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 (SR–ISE–2010–10), which it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below.

SECURITIES AND EXCHANGE COMMISSION

Notice of Filing and Immediate Effectiveness of Proposed Rule Change Relating to Fees and Rebates for Adding and Removing Liquidity

April 15, 2011.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the “Act”),3 and Rule 19b–4 thereunder,4 notice is hereby given that on April 8, 2011, the International Securities Exchange, LLC (the “Exchange” or the “ISE”) filed with the Securities and Exchange Commission the proposed rule change, as described in Items I and II below, which items have been prepared by the self-regulatory organization. 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 ISE is proposing to amend its fee schedule for transaction fees and rebates for adding and removing liquidity.

1. Purpose

The Exchange currently assesses a per contract transaction charge to market participants that add or remove liquidity from the Exchange (“maker/taker fees”) in 100 options classes (the “Select Symbols”).5 For complex orders in the Select Symbols, the Exchange currently charges a take fee of: (i) $0.27 per contract for Market Maker and Market Maker Plus orders, (ii) $0.28


4 A Market Maker Plus is a market maker who is on the National Best Bid or National Best Offer 80% of the time for series trading between $0.03 and $5.00 (for options whose underlying stock’s previous trading day’s last sale price was less than or equal to $100) and between $0.10 and $5.00 (for options whose underlying stock’s previous trading day’s last sale price was greater than $100) and 80% of the time for series trading between $0.03 and $5.00 (for options whose underlying stock’s previous trading day’s last sale price was less than or equal to $100) and between $0.10 and $5.00 (for options whose underlying stock’s previous trading day’s last sale price was greater than $100) and between $0.10 and $5.00 (for options whose underlying stock’s previous trading day’s last sale price was greater than $100).

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per contract for Firm Proprietary and Customer (Professional) orders; and (iii) $0.35 per contract for Non-ISE Market Maker orders. Priority Customer orders, regardless of size, are not assessed a fee for removing liquidity from the Complex Order book. The Exchange now proposes to increase the take fee for complex orders in the Select Symbols, as follows: (i) For Market Maker and Market Maker Plus complex orders, from $0.27 per contract to $0.30 per contract, and (ii) for Firm Proprietary and Customer (Professional) complex orders, from $0.28 per contract to $0.30 per contract. The Exchange is not proposing any change to the take fee for Non-ISE Market Maker and Priority Customer complex orders.

Additionally, ISE Market Makers who remove liquidity in the Select Symbols from the Complex Order book by trading with orders that are preferred to them are currently charged $0.25 per contract. The Exchange now proposes to increase the take fee for these preferred orders from $0.25 per contract to $0.28 per contract. The Exchange notes that NASDAQ OMX PHLX, Inc. (“PHLX”) currently assesses a fee for complex orders for certain symbols that are preferred to market makers at that exchange at a rate of $0.25 per contract. For regular complex orders that remove liquidity in those symbols, PHLX charges a take fee of $0.27 per contract. With this proposed fee change, ISE will maintain the two cent differential that is currently in place at PHLX.

Finally, as an incentive for members to direct customer order flow to the Exchange, Priority Customer complex orders, regardless of size, currently receive a rebate of $0.20 per contract on all legs when these orders trade with non-customer orders in the Exchange’s Complex Order book. The Exchange proposes to increase this rebate from $0.20 per contract to $0.25 per contract. The Exchange believes it is necessary to pay a rebate for Customer complex orders that add liquidity in order to continue to attract Customer complex order flow to the Exchange.

2. Statutory Basis

The Exchange believes that its proposal to amend its Schedule of Fees is consistent with Section 6(b)(5) 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 dues, fees and other charges among Exchange members and other persons using its facilities.

The impact of the proposal upon the net fees paid by a particular market participant will depend on a number of variables, most important of which will be its propensity to add or remove liquidity in options overlying the Select Symbols.

The Exchange believes that the proposed fees it charges for options overlying the Select Symbols remain competitive with fees charged by other exchanges and therefore continue to be reasonable and equitably allocated to those members that opt to direct orders to the Exchange rather than to a competing exchange. The Exchange believes that its proposal to assess a $0.30 per contract take fee for complex orders in the Select Symbols is reasonable because the fee is within the range of fees assessed by other exchanges employing similar pricing schemes. For example, PHLX currently charges $0.25 per contract to Directed Participants for removing liquidity from its complex order book in a select group of symbols while charging $0.27 per contract for regular complex orders. Additionally, the Exchange believes the proposed fee increases are reasonable and equitable in that they apply equally to all market participants that were previously subject to these fees.

