

options position.¹⁵ In particular, position and exercise limits are designed to minimize the potential for mini-manipulations and for corners or squeezes of the underlying market.¹⁶ In addition, such limits serve to reduce the possibility for disruption of the options market itself, especially in illiquid classes.¹⁷ As discussed below, over time, the Commission has approved options exchanges' proposals to increase these limits for options products overlying certain ETFs where there is considerable liquidity in both the underlying cash markets and the options markets.

The Commission believes that it is reasonable for the Exchange to increase position limits for options on SPY to 900,000 contracts (the same level currently applicable to the QQQ options). As in the case of the markets for QQQ options and for the underlying ETF, the markets for standardized options on SPY and the SPY itself have substantial trading volume and liquidity. Indeed, Phlx cites statistics¹⁸ showing that, while options on SPY and options on QQQ both are in the top ranks of equity options in terms of trading volume, SPY options exceeded QQQ options by a significant margin—both in terms of the total volume traded for a sample period in March of this year, and in terms of average daily volume for the year 2010. Similarly, the Exchange cites statistics regarding the underlying ETFs, showing that SPY exceeded QQQ significantly in average daily trading volume and average dollar volume for the year.

The Commission believes that increasing position limits on the highly liquid SPY options to the same level currently applicable to the QQQ options represents the next step of a measured approach to position limits on these options, which have increased steadily over a number of years to their current levels.¹⁹ Further, the Commission

expects that the Exchange will continue to monitor trading in the SPY options for the purpose of discovering and sanctioning manipulative acts and practices, and to reassess the position and exercise limits, if and when appropriate, in light of its findings.²⁰

Accordingly, as stated above, given the measure of liquidity for SPY, the Commission believes that increasing position limits in the SPY options to 900,000 contracts is consistent with Section 6(b)(5) of the Act,²¹ which requires that the rules of a national securities exchange be 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.

IV. Conclusion

It Is Therefore Ordered, pursuant to Section 19(b)(2) of the Act,²² that the

98–25; SR–Amex–98–22; SR–PCX–98–33; SR–Phlx–98–36). In 2003, the Commission approved an increase in the position and exercise limits for options on DIA to the current 300,000 contracts. *See* Securities Exchange Act Release Nos. 47346 (February 11, 2003), 68 FR 8316 (February 20, 2003) (SR–CBOE–2002–26) and 57852 (May 22, 2008), 73 FR 31162 (May 30, 2008) (SR–Amex–2008–41). Similarly, in 2005, the Commission approved an increase in the position and exercise limits for options on SPY to 300,000 contracts. *See* Securities Exchange Act Release Nos. 51041 (January 14, 2005), 70 FR 3408 (January 24, 2005) (SR–CBOE–2005–06) and 51043 (January 14, 2005), 70 FR 3402 (January 24, 2005) (SR–Amex–2005–06). Since 2001, the Commission has twice approved increases in position and exercise limits for options on QQQ. Initially, the Commission approved an increase to 300,000 contracts, and later, pursuant to a pilot program that commenced in March 2005 and was adopted by all of the options exchanges, increased position and exercise limits for options on the QQQQ to the current 900,000. *See* Securities Exchange Act Release Nos. 45309 (January 18, 2002), 67 FR 3757 (January 25, 2002) (SR–CBOE–2001–44) and 45236 (January 4, 2002), 67 FR 1378 (January 10, 2002) (SR–Amex–2001–42). Another pilot program, which commenced in 2007 and was adopted by all of the options exchanges, increased the position and exercise limits for IWM options to the current 500,000 contracts. Both of these pilots, which also raised standardized equity option position limits to the current range of between 25,000 and 250,000 contracts, were permanently approved by the Commission in 2008. *See* Securities Exchange Act Release Nos. 57352 (February 19, 2008), 73 FR 10076 (February 25, 2008) (SR–CBOE–2008–07) and 57415 (March 3, 2008), 73 FR 12479 (March 7, 2008) (SR–Amex–2008–16).

²⁰ Phlx states that its reporting requirements and surveillance procedures, as well as the reporting requirements and surveillance procedures other markets and of clearing firms, are capable of properly identifying unusual and/or illegal trading activity.

²¹ 15 U.S.C. 78f(b)(5).

²² 15 U.S.C. 78s(b)(1).

proposed rule change (SR–Phlx–2011–58) be, and it hereby is, approved.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.²³

Cathy H. Ahn,

Deputy Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–64697; File No. SR–OCC–2011–07]

Self-Regulatory Organizations; The Options Clearing Corporation; Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Provide an Interpretation to Rule 401 To Allow Clearing Members To Use OCC Systems To Update Certain Non-critical Trade Data With Respect to Exchange Transactions Involving Securities Options

June 17, 2011.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”),¹ notice is hereby given that on June 7, 2011, The Options Clearing Corporation (“OCC”) filed with the Securities and Exchange Commission (“Commission”) the proposed rule change described in Items I, II, and III below, which Items have been prepared primarily by OCC. OCC filed the proposal pursuant to Section 19(b)(3)(A)(iii) of the Act² and Rule 19b–4(f)(4)³ thereunder so that the proposal was effective upon filing with the Commission. The Commission is publishing this notice to solicit comments on the rule change from interested parties.

