

in particular,<sup>8</sup> in that it is designed to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in facilitating transaction in securities, to remove impediments and perfect the mechanisms of a free and open market, and, in general, to protect investors and the public interest by allowing CHX to amend its rules to permit the cancellation of previously executed stock trades which are a component of a combination stock-option order when the options exchange cancels the options leg of the transaction. By allowing the cancellation of the stock leg of a combination stock-option order when the parties desire that result, the proposed changes will assist in the efficient processing of such transactions. The cancellation of the stock leg in such circumstances should also result in lower fees to Exchange order senders, since they would otherwise have to pay additional transaction fees to execute an offsetting trade. Since the cancellation of a trade pursuant to the proposed rule changes eliminates the need for the parties to execute and report an offsetting trade, the proposal should bolster the integrity of the publicly disseminated trade reporting information by removing the need for duplicative trade reports. The “double counting” of the initial trade and a reported reversal of that trade could give an inaccurate impression of the amount of shares actually changing hands in the marketplace. Since the cancellation would only impact the parties to the options transaction, the proposed amendments would not impact other market participants which submit orders to the CHX’s facilities for execution. Finally, permitting the cancellation of the stock leg when the options trade has been cancelled should reduce the credit risk to the parties involved in the transaction. Failure to cancel or offset the stock leg would leave the parties with an unwanted stock position, which was a hedge on or otherwise a component of the now-cancelled options transaction.

#### *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**

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 the 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](mailto:rule-comments@sec.gov). Please include File No. SR-CHX-2011-21 on the subject line.

##### *Paper Comments*

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

All submissions should refer to File Number SR-CHX-2011-21. 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-CHX-2011-21 and should be submitted on or before August 24, 2011.

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

**Elizabeth M. Murphy,**  
*Secretary.*

[FR Doc. 2011-19690 Filed 8-2-11; 8:45 am]

**BILLING CODE 8011-01-P**

## **SECURITIES AND EXCHANGE COMMISSION**

[Release No. 34-64982; File No. SR-OCC-2011-08]

### **Self-Regulatory Organizations; Options Clearing Corporation; Notice of Filing of Proposed Rule Change to Provide Specific Authority to Use an Auction Process as One of the Means to Liquidate a Defaulting Clearing Member’s Accounts**

July 28, 2011.

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 July 14, 2011, The Options Clearing Corporation (“OCC”) filed with the Securities and Exchange Commission (“Commission”) the proposed rule change as described in Items I, II, and III below, which Items have been prepared primarily by OCC. 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 purpose of the proposed rule change is to provide OCC specific authority to use an auction process as

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

one of the means to liquidate a defaulting clearing member's accounts.

## 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.<sup>3</sup>

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

The purpose of this rule change is to revise OCC's rules to provide specific authority for OCC to use an auction process as one of the possible means by which OCC may liquidate a defaulting clearing member's accounts. An auction is likely to be the most efficient and orderly procedure practicable for closing out clearing member portfolios in some circumstances.

The liquidation of open long and short positions through exchange transactions is an obvious means of closing out the positions of a defaulting member. However, auctions are increasingly viewed as an efficient and cost effective alternative for liquidating some or all of a clearing member's positions and collateral, especially where the positions are very large or in unstable market conditions. As compared to liquidating positions through exchange transactions, an auction may usually be expected to result in a shorter liquidation period and reduced execution risk. During Lehman Brothers Holdings Inc.'s liquidation, clearinghouses such as LCH.Clearnet and CME Clearing liquidated certain derivatives positions through auctions.

Chapter XI of OCC's Rules, which governs the liquidation of a clearing member's accounts in the event of an insolvency, provides that open positions of a clearing member must be closed by OCC "in the most orderly manner practicable." While OCC and its counsel believe that this language is broad enough to authorize a private auction, *i.e.*, an auction limited to selected bidders, as a means of closing out open positions, OCC also believes that

explicit authorization for a private auction procedure could reduce the likelihood of a legal challenge should such a procedure be utilized.

The proposed change to OCC's rules is consistent with Section 17A of the Act, as amended (the "Exchange Act"), because it is designed to promote the prompt and accurate clearance and settlement of security transactions, and generally protect investors and the public interest, by making more explicit OCC's ability to use an auction procedure to liquidate a defaulting clearing member's accounts. The proposed rule change is not inconsistent with the existing rules of OCC, including any other rules proposed to be amended.

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

OCC does not believe that the proposed rule change would 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

Within 45 days of the date of publication of this notice in the **Federal Register** or within such longer period up to 90 days (i) as the Commission may designate 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 the 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 and with respect to the following:

- The Commission requests comment regarding the types of circumstances in which an auction would or would not be the most orderly procedure practicable for closing out clearing member portfolios. For example, in what circumstances would a private auction be a more or less orderly

procedure than liquidating the defaulting member's positions on a national securities exchange?

