

## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-66670; File No. SR-NYSEArca-2012-09]

### Self-Regulatory Organizations; NYSE Arca, Inc.; Order Granting Approval of Proposed Rule Change Relating to the Listing and Trading of the PIMCO Global Advantage Inflation-Linked Bond Strategy Fund Under NYSE Arca Equities Rule 8.600

March 28, 2012.

#### I. Introduction

On January 27, 2012, NYSE Arca, Inc. (“Exchange” or “NYSE Arca”) filed with the Securities and Exchange Commission (“Commission”), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act” or “Exchange Act”)<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> a proposed rule change to list and trade shares (“Shares”) of the PIMCO Global Advantage Inflation-Linked Bond Strategy Fund (“Fund”) under NYSE Arca Equities Rule 8.600. The proposed rule change was published for comment in the **Federal Register** on February 16, 2012.<sup>3</sup> The Commission received no comments on the proposed rule change. This order grants approval of the proposed rule change.

#### II. Description of the Proposed Rule Change

The Exchange proposes to list and trade Shares of the Fund pursuant to NYSE Arca Equities Rule 8.600, which governs the listing and trading of Managed Fund Shares on the Exchange. The Shares will be offered by PIMCO ETF Trust (“Trust”),<sup>4</sup> a statutory trust organized under the laws of the State of Delaware and registered with the Commission as an open-end management investment company. The

investment manager of the Fund is Pacific Investment Management Company LLC (“PIMCO” or “Adviser”). State Street Bank & Trust Co. is the custodian and transfer agent for the Fund, and PIMCO Investments LLC is the distributor for the Fund. The Exchange states that the Adviser is affiliated with a broker-dealer and, as such, represents that the Adviser has implemented a fire wall with respect to its broker-dealer affiliate regarding access to information concerning the composition and/or changes to the Fund’s portfolio.<sup>5</sup>

#### *PIMCO Global Advantage Inflation-Linked Bond Strategy Fund*

The Fund seeks total return which exceeds that of its benchmark indexes, consistent with prudent investment management. The Fund’s primary benchmark index is the Barclays Capital Universal Government Inflation-Linked Bond Index. The Fund’s secondary benchmark index is the PIMCO Global Advantage Inflation-Linked Bond Index. The Fund seeks to achieve its investment objective by investing under normal circumstances<sup>6</sup> at least 80% of its assets in a portfolio of inflation-linked bonds that is economically tied to at least three developed and/or emerging market countries (one of which may be the United States). The Fund’s holdings may include bonds issued by issuers in both developed and/or emerging market countries, and the Fund is expected to hold bonds of issuers that are economically tied<sup>7</sup> to many of the countries represented in the

Fund’s primary benchmark index.<sup>8</sup> Assets not invested in inflation-linked bonds may be invested in other types of Fixed Income Instruments.<sup>9</sup>

Inflation-linked bonds are government-issued fixed income securities that are structured to provide protection against inflation. The value of the bond’s principal or the interest income paid on the bond is adjusted to track changes in an official inflation measure. The effective duration of the Fund’s portfolio normally varies within two years (plus or minus) of the effective duration of the PIMCO Global Advantage Inflation-Linked Bond Index which, as of September 30, 2011, as converted, was 4.53 years.

The Fund will invest under normal circumstances at least 80% of its assets in inflation-linked bonds issued by U.S. or foreign governments (or any political subdivision, agency, authority or instrumentality of such government).<sup>10</sup>

<sup>8</sup> Each country’s approximate weighting within the global inflation-linked bond market, as reflected by the approximate weighting of the Barclays Capital Universal Government Inflation-Linked Bond Index (the Fund’s primary benchmark), as of January 31, 2011, is as follows: U.S. 32%, U.K. 19%, France 11%, Brazil 10%, Italy 7%, Canada 2%, Germany 3%, Japan 3%, Mexico 2%, Sweden 2%, Turkey 2%, Argentina 1%, Australia 1%, Greece 1%, South Africa 1%, Chile <1%, Poland <1%, Colombia <1%, and South Korea <1%. Each country’s approximate value of outstanding inflation-linked bonds also as of January 31, 2011, is as follows (in \$ billions): U.S. \$642.7, U.K. \$392.2, France \$222.0, Brazil \$209.6, Italy \$143.2, Canada \$49.9, Germany \$60.9, Japan \$57.0, Mexico \$45.7, Sweden \$39.1, Turkey \$45.9, Argentina \$20.0, Australia \$17.7, Greece \$11.8, South Africa \$26.4, Chile \$8.2, Poland \$5.5, Colombia \$2.7, and South Korea \$3.4.

