

distribution and of the appropriate adjustment amount. Provided that such information (including any corrections thereto) is reported to OCC before an OCC-designated cut-off time prior to the ex-date, OCC will make the appropriate adjustment to the settlement price of the security futures contract. Such adjustments will be effective before the opening of business on the ex-date.<sup>3</sup> If the exchange fails to report dividend or distribution information to OCC on a timely basis or reports incorrect dividend or distribution information to OCC, then the exchange will be able to report such information or corrected information to OCC on the ex-date, and OCC will effect the adjustment as soon as practicable thereafter.<sup>4</sup> In the event the exchange already opened trading in the security futures contracts affected thereby, the exchange will provide OCC with direction on whether such trades should be cleared or disregarded as provided for in Article VI, Section 7 of OCC's By-Laws. Pursuant thereto, disregarded transactions will be deemed null and void and given no effect. These procedures are intended not only to preserve OCC's ability to initiate and conduct nightly processing on a timely basis but also to provide the exchange with the opportunity to report to OCC dividend or distribution information that was not available to it before OCC's processing cut-offs or to correct erroneously reported information so that there is an appropriate adjustment to the settlement price for the affected contracts.

In connection with OneChicago's proposal, OneChicago and OCC also have agreed to amend the Security Futures Agreement for Clearing and Settlement Services, dated April 1,

<sup>3</sup> The standard method for adjusting futures contracts in response to cash distributions is to decrease the prior day's settlement price by the amount of the dividend. This adjustment is effective at the opening of business on the ex-distribution date and parallels the adjustment made to the price of the underlying stock by the securities exchanges on the ex-distribution date. It is intended to ensure that no futures mark-to-the-market attributable to the adjustment made to the stock price for the dividend will occur.

<sup>4</sup> OCC also proposes to add Interpretation and Policy .10 to Article XII, Section 3 to provide that officially reported settlement prices will not be adjusted (other than as provided for in the By-Laws and Rules) except in extraordinary circumstances. The Interpretation further provides that in no event will a completed settlement be adjusted due to errors discovered thereafter. This latter provision is intended to preserve the finality of money settlements should it later be determined that an officially reported settlement price was erroneous. The new Interpretation is based on existing provisions of OCC's By-Laws. See, e.g., Article XIV, Section 6, Interpretation and Policy .01; Article XVI, Section 4, Interpretation and Policy .01; and Article XVII, Section 4, Interpretation and Policy .01.

2002, ("Clearing Agreement") by entering into Amendment No. 1 thereto.<sup>5</sup> Amendment No. 1 would amend Section 5 of the Clearing Agreement to permit OneChicago to designate those security futures contracts for which adjustments will be made in response to all cash dividends or distributions of the underlying securities and to set forth OneChicago's obligation to furnish OCC with notice of all relevant information regarding such dividends or distributions so that OCC can adjust the settlement price of the affected security future as described above. Amended Section 5 further extends the current indemnification provided by OneChicago to OCC to cover losses resulting from OCC's adjustment of the settlement prices of security futures in accordance with dividend or distribution information supplied by OneChicago or OCC's failing to adjust in the event OneChicago did not supply OCC with information regarding such an adjustment.

### III. Discussion

Section 19(b) of the Act directs the Commission to approve a proposed rule change of a self-regulatory organization if it finds that such proposed rule change is consistent with the requirements of the Act and the rules and regulations thereunder applicable to such organization. Section 17A(b)(3)(F) of the Act requires that the rules of a clearing agency be designed to promote the prompt and accurate clearance and settlement of security transactions and generally to protect investors and the public interest.<sup>6</sup> The Commission believes that OCC's rule change is consistent with this Section because the rule change should better enable OCC to promptly and accurately clear and settle security futures contracts for which an exchange has designated that the settlement prices will be adjusted to reflect the issuance of all cash dividends or distributions on the underlying security.

### IV. Conclusion

On the basis of the foregoing, the Commission finds that the proposed rule change is consistent with the requirements of the Act and in particular Section 17A of the Act and the rules and regulations thereunder. In approving the proposed rule change, the Commission considered the proposal's impact on efficiency, competition, and capital formation.

<sup>5</sup> Amendment No. 1 will be executed after the effectiveness of this filing.

<sup>6</sup> 15 U.S.C. 78q-1(b)(3)(F).

