18] that the proposed rule change (SR–CHX–2011–21) be, and hereby is, approved.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.[19]

Elizabeth M. Murphy,

Secretary.

[FR Doc. 2011–23607 Filed 9–14–11; 8:45 am]

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–65312; File No. SR–Phlx–2011–126]

Self-Regulatory Organizations; NASDAQ OMX PHLX LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change Relating to Rebates and Fees for Complex Orders

September 9, 2011.

Pursuant to Section 19(b)(1) of the *Securities Exchange Act of 1934* ("Act")[1], and Rule 19b–4 thereunder,[2] notice is hereby given that on September 1, 2011, 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 its Complex Order Fees in Section I of its Fee Schedule titled "Rebates and Fees for Adding and Removing Liquidity in Select Symbols."

[18] 15 U.S.C. 78s(b)(2).

[19] 17 CFR 200.30–3(a)(12).

[1] 15 U.S.C. 78s(b)(1).

[2] 17 CFR 240.19b–4.

While changes to the Fee Schedule pursuant to this proposal are effective upon filing, the Exchange has designated these changes to be operative on September 1, 2011.

The text of the proposed rule change is available on the Exchange's website 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 purpose of the proposed rule change is to amend Section I, Part B of the Exchange's Fee Schedule for Complex Orders. 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 ETF coupled with the purchase or sale of options contract(s).[3]

The Exchange proposes to increase the current Customer Complex Order Rebate for Adding Liquidity in Designated Options[4] from $0.26 per contract to $0.27 per contract. The Exchange also proposes to increase the current Complex Order Fee for Removing Liquidity in Designated Options for Directed Participants[5] from

[3] *See* Exchange Rule 1080, Commentary .08(a)(i).

[4] The Designated Options are defined in Section I of the Fee Schedule and include AAPL, BAC, C, F, GLD, INTC, IWM, JPM, QQQ, SLV, SPY, and XLF.

[5] *See* Exchange Rule 1080(l), "* * * The term 'Directed Specialist, RSQT, or SQT' means a