The Exchange also believes that it is reasonable and equitable to provide a rebate for Priority Customer complex orders because paying a rebate would continue to attract additional order flow to the Exchange and thereby create liquidity that ultimately will benefit all market participants who trade on the Exchange. The Exchange further believes that paying a rebate is equitable and reasonable because it is similar to rebates paid by other Exchanges.

Moreover, the Exchange believes that the proposed fees are fair, equitable and not unfairly discriminatory because the proposed fees are consistent with price differentiation that exists today at other option exchanges. Additionally, the Exchange believes it remains an attractive venue for market participants to trade complex orders despite its proposed fee change as its fees remain competitive with those charged by other exchanges for similar trading strategies. The Exchange operates in a highly competitive market in which market participants can readily direct order flow to another exchange if they deem fee levels at a particular exchange to be excessive. For the reasons noted above, the Exchange believes that the proposed fees are fair, equitable and not unfairly discriminatory.

B. Self-Regulatory Organization’s Statement on Burden on Competition

The proposed rule change does not 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

The Exchange has not solicited, and does not intend to solicit, comments on this proposed rule change. The Exchange has not received any unsolicited written comments from members or other interested parties.
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.14 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. 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. Please include File No. SR–ISE–2011–18 on the subject line.

Paper Comments
- Send paper comments in triplicate to Elizabeth Murphy, Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549–1090.

All submissions should refer to File Number SR–ISE–2011–18. 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. Copies of such filing also will be available for inspection and copying at the principal office of the ISE. 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–ISE–2011–18 and should be submitted by May 12, 2011.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.15

Cathy H. Ahn,
Deputy Secretary.

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SECURITIES AND EXCHANGE COMMISSION


Self-Regulatory Organizations; Chicago Board Options Exchange, Incorporated; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change To Establish Transaction Fees for CBOE Gold ETF Volatility Index Options

April 15, 2011.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the “Act”),1 and Rule 19b–4 thereunder,2 notice is hereby given that on April 8, 2011, the Chicago Board Options Exchange, Incorporated (the “Exchange” or “CBOE”) filed with the Securities and Exchange Commission (the “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

CBOE proposes to amend its Fees Schedule to establish fees for transactions in CBOE Gold ETF Volatility Index (“GVZ”) options. The text of the proposed rule change is available on the Exchange’s Web site (http://www.cboe.org/legal), at the Exchange’s Office of the Secretary, 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 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 Exchange received approval to list and trade options on the CBOE Gold ETF Volatility Index (“GVZ”), which is an up-to-the-minute market estimate of the expected volatility of the SPDR Gold Trust (“GLD”) calculated by using real-time bid/ask quotes of CBOE listed GLD options.3 GVZ uses nearby and second nearby options with at least 8 days left to expiration and then weights them to yield a constant, 30-day measure of the expected (implied) volatility. The Exchange will begin listing GVZ options on April 12, 2011.

The purpose of this rule change is to clarify that the existing transaction fees for “Volatility Indexes” shall apply for transactions in GVZ options, except that the existing Surcharge Fee (currently $.10 per contract for Volatility Index options) will not apply to GVZ options.4 In addition, the Exchange’s marketing fee5 shall not apply to GVZ options.

For reference, the existing Volatility Index transaction fees that will apply to GVZ options are as follows:
- $0.40 per contract for customer transactions;
- $0.10 per contract for market maker transactions;
- $0.01 per contract for floor broker transactions.

4 This fee is assessed to help the Exchange recoup license fees the Exchange pays to the different index licensors in order to list options on the respective indexes.
5 See Footnote 6 of the Fees Schedule. In 2007, the Exchange amended its Fees Schedule to broaden the application of existing transaction fees for VIX options to options on all volatility indexes calculated by CBOE. At that time, the Exchange replaced all references to “VIX” in its Fees Schedule with “VOLATILITY INDEXES.” The reference to “VIX” in Footnote 6 was inadvertently omitted in that filing. See Securities Exchange Act Release No. 56660 (October 15, 2007), 72 FR 59315 (October 19, 2007). Accordingly, the Exchange is proposing to make a technical change to Footnote 6 to change the reference from “VIX” to “VOLATILITY INDEXES.”