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

The proposed rule change will provide an interpretation to Rule 401 to allow clearing members to use OCC systems to update certain non-critical trade data with respect to exchange transactions involving securities options provided such updates do not contravene any rule of the exchange on which such transactions were effected.

²³ 17 CFR 200.30–3(a)(12).

¹ 15 U.S.C. 78s(b)(1).

² 15 U.S.C. 78s(b)(3)(A)(iii).

³ 17 CFR 240.19b–4(f)(4).

¹⁵ *See, e.g.*, Securities Exchange Act Release No. 47346 (February 11, 2003), 68 FR 8316 (February 20, 2003) (SR–CBOE–2002–26).

¹⁶ *Id.*

¹⁷ *Id.*

¹⁸ *See supra* Section II.

¹⁹ The Commission's incremental approach to approving changes in position and exercise limits is well-established. Equity option position limits have been gradually expanded from 1,000 in 1973 to maximum levels of 250,000 contracts for most of the largest and most actively-traded standardized equity options, with higher limits allowed for certain ETF options—QQQ (900,000), SPY (300,000), IWM (500,000) and DIA (300,000). In 1999, the Commission approved exchange proposals to raise position and exercise limits on standardized equity options to a range of between 13,500 and 75,000 contracts. *See* Securities Exchange Act Release No. 40875 (December 31, 1998), 64 FR 1842 (January 12, 1999) (SR–CBOE–

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

In its filing with the Commission, OCC 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. OCC has prepared summaries, set forth in sections (A), (B), and (C) below, of the most significant aspects of these statements.⁴

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

The purpose of this proposed rule change is to provide an interpretation to Rule 401 to allow clearing members to use OCC systems to update certain non-critical trade data with respect to exchange transactions involving securities options provided such updates do not contravene any rule of the exchange on which such transactions were effected. Examples of non-critical option trade data that would be eligible for updating by clearing members include: open/close indicators, account type, account numbers, Clearing Member Trade Assignment clearing member numbers, and optional data field remarks.

Rule 401 concerns the reporting of matching trade information by exchanges to OCC. An interpretation to Rule 401 allows clearing members to use OCC systems to update certain non-critical trade data with respect to exchange transactions involving futures provided such updates do not contravene any rule of the exchange on which such transaction was effected. Clearing members recently have asked that OCC expand this to cover options transactions. The request was processed through the OCC Roundtable, an advisory group comprised of clearing members, options exchanges, and service bureaus, which assesses operational improvements that may be implemented at OCC to increase efficiencies and lower costs to industry participants.

As in exchange transactions involving futures, OCC's systems would be configured to "bust" the submitted trade and to add a new trade that includes the change. This provides an audit trail for OCC and the affected exchange. OCC also would provide functionality to allow an exchange to prevent such

updates from happening at OCC for trades executed on its market.

To accommodate this request, a minor change will be made to Interpretation and Policy .02 to Rule 401. The change will allow clearing members to use OCC's systems to update non-critical trade information with respect to all exchange transactions involving securities options with the restriction that such updates may not be in contravention of any rule of the exchange on which the transaction was effected. The proposed rule change is not inconsistent with the By-Laws and Rules of OCC.

(B) Self-Regulatory Organization's Statement on Burden on Competition

OCC does not believe that the proposed rule change will have any impact or impose any burden on competition.

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

Written comments relating to the proposed rule change have not been solicited or received. OCC will notify the Commission of any written comments received by OCC.

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

The foregoing proposed rule change has become effective upon filing pursuant to Section 19(b)(3)(A)(iii) of the Act⁵ and Rule 19b-4(f)(4)⁶ thereunder because the proposed rule change affects a change in an existing service of OCC that: (i) does not adversely affect the safeguarding of securities or funds within the custody or control of OCC or for which OCC is responsible; and (ii) does not significantly affect the respective rights or obligations of clearing members which would use the service or of OCC. 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.

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-OCC-2011-07 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-OCC-2011-07. 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 website 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 filings also will be available for inspection and copying at the principal office of OCC and on OCC's Web site at http://www.optionsclearing.com/components/docs/legal/rules_and_bylaws/sr_occ_11_07.pdf.

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-OCC-2011-07 and should be submitted on or before July 14, 2011.

⁴ The Commission has modified the text of the summaries prepared by OCC.

⁵ 15 U.S.C. 78s(b)(3)(A)(iii).

