

by the dealer for a particular transaction is identical to the par amount for a particular transaction reported by the broker. In a Net Position Match Mode, trade input that matches in all other respects will be compared only if the aggregate par amount for one or more transactions in eligible securities reported to have been sold or purchased by the dealer equals the aggregate par amount for one or more transactions reported by the broker. Currently, no participants have elected to have their transactions governed in Exact Match Mode. FICC believes there is no need to provide participants with a choice of match mode because MBSD's system already attempts to find an exact match for trade input and, only if an exact match is not found, will the system revert to Net Position Match Mode. This change will require the deletion of subpart (a) of Article II, Rule 3, Section 4 and conforming changes to the definitions (in Article I) and in Article II, Rule 3, Sections 3 and 4 to reflect that Net Position Match Mode will be the only available match mode.

Given that FICC believes these rules have no utility for MBSD's participants, MBSD proposed to eliminate these rules. FICC believes elimination of these rules will also promote efficiency. MBSD is currently undertaking a rewrite of its internal software applications and operating systems to promote efficiency and streamline its operations. Approval of the elimination of these rules will allow MBSD to avoid writing unnecessary coding during the rewrite process.

### III. Discussion

Section 17A(b)(3)(F) of the Act<sup>5</sup> requires, among other things, that the rules of a clearing agency be designed to remove impediments to and perfect the mechanism of a national system for the prompt and accurate clearance and settlement of securities transactions. The Commission believes that because the proposed rule change removes outdated rules that no longer have utility for participants and conserves resources by avoiding the writing of unnecessary code during MBSD's software rewrite process, it is consistent with the requirements of Section 17A(b)(3)(F) of the Act.

### IV. Conclusion

On the basis of the foregoing, the Commission finds that the proposal is consistent with the requirements of the Act and in particular with the requirements of Section 17A of the Act<sup>6</sup>

and the rules and regulations thereunder.

*It Is Therefore Ordered*, pursuant to Section 19(b)(2) of the Act,<sup>7</sup> that the proposed rule change (File No. SR-FICC-2011-06) be, and hereby is, approved.<sup>8</sup>

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. 34-65480; File No. SR-CBOE-2011-091]

### Self-Regulatory Organizations; Chicago Board Options Exchange, Incorporated; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change To Amend CBOE Stock Exchange Transaction Fees

October 4, 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 September 30 2011, the Chicago Board Options Exchange, Incorporated ("Exchange" or "CBOE") 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 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 proposes to amend CBOE Stock Exchange ("CBSX") transaction fees. 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.

<sup>7</sup> 15 U.S.C. 78s(b)(2).

<sup>8</sup> In approving the proposed rule change, the Commission considered the proposal's impact on efficiency, competition, and capital formation. 15 U.S.C. 78c(f).

<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.

#### 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

CBSX proposes to modify its fees for transactions in securities priced \$1 or greater. The Exchange proposes to adopt a Maker fee of \$0.0017 per share and a Taker rebate of \$0.0015 per share. For a Maker that adds more than two million shares of liquidity to CBSX in a single day, the Exchange proposes a fee of \$0.0015 per share. This lower rate will be calculated on a daily basis. Market participants who share a trading acronym or MPID may aggregate their trading activity for purposes of this rate. Qualification for this rate will require that a market participant appropriately indicate his trading acronym and/or MPID in the appropriate field on the order. CBSX will promulgate an information circular to direct market participants on how to accurately qualify and aggregate their trading activity in order to receive this reduced rate. CBSX also proposes to change the language on the Fees Schedule describing the execution type for transactions in securities priced below \$1 from "Single-sided execution" to "Maker or Taker" in order to achieve consistency on the Fee Schedule and make clear that such fee applies to either the Maker or the Taker in transactions in securities priced below \$1.

The proposed fee change for transactions in securities priced at \$1 or greater is intended to encourage increased trading activity and liquidity on CBSX, which would benefit all market participants. By encouraging market participants to hit a threshold of executing at least two million shares a day (at which point such market participants would receive the lower Maker fee for all shares executed by the market participant that day), the Exchange incentivizes market

<sup>5</sup> 15 U.S.C. 78q-1(b)(3)(F).

<sup>6</sup> 15 U.S.C. 78q-1.

participants who may be able to meet that threshold to add more volume and liquidity to the CBSX marketplace. This increased volume and liquidity would benefit all CBSX market participants, including those who do not trade at that level, by providing them with more opportunities for execution. If the lower rate did not exist for market participants who execute at least two million shares a day, even those market participants who do not hit that threshold will not receive the benefit of this added volume and liquidity. The threshold is applied on a daily basis in order to encourage market participants to add volume and liquidity on a consistent basis. The Exchange seeks market participants who will be active on CBSX on a regular basis, as the liquidity that such larger-volume participants provide will be attractive to all investors and benefit all market participants.