*It is therefore ordered*, pursuant to Section 19(b)(2) of the Act, that the proposed rule change (File No. SR-OCC-2010-13) be and hereby is approved.

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

**Florence E. Harmon,**

*Deputy Secretary.*

[FR Doc. 2010-25864 Filed 10-13-10; 8:45 am]

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-63063; File No. SR-NASDAQ-2010-126]

### Self-Regulatory Organizations; The NASDAQ Stock Market LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Make a Conforming Change to NASDAQ Rules

October 7, 2010.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the "Act")<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on October 1, 2010, The NASDAQ Stock Market LLC ("NASDAQ" or the "Exchange") 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 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

NASDAQ proposes to make a conforming change to Rule 4758 to reflect prior effectiveness of filings allowing routing of orders to a facility of an exchange that is an affiliate of NASDAQ. NASDAQ proposes to implement the rule change concurrent with the launch of cash equity trading on NASDAQ OMX PSX, which is currently scheduled to occur on October 8, 2010. The text of the proposed rule change is available at <http://nasdaq.cchwallstreet.com/>, at NASDAQ's principal office, and at the Commission's Public Reference Room.

<sup>7</sup> 17 CFR 200.30-3(a)(12).

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

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

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

In its filing with the Commission, NASDAQ included statements concerning the purpose of, and basis for, the proposed rule change. The text of these statements may be examined at the places specified in Item III below, and is set forth in Sections A, B, and C below.

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

#### 1. Purpose

The NASDAQ OMX Group, Inc. ("NASDAQ OMX") owns three U.S. registered securities exchanges—NASDAQ, NASDAQ OMX PHLX, Inc. ("PHLX") and NASDAQ OMX BX, Inc. ("BX"). In addition, NASDAQ OMX currently indirectly owns Nasdaq Execution Services, LLC ("NES"), a registered broker-dealer and a member of PHLX. Thus, NES is an affiliate of each of NASDAQ, PHLX and BX.

PHLX has received approval to launch NASDAQ OMX PSX ("PSX")<sup>3</sup> as a new platform for trading NMS stocks (as defined in Rule 600 under Regulation NMS).<sup>4</sup> Although PSX will not route to other market centers, PSX will receive orders routed to it by other market centers, including NASDAQ.

In SR-NASDAQ-2010-100,<sup>5</sup> NASDAQ submitted a proposed rule change that authorized it to route orders to PSX through NES without checking the NASDAQ book. In addition, in SR-PHLX-2010-79, PHLX received approval, on a pilot basis, to receive orders routed to it by NES that did not check the NASDAQ book prior to routing.<sup>6</sup> The change to NASDAQ rules was reflected in an amendment to Rule 4751, but should have also been reflected in an amendment to Rule 4758. Accordingly, NASDAQ is submitting this rule change to make the conforming change.

#### 2. Statutory Basis

NASDAQ believes that the proposed rule change is consistent with the provisions of Section 6 of the Act,<sup>7</sup> in general, and with Section 6(b)(5) of the

Act,<sup>8</sup> in particular, in that the proposal is 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 regulating, clearing, settling, processing information with respect to, and 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 proposed rule change would make a conforming change to NASDAQ rules to reflect previously adopted rule changes.

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

NASDAQ does not believe that the proposed rule change will result in any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act, as amended.

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

Written comments were neither solicited nor received.

## 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 from the date on which it was filed, or such shorter time as the Commission may designate, it has become effective pursuant to Section 19(b)(3)(A) of the Act<sup>9</sup> and Rule 19b-4(f)(6) thereunder.<sup>10</sup> NASDAQ requests that the Commission waive the 30-day pre-operative delay contained in Exchange Act Rule 19b-4(f)(6)(iii).<sup>11</sup> NASDAQ requests such a waiver because the proposed rule change merely conforms the text of Rule 4758 to rule changes made by SR-NASDAQ-2010-100 and SR-PHLX-2010-79 that have already become effective, and such waivers will allow the proposed rule change to be in effect on October 8, 2010, the date on which trading will commence on PSX. The Commission believes that waiving the 30-day operative delay<sup>12</sup> is consistent with the

protection of investors and the public interest. Accordingly, the Commission designates the proposal operative upon filing.

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 e-mail to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include File Number SR-NASDAQ-2010-126 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-NASDAQ-2010-126. 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, on official business

proposed rule's impact on efficiency, competition, and capital formation. See 15 U.S.C. 78c(f).