⁶ 17 CFR 240.19b-4(f)(4).

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

Cathy H. Ahn,

Deputy Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-64699; File No. SR-CBOE-2011-056]

Self-Regulatory Organizations; Chicago Board Options Exchange, Incorporated; Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Adopt the Selection Specifications and Content Outline for the Proprietary Traders Examination Program (Series 56)

June 17, 2011.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934, 15 U.S.C. 78s(b)(1), notice is hereby given that on June 16, 2011, Chicago Board Options Exchange, Incorporated (“CBOE” or 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 CBOE. 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

Pursuant to the provisions of Section 19(b)(1) of the Securities Exchange Act of 1934 (the “Act”),¹ the Exchange is filing with the Commission the content outline and selection specifications for the Proprietary Traders Qualification Examination (“Series 56”) program. CBOE is not proposing any textual changes to the Rules of CBOE. 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.

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

In its filing with the Commission, CBOE 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. CBOE 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, Proposed Rule Change

1. Purpose

Pursuant to Rule 15b7-1,² promulgated under the Exchange Act,³ “No registered broker or dealer shall effect any transaction in * * * any security unless any natural person associated with such broker or dealer who effects or is involved in effecting such transaction is registered or approved in accordance with the standards of training, experience, competence, and other qualification standards * * * established by the rules of any national securities exchange * * *.” CBOE Rule 3.6A sets forth the requirements for registration and qualification of individual Trading Permit Holders and individual associated persons. Specifically, CBOE Rule 3.6A provides that individual Trading Permit Holders and individual associated persons that are “engaged or to be engaged in the securities business of a Trading Permit Holder or TPH organization shall be registered with the Exchange in the category of registration appropriate to the function to be performed as prescribed by the Exchange.” Further, Rule 3.6A requires, among other things, that an individual Trading Permit Holder or individual associated person submit an application for registration and pass the appropriate qualification examination before the registration can become effective.

In accordance with Interpretation and Policy .06 to Rule 3.6A, those individuals shall be considered to be “engaged in the securities business of a Trading Permit Holder or TPH organization” and subject to the registration requirements and successful completion of Series 56 if (i) the individual Trading Permit Holder or associated person conducts proprietary trading, acts as a market-maker, effects transactions on behalf of a broker-dealer account, supervises or monitors proprietary trading, market-making or brokerage activities on behalf of the broker-dealer, supervises or conducts training for those engaged in proprietary trading, market-making or brokerage activities on behalf of a broker-dealer

account; or (ii) the individual Trading Permit Holder or associated person engages in the management of any individual Trading Permit Holder or individual associated person identified in (i) above as an officer, partner or director.⁴

The Series 56 examination tests a candidate’s knowledge of proprietary trading generally and the industry rules applicable to trading of equity securities and listed options contracts. The Series 56 examination covers, among other things, recordkeeping and recording requirements, types and characteristics of securities and investments, trading practices and display execution and trading systems. While the examination is primarily dedicated to topics related to proprietary trading, the Series 56 examination also covers a few general concepts relating to customers.⁵

The Series 56 examination program is shared by CBOE and the following Self-Regulatory Organizations (“SROs”): Boston Options Exchange; C2 Options Exchange, Incorporated; Chicago Stock Exchange, Incorporated; International Securities Exchange, LLC; NASDAQ OMX, BX; NASDAQ OMX, PHLX; NASDAQ Stock Market LLC; National Stock Exchange, Incorporated; New York Stock Exchange, LLC; NYSE AMEX, Incorporated; and NYSE ARCA, Incorporated.

Upon request by the SROs referenced above, FINRA staff convened a committee of industry representatives, CBOE staff and staff from the other SROs referenced above, to develop the criteria for the Series 56 examination program. As a result, CBOE is proposing to set forth the content of the examination. The qualification examination consists of 100 multiple choice questions. Candidates will have 150 minutes to complete the exam. The content outline describes the following topical sections comprising the examination: Personnel, Business Conduct and Recordkeeping and Reporting Requirements, 9 questions; Markets, Market Participants, Exchanges, and Self Regulatory Organizations, 8 questions; Types and Characteristics of Securities and Investments, 20 questions; Trading Practices and Prohibited Acts, 50

⁴ In accordance with Rule 3.6A, an individual Trading Permit Holder or individual associated person that is engaged in the supervision or monitoring of proprietary trading, market-making or brokerage activities and/or that is engaged in the supervision or training of those engaged in proprietary trading, market-making or brokerage activities with respect to those activities will be subject to heightened qualification requirements, as prescribed by the Exchange.

⁵ The Commission notes that proprietary trading firms do not have customers.

⁷ 17 CFR 200.30-3(a)(12).

¹ 15 U.S.C. 78s(b)(1).

² 17 C.F.R. [sic] 240.15b7-1.

³ 15 U.S.C. 78a *et seq.*