The proposed rule change is to take effect October 1, 2011.

## 2. Statutory Basis

The proposed rule change is consistent with Section 6(b) of the Act<sup>3</sup> in general, and furthers the objectives of Section 6(b)(4)<sup>4</sup> of the Act in particular, in that it is designed to provide for the equitable allocation of reasonable dues, fees, and other charges among CBOE Trading Permit Holders and other persons using Exchange facilities. The proposed Maker fees of \$0.0017 per share or \$0.0015 per share for a Maker that adds more than two million shares of liquidity in a single day and Taker Rebate of \$0.0015 are reasonable because they are within the range of fees assessed for similar transactions in securities priced \$1 or greater on other exchanges.<sup>5</sup> The fees are equitable and not unfairly discriminatory because they will apply to all market participants, and all market participants will have the opportunity to qualify for the reduced rate for a Maker that adds more than two million shares of liquidity in a single day.

Further, the reduced fee for market participants that execute at least two million shares a day is equitable and not

unfairly discriminatory because it will encourage market participants to trade on CBSX and bring greater liquidity to CBSX, which will benefit all market participants. By encouraging market participants to hit a threshold of executing at least two million shares a day (at which point such market participants would receive the lower Maker fee for all shares executed by the market participant that day), the Exchange incentivizes market participants who may be able to meet that threshold to add more volume and liquidity to the CBSX marketplace. This increased volume and liquidity would benefit all CBSX market participants, including those who do not trade at that level, by providing them with more opportunities for execution. Orders that provide liquidity increase the likelihood that members seeking to access liquidity will have their orders filled. If the lower rate did not exist for market participants who execute at least two million shares a day, even those market participants who do not hit that threshold will not receive the benefit of this added volume and liquidity. Applying the two million share threshold on a daily basis will encourage these larger-volume market participants to add volume and liquidity on a consistent basis, and the resulting consistently-available executions will benefit all market participants. As such, the Exchange believes that it is reasonable and equitable to use pricing incentives, such as a lower fee for creating large amounts of liquidity, to encourage market participants to increase their participation in the market.

Finally, changing the language on the Fees Schedule describing the execution type for transactions in securities priced below \$1 from "Single-sided execution" to "Maker or Taker" furthers the objectives of Section 6(b)(5)<sup>6</sup> of the Act in particular in that the change is designed to impede 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 by achieving consistency in the language of the Fees Schedule, thereby eliminating any potential confusion.

## 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 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 solicited or received with respect to the proposed rule change.

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

The proposed rule change is designated by the Exchange as establishing or changing a due, fee, or other charge, thereby qualifying for effectiveness on filing pursuant to Section 19(b)(3)(A) of the Act<sup>7</sup> and subparagraph (f)(2) of Rule 19b-4<sup>8</sup> thereunder. 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](mailto:rule-comments@sec.gov). Please include File Number SR-CBOE-2011-091 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-2011-091. 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

<sup>3</sup> 15 U.S.C. 78f(b).

<sup>4</sup> 15 U.S.C. 78f(b)(4).

<sup>5</sup> See NASDAQ OMX BX, Inc. ("BX") Fee Schedule regarding trading of shares executed at or above \$1.00. The BX rebate for removing liquidity is \$0.0005 per share, or \$0.0014 per share for MPIDs removing greater than 3.5 million shares per day or adding greater than 25,000 shares per day. The proposed CBSX rebate is \$0.0015 per share. The BX fee for adding liquidity is \$0.0018 per share, or \$0.0015 for MPIDs meeting BX's Qualified Liquidity Provider Program criteria. The proposed CBSX fee is \$0.0017 per share, or \$0.0015 per share for a Maker that adds more than two million shares of liquidity in a single day.

<sup>6</sup> 15 U.S.C. 78f(b)(5).

<sup>7</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>8</sup> 17 C.F.R. 240.19b-4(f)(2).