<sup>9</sup> The term “Fixed Income Instruments” includes: securities issued or guaranteed by the U.S. Government, its agencies or government-sponsored enterprises (“U.S. Government Securities”); corporate debt securities of U.S. and non-U.S. issuers, including convertible securities and corporate commercial paper; mortgage-backed and other asset-backed securities; inflation-indexed bonds issued both by governments and corporations; structured notes, including hybrid or “indexed” securities and event-linked bonds; bank capital and trust preferred securities; loan participations and assignments; delayed funding loans and revolving credit facilities; bank certificates of deposit, fixed time deposits and bankers’ acceptances; repurchase agreements on Fixed Income Instruments and reverse repurchase agreements on Fixed Income Instruments; debt securities issued by states or local governments and their agencies, authorities and other government-sponsored enterprises; obligations of non-U.S. governments or their subdivisions, agencies and government-sponsored enterprises; and obligations of international agencies or supranational entities. Securities issued by U.S. Government agencies or government-sponsored enterprises may not be guaranteed by the U.S. Treasury.

<sup>10</sup> The value of inflation-linked bonds is expected to change in response to changes in real interest rates. Real interest rates are tied to the relationship between nominal interest rates and the rate of inflation. If nominal interest rates increase at a faster rate than inflation, real interest rates may rise,

Continued

<sup>1</sup> 15 U.S.C. 78s(b)(1).

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

<sup>3</sup> See Securities Exchange Act Release No. 66381 (February 10, 2012), 77 FR 9281 (“Notice”).

<sup>4</sup> The Trust is registered under the Investment Company Act of 1940 (“1940 Act”). On February 14, 2011, the Trust filed with the Commission Post-Effective Amendment No. 25 under the Securities Act of 1933 (15 U.S.C. 77a) (“Securities Act”) and Amendment No. 27 under the 1940 Act to the Trust’s registration statement on Form N-1A relating to the Fund. On October 28, 2011, the Trust filed with the Commission Post-Effective Amendment No. 43 under the Securities Act and Amendment No. 45 under the 1940 Act to the Trust’s registration statement on Form N-1A relating to the Fund (File Nos. 333-155395 and 811-22250) (“Registration Statement”). In addition, the Commission has issued an order granting certain exemptive relief to the Trust under the 1940 Act. See Investment Company Act Release No. 28993 (November 10, 2009) (File No. 812-13571) (“Exemptive Order”).

<sup>5</sup> See NYSE Arca Equities Rule 8.600,

Commentary .06. In the event (a) the Adviser or any sub-adviser becomes newly affiliated with a broker-dealer, or (b) any new adviser or sub-adviser becomes affiliated with a broker-dealer, it will implement a fire wall with respect to such broker-dealer regarding access to information concerning the composition and/or changes to the portfolio, and will be subject to procedures designed to prevent the use and dissemination of material non-public information regarding such portfolio.

<sup>6</sup> The term “under normal circumstances” includes, but is not limited to, the absence of extreme volatility or trading halts in the fixed income markets or the financial markets generally; operational issues causing dissemination of inaccurate market information; or force majeure type events such as systems failure, natural or man-made disaster, act of God, armed conflict, act of terrorism, riot or labor disruption, or any similar intervening circumstance.

<sup>7</sup> PIMCO generally considers an instrument to be economically tied to a non-U.S. country if the issuer is a foreign government (or any political subdivision, agency, authority or instrumentality of such government), or if the issuer is organized under the laws of a non-U.S. country. In the case of certain money market instruments, such instruments will be considered economically tied to a non-U.S. country if either the issuer or the guarantor of such money market instrument is organized under the laws of a non-U.S. country.

The secondary benchmark includes a liquidity screen to remove inflation-linked bonds issued by governments of countries with cumulative inflation-linked bond issuances below \$7 billion local currency equivalent, in addition to liquidity screens at the issue level. The Exchange represents that the global inflation-linked bond market exceeded \$2.25 trillion as of December 31, 2011.<sup>11</sup>

The Fund primarily will invest in debt securities rated Baa or higher by Moody's Investors Service, Inc., or equivalently rated by Standard & Poor's Ratings Services or Fitch, Inc., or, if unrated, determined by PIMCO to be of comparable quality.<sup>12</sup> The Fund may obtain foreign currency exposure (from non-U.S. dollar denominated debt securities or currencies) without limitation. The Fund may purchase and sell debt securities on a when-issued, delayed delivery or forward commitment basis. The Fund may, without limitation, seek to obtain market exposure to the securities in which it primarily invests by entering into a series of purchase and sale contracts or by using other investment techniques (such as buy backs or dollar rolls). The Fund may invest, without limitation, in debt securities and instruments of foreign government issuers, including debt securities and instruments economically tied to emerging market countries.

#### *Other Portfolio Holdings*

If PIMCO believes that economic or market conditions are unfavorable to investors, PIMCO may temporarily invest up to 100% of the Fund's assets

leading to a decrease in value of inflation-linked bonds.

