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. Please include File Number SR–ISE–2011–27 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–ISE–2011–27. 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 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–ISE–2011–27 and should be submitted on or before May 25, 2011.

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

Cathy H. Ahn, Deputy Secretary.
[FR Doc. 2011–10805 Filed 5–3–11; 8:45 am]
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SECURITIES AND EXCHANGE COMMISSION


Self-Regulatory Organizations; Chicago Board Options Exchange, Incorporated; Notice of Filing of Proposed Rule Change Establishing Qualified Contingent Cross Orders

April 27, 2011.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the “Act”) and Rule 19b–4 thereto,2 notice is hereby given that on April 18, 2011, the Chicago Board Options Exchange, Incorporated (“Exchange” or “CBOE”) 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

The Exchange is proposing rules to create a new order type referred to as a qualified contingent cross order (“QCC Order”).3 The text of the rule proposal is available on the Exchange’s Web site (http://www.cboe.org/legal), at the Exchange’s Office of the Secretary and at the Commissions 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 parts of such statements.

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

1. Purpose

The International Securities Exchange, LLC (“ISE”) recently received Commission approval of a proposed rule change which adopted a qualified contingent cross order type (the “ISE Proposal”). CBOE has opposed the ISE Proposal, but believes we now need to adopt rules to introduce a similar order type for competitive reasons, as indicated in our qualified contingent order briefs and comment letters responding to the ISE Proposal.3 Therefore, CBOE is proposing to adopt rules related to a new QCC Order type.

Background

The Exchange is currently a party to the Options Order Protection and Locked/Crossed Market Plan (“Distributive Linkage Plan”),4 and has implemented Exchange rules in conjunction with that plan (the “Distributive Linkage Rules”).5 Similar to Regulation NMS under the Act, the Distributive Linkage Plan requires,


among other things, that the Exchange establish, maintain and enforce written policies and procedures that are reasonably designed to prevent "Trade-Throughs." A Trade-Through is a transaction in an option series at a price that is inferior to the best price available in the market.

The Distributive Linkage Plan replaced the Plan for the Purpose of Creating and Operating an Intermarket Option Linkage ("Old Linkage Plan"), and the Distributive Linkage Rules replaced the then-existing CBOE rules implementing the Old Linkage Plan ("Old Linkage Rules"). The Old Linkage Plan and the Old Linkage Rules provided a limited Trade-Through exemption for "Block Trades," defined to be trades of 500 or more contracts with a premium value of at least $150,000. However, as with Regulation NMS, the Distributive Linkage Plan does not provide a Block Trade exemption.

The ISE Proposal stated that the loss of the Block Trade exemption, among other things, adversely affects the ability of its members to effect large trades that are tied to stock, and therefore proposed a QCC as a limited substitute for the Block Trade exemption. While we continue to disagree with the premise that QCC serves as a limited substitute for the Block Trade exemption (e.g., the Block Trade exemption is designed to provide Trade-Through relief, as discussed above; whereas QCC does not provide Trade-Through relief, as discussed below) and our views with respect to the potential impact that the ISE Proposal may have on market structure remain unchanged, we nonetheless are proposing to adopt rules related to QCC Orders in order to permit the Exchange to remain competitive with ISE, and the other options exchanges that may also adopt rules for QCCs, by making QCC Orders available to CBOE Trading Permit Holders ("TPHs") and their customers through the Exchange.

Proposal

The Exchange is proposing to amend CBOE Rule 6.53, Certain Types of Orders Defined, to include a new QCC Order type. When a CBOE TPH effects a qualified contingent trade ("QCT")11 in a Regulation NMS stock,12 the TPH will be permitted to cross the options leg(s) of the trade on CBOE immediately without exposure if the order is for at least 1000 contracts, is part of a QCT,13 is executed at a price at least equal to the national best bid or offer ("NBBO"), and there are no public customer orders resting in the Exchange’s electronic book at the same price.

