

not impose any significant burden on competition, and (3) does not become operative for 30 days from the date on which it was filed, or such shorter time as the Commission may designate. The Exchange provided the Commission with 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, or such shorter time as designated by the Commission.<sup>8</sup>

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 Exchange 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-BX-2011-001 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-2011-001. 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, 100 F Street, NE., Washington, DC 20549 on official business days between the hours of 10 a.m. and 3 p.m. Copies of such 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-2011-001 and should be submitted on or before February 8, 2011.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>9</sup>

Elizabeth M. Murphy,

Secretary.

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-63692; File No. SR-Phlx-2010-163]

### Self-Regulatory Organizations; NASDAQ OMX PHLX LLC; Order Granting Approval of Proposed Rule Change Relating to Obvious Errors Respecting Complex Trades

January 11, 2011.

On November 17, 2010, NASDAQ OMX PHLX LLC ("Phlx" or "Exchange") filed with the Securities and Exchange Commission ("Commission"), 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> a proposed rule change to amend Rule 1092, Obvious Errors and Catastrophic Errors, to address obvious and catastrophic errors involving complex orders. The proposed rule change was published for comment in the **Federal Register** on December 1, 2010.<sup>3</sup> The Commission received no comment letters on the proposal. This order approves the proposed rule change.

The proposed rule change would amend Rule 1092, Obvious Errors and Catastrophic Errors, to address obvious and catastrophic errors involving trades of one complex order against another complex order. Specifically, the

proposal is designed to address a situation in which one component (or leg) of a complex order is deemed an obvious (or catastrophic) error, but the other component(s) are not. In such situation, the proposed rule change would permit all legs of a complex order execution to be nullified when one leg of such complex order can be nullified as an obvious or catastrophic error under Rule 1092,<sup>4</sup> provided that the execution involved a complex order executing against another complex order (such that all of the same parties are involved in the trade).<sup>5</sup> The proposed rule does not address complex orders that do not trade against other complex orders.

In addition, the proposal would make three minor corrections: (i) A reference in Rule 1092(b)(ii) to Rule 1014(c)(1)(A)(i)(a) is inverted and should instead say Rule 1014(c)(i)(A)(1)(a); (ii) the words "obvious error" in Rule 1092(e)(i)(B) are being capitalized to match the rest of the rule; and (iii) a reference to "AUTOM" in Rule 1092(e)(ii) is outdated and will be deleted, leaving reference to the "Help Desk."

The Commission finds that the proposed rule change is consistent with the requirements of the Act and the rules and regulations thereunder applicable to a national securities exchange<sup>6</sup> and, in particular, the

<sup>4</sup> Rule 1092 provides a framework for reviewing the price of a transaction to determine whether that price was an "obvious error" pursuant to objective standards. When a participant believes he/she received one or more executions at an erroneous price, a participant may notify the Options Exchange Officials ("OEOs") and request the review of a trade as a possible obvious error. An obvious error will be deemed to have occurred when the execution price of a transaction is higher or lower than the theoretical price for a series by a certain amount depending on the type of option. OEOs use one of three criteria when determining the theoretical price of an options execution, which are enumerated in Rule 1092(b). The theoretical price is then compared to an obvious/catastrophic error chart within Rule 1092(a). If the transaction price meets this threshold, the transaction may be adjusted or nullified.

<sup>5</sup> See proposed Rule 1092(c)(v)(A). This would occur when a complex order executes against another complex order, with each piece executing through the System against each other. The Notice provides the following example of such a trade. Assume a customer trades a call spread at a net price of \$0.50 by buying the January 50 calls at \$3.00 and selling the January 55 calls at \$2.50. If the January 50 calls should have been trading at \$7.00 and thus met the obvious error threshold in Rule 1092, then the entire complex trade would be nullified only if the January 50 and 55 calls traded as a complex order against another complex order, rather than as two separate trades. Currently, the trade involving the January 50 calls is nullified and the January 55 Calls trade would stand, which, according to the Exchange, likely was not intended by either party.

<sup>6</sup> In approving this proposed rule change, the Commission has considered the proposed rule's

<sup>9</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.

<sup>3</sup> Securities Exchange Act Release No. 63367 (November 23, 2010), 75 FR 74755 ("Notice").

<sup>8</sup> 17 CFR 240.19b-4(f)(6).

requirements of Section 6(b) of the Act<sup>7</sup> and the rules and regulations thereunder. Specifically, the Commission finds that the proposal is consistent with Section 6(b)(5) of the Act,<sup>8</sup> in that the proposal is designed to promote just and equitable principles of trade, to prevent fraudulent and manipulative acts, to remove impediments to and to 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 Commission notes that, in approving proposals relating to adjustment or nullification of trades involving obvious errors, it has stated that the determination of whether an obvious error has occurred and the process for reviewing such a determination should be based on specific and objective criteria and subject to specific and objective procedures.<sup>9</sup> The Commission notes that the proposed change to Rule 1092 provides specific and objective procedures for determining whether a trade should be nullified. The purpose of the new provision is to provide that obvious and catastrophic errors related to complex orders that trade against other complex orders will be nullified. The Commission also notes that the proposed rule change, by providing that obvious and catastrophic errors related to complex orders that trade against other complex orders will be nullified, is designed to mitigate the risk to both parties to a complex order trade involving two complex orders, neither or whom, according to the Exchange, intended to end up with just one piece of the complex order.<sup>10</sup> Therefore, the Commission believes that the proposed rule change is consistent with the Act.