<sup>11</sup> The value of the global inflation-linked bond market is calculated based on the total outstanding value of issues included in the Barclays Capital Universal Government Inflation-Linked Bond Index that are not expiring in less than one year.

<sup>12</sup> The Adviser represents that, in selecting securities for the Fund, PIMCO will develop an outlook for interest rates, currency exchange rates and the economy, analyze credit and call risks, and use other security selection techniques. The proportion of the Fund's assets committed to investment in securities with particular characteristics (such as quality, sector, interest rate or maturity) will vary based on PIMCO's outlook for the U.S. economy and the economies of other countries in the world, the financial markets, and other factors. Sophisticated proprietary software will assist in evaluating sectors, pricing and rating specific securities. Once investment opportunities are identified, PIMCO will shift assets among sectors and securities depending upon changes in relative valuations and credit spreads in a manner consistent with the Fund's objective and strategies. To the extent the Fund invests in unrated securities that PIMCO determines to be of comparable quality to rated securities that the Fund may purchase, the Fund's ability to achieve its objective may depend more heavily on PIMCO's creditworthiness analysis than if the Fund invested exclusively in rated securities.

in certain defensive strategies, including holding a substantial portion of the Fund's assets in cash, cash equivalents, or other highly rated short-term securities, including securities issued or guaranteed by the U.S. government, its agencies or instrumentalities, and affiliated money market and/or short-term bond funds.

The Fund may invest in, to the extent permitted by Section 12(d)(1) of the 1940 Act and rules thereunder, other affiliated and unaffiliated funds, such as open-end or closed-end management investment companies, including other exchange traded funds. In addition, the Fund may enter into foreign currency transactions (such as currency forwards).<sup>13</sup>

The Fund may hold in the aggregate up to 15% of its net assets in: (1) Illiquid securities, which include delayed funding loans, revolving credit facilities, fixed- and floating-rate loans, and loan participations and assignments, and (2) Rule 144A securities. Certain illiquid securities may require pricing at fair value as determined in good faith under the supervision of the Fund's Board of Trustees. The term "illiquid securities" for this purpose means securities that cannot be disposed of within seven days in the ordinary course of business at approximately the amount at which the Fund has valued the securities.

With respect to its equity securities investments, the Fund will invest only in U.S. registered equity securities and non-U.S.-registered equity securities that trade in markets that are members of the Intermarket Surveillance Group ("ISG") or are parties to a comprehensive surveillance sharing agreement with the Exchange.

#### *Investment Limitations*

The Fund is subject to the following investment limitations:

The Fund may not concentrate its investments in a particular industry, as that term is used in the 1940 Act, and as interpreted, modified, or otherwise permitted by regulatory authority having jurisdiction from time to time.<sup>14</sup>

The Fund will be non-diversified, which means that it may invest its assets in a smaller number of issuers than a diversified fund.<sup>15</sup>

<sup>13</sup> The Fund may engage in these transactions primarily to: (1) Protect against uncertainty in the level of future foreign exchange rates in the purchase and sale of securities; or (2) lower currency deviations relative to the Fund's benchmark indexes.

<sup>14</sup> The Fund's policy with respect to the concentration of investments in a particular industry is disclosed in the Trust's Registration Statement.

<sup>15</sup> The minimum number of inflation-linked bonds and other Fixed Income Instruments and

The Fund intends to qualify annually and elect to be treated as a regulated investment company under Subchapter M of the Internal Revenue Code.

Consistent with the Exemptive Order, the Fund will not invest in options contracts, futures contracts, or swap agreements.

The Fund's investments will be consistent with the Fund's investment objective and will not be used to enhance leverage. That is, while the Fund will be permitted to borrow as permitted under the 1940 Act, the Fund's investments will not be used to seek performance that is the multiple or inverse multiple of the Fund's primary broad-based securities benchmark index (as defined in the Registration Statement, *i.e.*, the Barclays Capital Universal Government Inflation-Linked Bond Index).

The Shares will conform to the initial and continued listing criteria under NYSE Arca Equities Rule 8.600. The Exchange represents that, for initial and/or continued listing, the Fund will be in compliance with Rule 10A-3 under the Exchange Act,<sup>16</sup> as provided by NYSE Arca Equities Rule 5.3. A minimum of 100,000 Shares will be outstanding at the commencement of trading on the Exchange. The Exchange will obtain a representation from the issuer of the Shares that the net asset value ("NAV") per Share will be calculated daily and that the NAV and the Disclosed Portfolio will be made available to all market participants at the same time.