The QCC Order type would permit TPHs to provide their customers a net price for the entire trade, and then allow the TPH to execute the options leg(s) of the trade on CBOE at a price at least equal to the NBBO while using the QCT exemption to effect the trade in the equities leg at a price necessary to achieve the net price.14 Under the proposal, CBOE will not permit the options component(s) of a QCC Order to trade through the NBBO.15

Under this proposal, CBOE would permit QCC Orders to be submitted electronically from on or off the floor through the CBOE Hybrid Trading System. In this regard, we note that, in order to effect proprietary orders (including QCC Orders) electronically from on the floor of the Exchange, TPHs must ensure that they qualify for an exemption from Section 11(a)(1) of the Act,16 which concerns proprietary trading on an exchange by an exchange member. Generally, Section 11(a)(1) of the Act restricts any member of a national securities exchange from effecting any transaction on such exchange for (i) the member’s own account, (ii) the account of a person associated with the member, or (iii) an account over which the member or a person associated with the member exercises discretion, unless a specific exemption is available. Examples of common exemptions include the exemption for transactions by broker dealers acting in the capacity of a market maker under Section 11(a)(1)(A),17 the “G” exemption for yielding priority to non-members under Section 11(a)(1)(C) of the Act and Rule 11a1–1(T) thereunder,18 and “Effect vs. Execute” exemption under Rule 11a2–2(T) under the Act.19 In this regard, we note that, consistent with existing Exchange Rules for effecting proprietary orders from on the floor of the Exchange, TPHs effecting QCC Orders and relying on the CBOE hybrid system would be required to yield priority to any exchange customer with the same price (not just public customer orders) to ensure that non-member interest is protected.

The Exchange’s proposal addresses the mechanics of executing the stock and options components of a net-price transaction. The Exchange believes that it is necessary that it provide TPHs and their customers with the same trading capabilities available on other exchanges with respect to QCCs, transactions with no opportunity for price improvement. See, e.g., ISE Rules 715 and 721, and Interpretation and Policy .08 of CBOE Rule 6.74A.16 15 17 CFR 240.11a2–2(T).
19 17 CFR 240.11a2–2(T).
20 See, e.g., Securities Exchange Act Rule No. 59546 (March 10, 2009), 74 FR 11144 (March 16, 2009)(SR-CBOE-2009-016) and related CBOE Regulatory Circular R09-35 (regulatory circular provides TPHs guidance on the application of Section 11(a)(1) to trading on CBOE’s Hybrid Trading System).
including the change proposed herein, which would permit TPHs to execution the options leg(s) of large complex orders on the Exchange. This rule change is being proposed as a competitive response, and is substantially similar in all material respects, to the ISE Proposal that was recently approved by the Commission.21

2. Statutory Basis

The proposed rule change is consistent with Section 6(b) of the Act,22 in general, and furthers the objectives of Section 6(b)(5) of the Act,23 in particular, that an exchange should have rules that are designed to prevent fraudulent and manipulative acts and practices, 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. In particular, the proposed QCC Order type will prevent executions from occurring when there is a public customer order resting in the electronic book at the same price and will assure that only large-size orders (i.e., orders of at least 1000 contracts) are eligible. The proposed rule will facilitate the ability of CBOE TPHs to execute large options orders that are tied to stock in an efficient manner, while also protecting the national market system against Trade-Throughs.

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

CBOE does not believe that the proposed rule change will 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 neither solicited nor received comments on the proposal.

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

Within 45 days of the date of publication of this notice in the Federal Register or within such longer period (i) as the Commission may designate up to 90 days of such date if it finds such longer period to be appropriate and publishes its reasons for so finding or (ii) as to which the self-regulatory organization consents, the Commission will:

(A) By order approve or disapprove such proposed rule change, or

(B) Institute proceedings to determine whether the proposed rule change should be 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 Number SR–CBOE–2011–041 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–CBOE–2011–041. 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 No. SR–CBOE–2011–041 and should be submitted on or before May 25, 2011.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.24

Cathy H. Ahn.

Deputy Secretary.

[FR Doc. 2011–10771 Filed 5–3–11; 8:45 am]

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SECURITIES AND EXCHANGE COMMISSION


Self-Regulatory Organizations; Chicago Stock Exchange, Inc.; Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Alter the CHX Fee Schedule Relating to the CHX Connect Service

April 28, 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 April 26, 2011, the Chicago Stock Exchange, Inc. (“CHX” or “Exchange”) 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. CHX has filed the proposal pursuant to Section 19(b)(3)(A) of the Act3 and Rule 19b-4(f)(2) thereunder,4 which renders the proposal effective upon filing with the Commission. 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 CHX proposes to amend its Schedule of Participant Fees and Assessments (the “Fee Schedule”), effective April 26, 2011, to alter its schedule of fees for Participants relating to its CHX Connect service. The text of this proposed rule change is available on the Exchange’s Web site at http://www.chx.com/rules/proposed_rules.htm, at the principal office of the Exchange, and at the Commission’s Public Reference Room, 100 F Street, NE., Washington, DC, 20549.