It is therefore ordered, pursuant to Section 19(b)(2) of the Act,<sup>11</sup> that the proposed rule change (SR-Phlx-2010-163) is hereby approved.

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

**Elizabeth M. Murphy,**  
Secretary.

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

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

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

<sup>9</sup> See, e.g., Securities Exchange Release Nos. 58778 (October 14, 2008), 73 FR 62577 (October 21, 2008) and 54228 (July 27, 2006), 71 FR 44066 (August 3, 2006) (SR-CBOE-2006-14) (approving revisions to CBOE's Obvious Error Rules).

<sup>10</sup> See Notice, *supra* note 3.

<sup>11</sup> 15 U.S.C. 78s(b)(2).

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

## DEPARTMENT OF STATE

[Public Notice: 7301]

### Bureau of Political-Military Affairs: Directorate of Defense Trade Controls; Notifications to the Congress of Proposed Commercial Export Licenses

**SUMMARY:** Notice is hereby given that the Department of State has forwarded the attached Notifications of Proposed Export Licenses to the Congress on the dates indicated on the attachments pursuant to sections 36(c) and 36(d) and in compliance with section 36(f) of the Arms Export Control Act (22 U.S.C. 2776).

**DATES:** *Effective Date:* As shown on each of the 14 letters.

**FOR FURTHER INFORMATION CONTACT:** Mr. Robert S. Kovac, Managing Director, Directorate of Defense Trade Controls, Bureau of Political-Military Affairs, Department of State (202) 663-2861.

**SUPPLEMENTARY INFORMATION:** Section 36(f) of the Arms Export Control Act mandates that notifications to the Congress pursuant to sections 36(c) and 36(d) must be published in the **Federal Register** when they are transmitted to Congress or as soon thereafter as practicable.

#### December 1, 2010 (Transmittal No. DDTC 10-103)

Hon. Nancy Pelosi,  
Speaker of the House of Representatives.  
Dear Madam Speaker: Pursuant to Section 36(c) of the Arms Export Control Act, I am transmitting, herewith, certification of a proposed technical assistance agreement to include the export of defense articles, to include technical data, and defense services in the amount of \$100,000,000 or more.

The transaction contained in the attached certification involves the transfer of defense articles, to include technical data, and defense services to support the design, manufacture and delivery of the Anik G1 Commercial Communication Satellite to Canada.

The United States Government is prepared to license the export of these items having taken into account political, military, economic, human rights, and arms control considerations.

More detailed information is contained in the formal certification which, though unclassified, contains business information submitted to the Department of State by the applicant, publication of which could cause competitive harm to the United States firm concerned.

Sincerely,

Matthew Rooney,  
Principal Deputy Assistant Secretary,  
Legislative Affairs.

#### November 19, 2010 (Transmittal No. DDTC 10-104)

Hon. Nancy Pelosi,  
Speaker of the House of Representatives.  
Dear Madam Speaker: Pursuant to Section 36(c) of the Arms Export Control Act, I am transmitting, herewith, certification of a proposed manufacturing license agreement to include the export of defense articles, to include technical data, and defense services in the amount of \$50,000,000 or more.

The transaction contained in the attached certification involves the export of defense articles, including technical data, and defense services to Saudi Arabia for the operation and maintenance of the Saudi Ministry of Defense and Aviation, and the Royal Saudi Air Defense Forces HAWK and PATRIOT Air Defense Missile Systems.

The United States Government is prepared to license the export of these items having taken into account political, military, economic, human rights, and arms control considerations.

More detailed information is contained in the formal certification which, though unclassified, contains business information submitted to the Department of State by the applicant, publication of which could cause competitive harm to the United States firm concerned.

Sincerely,  
Richard R. Verma,  
Deputy Assistant Secretary, Legislative  
Affairs.

#### December 6, 2010 (Transmittal No. DDTC 10-105)

Hon. Nancy Pelosi,  
Speaker of the House of Representatives.

Dear Madam Speaker: Pursuant to Section 36(c) of the Arms Export Control Act, I am transmitting, herewith, certification of a proposed amendment to a Technical Assistance Agreement for the export of defense articles, to include technical data, and defense services in the amount of \$100,000,000 or more.

The transaction contained in the attached certification involves the export of defense articles, including technical data, and defense services for the development, production and test of the APS-508 Radar System for the CP-140 Aircraft Program.

The United States Government is prepared to license the export of these items having taken into account