

56. James M. Clous, Registered Representative, dated October 2, 2009.

57. Gerard P. Gloisten, President, GBS Financial Corp., dated October 2, 2009 (“GBS Financial Letter”).

58. Ronald C. Long, Director, Regulatory Affairs, Wells Fargo Advisors, dated October 2, 2009.

59. Debra G. McGuire, CPA, McGuire Dyke Investment Group, dated October 2, 2009.

60. E. John Moloney, Chairman, SIFMA Small Firms Committee, Securities Industry and Financial Markets Association, dated October 2, 2009 (“SIFMA Letter”).

61. Kevin L. Palmer, CEO/President, World Group Securities Inc., dated October 2, 2009 (“World Group Letter”).

62. Mark J. Schlafly, President & CEO, FSC Securities Corporation, dated October 2, 2009 (“FSC Securities Letter”).

63. Sutherland Asbill & Brennan LLP, on behalf of Committee of Annuity Insurers, dated October 2, 2009 (“Committee of Annuity Insurers Letter”).

64. John S. Watts, SVP & Chief Counsel, PFS Investment Inc., dated October 2, 2009 (“PFS Investment Letter”).

65. Edward Wiles, SVP & CCO, Genworth Financial Securities Corp., dated October 2, 2009.

66. Cuneo, Gilbert & Laduca LLP and Greenfield & Goodman LLC, on behalf of Standard Investment Chartered Inc., dated October 5, 2009.

67. Elliott Harris, dated October 5, 2009.

68. Daniel W. Roberts, President/CEO, Roberts & Ryan Investments Inc., dated October 5, 2009.

69. Mark E. Larson, Esquire, CPA, Academic Director of the Certificate in Financial planning Program at Marquette University, dated October 13, 2009.

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-61041; File No. SR-BX-2009-073]

### Self-Regulatory Organizations; NASDAQ OMX BX, Inc.; Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Amend the \$1.00 Strike Program To Allow Low-Strike LEAPS on the Boston Options Exchange Facility

November 20, 2009.

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 November 19, 2009, NASDAQ OMX BX, Inc. (the “Exchange”) 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 Exchange filed the proposed rule change pursuant to Section 19(b)(3)(A) of the Act<sup>3</sup> and Rule 19b-4(f)(6) thereunder,<sup>4</sup> which renders the proposal effective upon filing with the Commission. The Commission is publishing this notice to solicit comments on the proposed rule from interested persons.

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

The Exchange proposes to amend Chapter IV, Section 6 (Series of Options Contracts Open for Trading) of the Rules of the Boston Options Exchange Group, LLC (“BOX”) to amend the \$1 Strike Price Program. The text of the proposed rule change is available from the principal office of the Exchange, at the Commission’s Public Reference Room and also on the Exchange’s Internet Web site at <http://nasdaqomxbx.cchwallstreet.com/NASDAQOMXB/Filings/>.

#### 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 self-regulatory organization 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 those 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 parts of such statements.

##### A. Self-Regulatory Organization’s Statement of the Purpose of, and the Statutory Basis for, the Proposed Rule Change

###### 1. Purpose

The purpose of the proposed rule change is to expand the \$1 Strike Price Program (“Program”) in a limited fashion to allow BOX to list new series in \$1 intervals up to \$5 in long-term option series (“LEAPS”) in up to 200

option classes on individual stocks.<sup>5</sup> Currently, under the Program, BOX may not list LEAPS at \$1 strike price intervals for any class selected for the \$1 Strike Price Program. BOX also is restricted from listing any series that would result in strike prices being \$0.50 apart, unless the series are part of the \$0.50 Strike Price Program.<sup>6</sup>

The Exchange believes that this proposal is appropriate and will allow investors to establish option positions that are better tailored to meet their investment objectives, vis-à-vis credit risk, using deep out-of-the-money put options. Deep out-of-the-money put options are viewed as a viable, liquid alternative to OTC-traded credit default swaps (“CDS”). These options do not possess the negative characteristics associated with CDS, namely, lack of transparency, insufficient collateral requirements, and inefficient trade processing. Moreover, deep out-of-the-money put options and CDS are functionally similar, as there is a high correlation between low-strike put prices and CDS spreads.

BOX notes that its proposal is limited in scope, as \$1 strikes in LEAPS may only be listed up to \$5 and in only up to 200 option classes. As is currently the case, BOX would not list series with \$1.00 intervals within \$0.50 of an existing \$2.50 strike price in the same series. As a result, the Exchange does not believe that this proposal will cause a significant increase in quote traffic.