<sup>3</sup> Securities Exchange Act Release No. 62877 (September 9, 2010), 75 FR 56633 (September 16, 2010) (SR-PHLX-2010-79).

<sup>4</sup> 17 CFR 242.600.

<sup>5</sup> Securities Exchange Act Release No. 62736 (August 17, 2010), 75 FR 51861 (August 23, 2010) (SR-NASDAQ-2010-100).

<sup>6</sup> *Supra* n.3.

<sup>7</sup> 15 U.S.C. 78f.

<sup>8</sup> 15 U.S.C. 78f(b)(5).

<sup>9</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>10</sup> 17 CFR 240.19b-4(f)(6).

<sup>11</sup> 17 CFR 240.19b-4(f)(6)(iii).

<sup>12</sup> For purposes only of waiving the 30-day operative delay, the Commission has considered the

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-NASDAQ-2010-126 and should be submitted on or before November 4, 2010.

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

**Florence E. Harmon,**  
*Deputy Secretary.*

[FR Doc. 2010-25863 Filed 10-13-10; 8:45 am]

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-63064; File No. SR-Phlx-2010-136]

### Self-Regulatory Organizations; NASDAQ OMX PHLX, Inc.; Notice of Filing and Immediate Effectiveness of Proposed Rule Change Relating to Rule 1015

October 7, 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 September 30, 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 delete Rule 1015, Execution Guarantees (with the exception of subparagraph (a)(vi)), which is outdated and should have been deleted previously. The Exchange also proposes to delete Options Floor Procedure Advice (“Advice”) A-11, which contains corresponding language. The Exchange proposes to move subparagraph (a)(vi) of both Rule 1015

and Advice A-11 to Rule 1063.02, which governs floor broker activity.

The text of the proposed rule change is available on the Exchange’s Web site at <http://www.nasdaqtrader.com/micro.aspx?id=PHLXfilings>, at the principal office of the Exchange, at the Commission’s Public Reference Room, and on the Commission’s Web site at <http://www.sec.gov>.

#### 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 update and correct the rules by deleting two outdated rules. Generally, the execution of orders is now governed by Rules 1080 and 1082, among others. Rule 1015 refers to execution guarantees, disseminated size and “trade or fade” provisions that together have become obsolete due to the combination of the adoption of firm quote obligations in options and increased automation; specifically, the disseminated size is no longer an artificial size that requires this rule to apportion responsibility to “floor traders” to reach that minimum size. With the advent of an actual size in options along with automatic execution at the displayed size, these provisions became outdated.

With respect to Advice A-11, it tracks the language of Rule 1015. Historically, Advices replicated the provisions of the Exchange’s rules that were most pertinent for the trading floor community to keep handy, in lieu of the large, unwieldy rulebook; the Exchange adopted, for many years, both rules and advices that contained nearly identical language where the advice was the subject of a fine schedule under the Exchange’s minor rule plan in order for the trading floor to have easy access to these provisions (which the Exchange printed and distributed) and in order for

those persons who administered fines to have easy access to consult the applicable fine schedules.<sup>3</sup>

The Exchange proposes to move Rule 1015(a)(vi) to Rule 1063.02 because it governs floor broker behavior and continues to be relevant.

###### 2. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act<sup>4</sup> in general, and furthers the objectives of Section 6(b)(5) of the Act<sup>5</sup> in particular, in that it is designed to promote just and equitable principles of trade, 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, by deleting obsolete provisions and generally providing clarity to the rules.

##### 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

Because the foregoing proposed rule change does not: (1) Significantly affect the protection of investors or the public interest; (2) impose any significant burden on competition; and (3) 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, the proposed rule change has become effective pursuant to Section 19(b)(3)(A) of the Act<sup>6</sup> and Rule 19b-4(f)(6) thereunder.<sup>7</sup>

<sup>3</sup> Advices are administered as part of the Exchange’s minor rule plan; the Exchange proposes to remove Advice A-11 from the minor rule plan.

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

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

<sup>6</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>7</sup> 17 CFR 240.19b-4(f)(6). In addition, Rule 19b-4(f)(6)(iii) requires the 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. Phlx has satisfied this requirement.

<sup>13</sup> 17 CFR 200.30-3(a)(12).

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

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