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-CBOE-2011-091 and should be submitted on or before November 1, 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. 34-65482; File No. SR-C2-2011-028]

### Self-Regulatory Organizations; C2 Options Exchange, Incorporated; Notice of Filing and Immediate Effectiveness of Proposed Rule Change Relating to PULSe Fees

October 4, 2011.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the "Act"),<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on October 3, 2011, C2 Options Exchange, Incorporated ("Exchange" or "C2") 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 by the Exchange. The Exchange has designated this proposal as one establishing or changing a due, fee, or other charge imposed by the Exchange under Section 19(b)(3)(A)(ii) of the Act<sup>3</sup> and Rule 19b-4(f)(2) thereunder.<sup>4</sup> 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 to amend its Fees Schedule as it relates to the PULSe workstation. The text of the proposed rule change is available on the Exchange's Web site (<http://www.c2exchange.com>), 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, 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, Proposed Rule Change

###### 1. Purpose

The purpose of this proposed rule change is to adopt a PULSe routing fee for executions of orders on C2 that originate from non-Trading Permit Holder ("TPH") PULSe workstations. The Exchange is also proposing some non-substantive changes to the fees schedule text to clarify the existing operation of the Routing Intermediary fee. These changes, which are described in more detail below, will be effective October 3, 2011.<sup>5</sup>

By way of background, the PULSe workstation is a front-end order entry system designed for use with respect to orders that may be sent to the trading systems of C2. In addition, the PULSe workstation provides a user with the capability to send options orders to other U.S. options exchanges and stock orders to other U.S. stock exchanges and trading centers ("away market routing").<sup>6</sup> To use the away-market

routing functionality, a C2 TPH must either be a PULSe Routing Intermediary or establish a relationship with a third party PULSe Routing Intermediary. A "PULSe Routing Intermediary" is a C2 TPH that has connectivity to, and is a member of, other options and/or stock exchanges and trading centers. If a TPH sends an order from the PULSe workstation, the PULSe Routing Intermediary will route that order to the designated market on behalf of the entering TPH.<sup>7</sup>

The first purpose of this proposed rule change is to adopt a C2 Routing fee. This fee would be payable by a TPH that makes the PULSe workstation available to non-TPHs and would only be applicable for routing to C2 from such non-TPH PULSe workstations. The fee would be \$0.02 per contract or share equivalent for the first 1 million contracts or share equivalent executed in a month on C2 that originate from non-TPH PULSe workstations made available by the TPH, and \$0.03 per contract or share equivalent for each additional contract or share equivalent executed on C2 in the same month from the non-TPH PULSe workstations made available by the TPH.<sup>8</sup>

2011), 76 FR 56824 (September 14, 2011) (SR-C2-2011-020).

<sup>7</sup> The PULSe workstation offers the ability to route orders to any market including, among others, C2 affiliates Chicago Board Options Exchange, Incorporated ("CBOE") and CBOE Stock Exchange, LLC ("CBSX," CBOE's stock execution facility). To the extent a C2 TPH that is also a CBOE/CBSX TPH obtains a PULSe workstation through CBOE, it is not necessary for that TPH to obtain a separate PULSe workstation through CBOE or CBSX to route orders to CBOE or CBSX, as applicable. See, e.g., SR-C2-2010-007, note 5, *supra*. It is also not necessary for that TPH to utilize the services of a Routing Intermediary to route orders to CBOE or CBSX, as applicable. As such, to the extent a C2 TPH is also a CBOE TPH or a CBSX TPH, the "Away-Market Routing" and "Routing Intermediary" fees detailed in the Exchange Fees Schedule are not applicable because the fees are only applicable for away-market routing. The TPH would not be away-market routing, but instead would be submitting orders directly to C2 as a C2 TPH, CBOE as a CBOE TPH or CBSX as a CBSX TPH, as applicable, where the TPH's activity would be subject to the transaction fee schedule of C2, CBOE or CBSX, respectively. To the extent a C2 TPH is not a CBOE TPH or a CBSX TPH, the Away-Market Routing and Routing Intermediary fees would apply for the TPH's executions on CBOE or CBSX, as applicable.

<sup>8</sup> The Exchange notes that CBOE is submitting a similar rule change to introduce a "CBOE/CBSX Routing" fee that will be applicable to CBOE TPHs and CBSX TPHs. See SR-CBOE-2011-092. To the extent that a C2 TPH making the non-TPH PULSe workstations available is not also a CBOE TPH or a CBSX TPH, routing from the non-TPH workstations to CBOE or CBSX would not be considered "CBOE/CBSX Routing" and, therefore, would not be subject to that fee (it would instead be considered "away-market routing" and subject to the Away-Market Routing and Routing Intermediary fees described above). To the extent that a C2 TPH

Continued

<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> 15 U.S.C. 78s(b)(3)(A)(ii).

<sup>4</sup> 17 CFR 240.19b-4(f)(2).

<sup>5</sup> See e-mail from Jennifer M. Lamie, Assistant Secretary, C2, to Steve L. Kuan, Attorney, Division of Trading and Markets, Commission, on October 3, 2011.

<sup>6</sup> For a more detailed description of the PULSe workstation and its other functionalities, see, e.g., Securities Exchange Act Release Nos. 63246 (November 4, 2010), 75 FR 69478 (November 12, 2010) (SR-C2-2010-007) and 65279 (September 7,