Moreover, as the SEC is aware, BOX has adopted various quote mitigation strategies in an effort to lessen the growth rate of quotations. When it expanded the \$1 Strike Price Program several months ago, BOX included a delisting policy that would be applicable with regard to this proposed expansion.<sup>7</sup> The Exchange and the other options exchanges amended the Options Listing Procedures Plan (“OLPP”) in 2008 to impose a minimum volume threshold of 1,000 contracts national average daily volume per underlying class to qualify for an additional year of LEAP series.<sup>8</sup> Most recently, the Exchange, along with the other options exchanges, amended the OLPP to adopt objective, exercise price range

<sup>5</sup> Under the Chapter IV, Section 8 of the BOX Rules LEAPS expire from 12–39 months from the time they are listed.

<sup>6</sup> On October 6, 2009, BOX filed SR-BX-2009-063 for immediate effectiveness, which filing established a \$0.50 Strike Price Program.

<sup>7</sup> The delisting policy includes a provision that states BOX may grant Participant requests to add strikes and/or maintain strikes in series of options classes traded pursuant to the \$1 Strike Price Program that are otherwise eligible for delisting.

<sup>8</sup> See SEC Release No. 34-58630 (September 24, 2008), approving Amendment No. 2 to the OLPP.

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

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

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

<sup>4</sup> 17 CFR 240.19b-4(f)(6).

limitations applicable to equity option classes, options on ETFs and options on trust issued receipts.<sup>9</sup> The Exchange believes that these price range limitations will have a meaningful quote mitigation impact.

The margin requirements set forth in Chapter XIII of the BOX Rules and the position and exercise requirements set forth in Chapter III, Sections 7 through 10 of the BOX Rules will continue to apply to these new series, and no changes are being proposed to those requirements by this rule change.

With regard to the impact on system capacity, BOX has analyzed its capacity and represents that it and the Options Price Reporting Authority have the necessary systems capacity to handle the additional traffic associated with the listing and trading of an expanded number of series as proposed by this filing.

## 2. Statutory Basis

The Exchange believes that the proposal is consistent with the requirements of Section 6(b) of the Act,<sup>10</sup> in general, and Section 6(b)(5) of the Act,<sup>11</sup> in particular, in that it is designed to foster cooperation and coordination with persons engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in securities, 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 believes that the listing of the \$1 strike prices in LEAPS series will benefit investors by giving them more flexibility to closely tailor their investment decisions.

### 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

The Exchange has neither solicited nor received comments on the proposed rule change.

<sup>9</sup> See SEC Release No. 34-60531 (August 19, 2009), approving Amendment No. 3 to the OLPP. BOX's proposal to list \$1 strikes in LEAPs to \$5 would not be subject to the exercise price range limitations contained in new paragraph (3)(g)(ii) of the OLPP.

<sup>10</sup> 15 U.S.C. 78f(b).

<sup>11</sup> 15 U.S.C. 78f(b)(5).

### 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 after the date of the filing, or such shorter time as the Commission may designate, if consistent with the protection of investors and the public interest, it has become effective pursuant to Section 19(b)(3)(A) of the Act<sup>12</sup> and Rule 19b-4(f)(6) thereunder.<sup>13</sup>

The Exchange has requested that the Commission waive the 30-day operative delay. The Commission hereby grants that request.<sup>14</sup> The Commission believes that waiver of the operative delay is consistent with the protection of investors and the public interest because it recently approved a proposal from CBOE which is identical to the current proposal in all material respects and on which no comments were received.<sup>15</sup> Therefore, the proposal is operative upon filing.

At any time within 60 days of the filing of the proposed rule change, the Commission may summarily abrogate 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

<sup>12</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>13</sup> 17 CFR 240.19b-4(f)(6). In addition, Rule 19b-4(f)(6) requires a self-regulatory organization to give the Commission written notice of its 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 Commission has waived this requirement in this case.

<sup>14</sup> For purposes only of waiving the 30-day operative delay, the Commission has considered the proposed rule's impact on efficiency, competition, and capital formation. See 15 U.S.C. 78c(f).

<sup>15</sup> See Securities Exchange Act Release No. 60978 (November 10, 2009), 74 FR 59296 (November 17, 2009) (SR-CBOE-2009-068).

Number SR-BX-2009-073 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-BX-2009-073. 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 inspection and copying in 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-BX-2009-073 and should be submitted on or before December 21, 2009.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>16</sup>

**Elizabeth M. Murphy,**  
Secretary.

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<sup>16</sup> 17 CFR 200.30-3(a)(12).