- The Commission requests comment on whether a private auction limited to selected bidders could impose any burden on competition. In what ways, if any, would the effects on competition vary based on the types of firms that are allowed to participate in an auction and the method used to select such participants?

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-OCC-2011-08 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-2011-08. 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 Section, 100 F Street, NE., Washington, DC 20549, on official business days between the hours of 10 a.m. and 3 pm. Copies of such filings will also 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\\_08.pdf](http://www.optionsclearing.com/components/docs/legal/rules_and_bylaws/sr_occ_11_08.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

<sup>3</sup> The Commission has modified the text of the summaries prepared by OCC.

submissions should refer to File Number SR-OCC-2011-08 and should be submitted on or before August 24, 2011.

For the Commission by the Division of Trading and Markets, pursuant to delegated authority.<sup>4</sup>

**Elizabeth M. Murphy,**

*Secretary.*

[FR Doc. 2011-19564 Filed 8-2-11; 8:45 am]

BILLING CODE 8011-01-P

## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-64983; File No. SR-NASDAQ-2011-098]

### Self-Regulatory Organizations; The NASDAQ Stock Market LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Adopt an “All-or-None” Order Type

July 28, 2011.

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 July 22, 2011, The NASDAQ Stock Market LLC (the “Exchange” or “NASDAQ”) 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

NASDAQ is filing with the Securities and Exchange Commission (“Commission”) a proposal for the NASDAQ Options Market (“NOM”) to amend Chapter VI, Trading Systems, Section 1, Definitions, and Section 6, Acceptance of Quotes and Orders, to adopt an “All-or-none” order type, as described further below. The Exchange also proposes to amend the definition of “Immediate or Cancel” to accommodate market orders.

This change is scheduled to be implemented on NOM on or about September 1, 2011; the Exchange will announce the implementation schedule by Options Trader Alert, once the rollout schedule is finalized.

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.

#### 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 introduce a new order type to NOM and permit market orders to be designated as Immediate or Cancel orders. Specifically, an All-or-None order is a limit or market order that is to be executed in its entirety or not at all. All-or-None Orders will be treated as having a time-in-force designation of Immediate or Cancel, as described further below.<sup>3</sup> All-or-None Orders received prior to the opening cross or after market close will be rejected. The Exchange proposes to add this definition to its rules as new Section 1(e)(10). The Exchange also proposes to refer to All-or-None Orders in Section 6(a)(2) of its rules. Many options markets currently have all-or-none orders, and the definition of this new order type is consistent with the definitions contained in other exchanges’ rules.<sup>4</sup>

The new All-or-None Order type is similar to the existing Minimum Quantity Order currently available on the Exchange. Minimum Quantity Orders are orders that require that a specified minimum quantity of contracts be obtained, or the order is cancelled.<sup>5</sup> Similar to the All-or-None Orders proposed herein, Minimum Quantity Orders may only be entered with a time-in-force designation of Immediate or Cancel. Today, a Minimum Quantity Order with the minimum set at the full size of the order

would function the same as the proposed All-or-None Order.<sup>6</sup>

In addition, the Immediate or Cancel designation is currently only available to limit orders. The Exchange proposes to amend the definition of Immediate or Cancel in Section 1(g)(2) to delete the word “limit” in order to cover market orders; accordingly, market orders, including the proposed new All-or-None Orders, can now be Immediate or Cancel.<sup>7</sup>

###### 2. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act<sup>8</sup> in general, and furthers the objectives of Section 6(b)(5) of the Act<sup>9</sup> in particular, in that it 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 facilitating transactions in securities, and to remove impediments to and perfect the mechanisms of a free and open market and a national market system, and, in general, to protect investors and the public interest, by mitigating risks to market participants. The Exchange believes that the proposal is appropriate and reasonable, because it offers an additional order type on NOM and Immediate or Cancel functionality for market orders. The Exchange believes that this should offer investors new trading opportunities on the Exchange and enhance the Exchange’s competitive position.

##### 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: (i) Significantly affect

<sup>6</sup> A Minimum Quantity Order for 100 contracts with the minimum set at 100 contracts has the same result as an All-or-None Order for 100 contracts, because both can only trade against an order for 100 contracts.

<sup>7</sup> See NOM Rules, Chapter VI, proposed Section 1(g)(2).

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

<sup>9</sup> 15 U.S.C. 78f(b)(5).

<sup>4</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> See NOM Rules, Chapter VI, Section 1(g)(2).

<sup>4</sup> See e.g., CBOE Rule 6.53(i); C2 Rule 6.10(c)(1) and ISE Rule 715(c).

<sup>5</sup> See NOM Rules, Chapter VI, Section 1(e)(3).