Additional information regarding the Trust, Fund, Shares, Fund's investment strategies, risks, creation and redemption procedures, fees, portfolio holdings and disclosure policies, distributions and taxes, availability of information, trading rules and halts, and surveillance procedures, among other things, can be found in the Notice and/or the Registration Statement, as applicable.<sup>17</sup>

### **III. Discussion and Commission's Findings**

After careful review, the Commission finds that the proposed rule change is

issuers in which the Fund may invest at any one time depends in part upon the number of securities or issuers comprising the Fund's benchmark indexes. In seeking to achieve its investment objective, the Fund's portfolio will consist of at least twenty-five (25) inflation-linked bonds and other Fixed Income Instruments on any given day, but the Fund may regularly invest in fifty (50) or more inflation-linked bonds and other Fixed Income Instruments at a time in seeking to achieve its investment objective. The Fund's portfolio will hold issues of at least 13 non-affiliated issuers.

<sup>16</sup> 17 CFR 240.10A-3.

<sup>17</sup> See Notice and Registration Statement, *supra* notes 3 and 4, respectively.

consistent with the requirements of Section 6 of the Act<sup>18</sup> and the rules and regulations thereunder applicable to a national securities exchange.<sup>19</sup> In particular, the Commission finds that the proposed rule change is consistent with the requirements of Section 6(b)(5) of the Act,<sup>20</sup> which requires, among other things, that the Exchange's rules be 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, 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. The Commission notes that the Fund and the Shares must comply with the requirements of NYSE Arca Equities Rule 8.600 to be listed and traded on the Exchange.

The Commission finds that the proposal to list and trade the Shares on the Exchange is consistent with Section 11A(a)(1)(C)(iii) of the Act,<sup>21</sup> which sets forth Congress's finding that it is in the public interest and appropriate for the protection of investors and the maintenance of fair and orderly markets to assure the availability to brokers, dealers, and investors of information with respect to quotations for, and transactions in, securities. Quotation and last-sale information for the Shares will be available via the Consolidated Tape Association ("CTA") high-speed line. In addition, the Portfolio Indicative Value, as defined in NYSE Arca Equities Rule 8.600(c)(3), will be widely disseminated by one or more major market data vendors at least every 15 seconds during the Core Trading Session.<sup>22</sup> On each business day, before commencement of trading in Shares in the Core Trading Session on the Exchange, the Fund will disclose on the Trust's Web site the Disclosed Portfolio, as defined in NYSE Arca Equities Rule 8.600(c)(2), that will form the basis for the Fund's calculation of NAV at the end of the business day.<sup>23</sup> The NAV of

the Fund will normally be determined as of the close of the regular trading session on the New York Stock Exchange ("NYSE"), ordinarily 4 p.m. Eastern Time on each business day. Information regarding market price and trading volume of the Shares will be continually available on a real-time basis throughout the day on brokers' computer screens and other electronic services. Information regarding the previous day's closing price and trading volume information for the Shares will be published daily in the financial section of newspapers. In addition, price information for the debt securities held by the Fund will be available through major market data vendors. The Trust's Web site will include a form of the prospectus for the Fund and additional data relating to NAV and other applicable quantitative information.

The Commission further believes that the proposal to list and trade the Shares is reasonably designed to promote fair disclosure of information that may be necessary to price the Shares appropriately and to prevent trading when a reasonable degree of transparency cannot be assured. The Commission notes that the Exchange will obtain a representation from the issuer of the Shares that the NAV per Share will be calculated daily and that the NAV and the Disclosed Portfolio will be made available to all market participants at the same time.<sup>24</sup> In addition, trading in the Shares will be subject to NYSE Arca Equities Rule 8.600(d)(2)(D), which sets forth circumstances under which Shares of the Fund may be halted. The Exchange may halt trading in the Shares if trading is not occurring in the securities and/or the financial instruments comprising the Disclosed Portfolio of the Fund, or if other unusual conditions or circumstances detrimental to the maintenance of a fair and orderly market are present.<sup>25</sup> Further, the Commission notes that the Reporting Authority that provides the Disclosed

financial instruments held in the portfolio, and percentage weighting of the security or financial instrument in the portfolio. The Web site information will be publicly available at no charge.

<sup>24</sup> See NYSE Arca Equities Rule 8.600(d)(1)(B).

<sup>25</sup> See NYSE Arca Equities Rule 8.600(d)(2)(C) (providing additional considerations for the suspension of trading in or removal from listing of Managed Fund Shares on the Exchange). With respect to trading halts, the Exchange may consider other relevant factors in exercising its discretion to halt or suspend trading in the Shares of the Fund. Trading in Shares of the Fund will be halted if the circuit breaker parameters in NYSE Arca Equities Rule 7.12 have been reached. Trading also may be halted because of market conditions or for reasons that, in the view of the Exchange, make trading in the Shares inadvisable.

Portfolio must implement and maintain, or be subject to, procedures designed to prevent the use and dissemination of material non-public information regarding the actual components of the portfolio.<sup>26</sup> The Exchange states that it has a general policy prohibiting the distribution of material, non-public information by its employees. The Exchange also states that the Adviser is affiliated with a broker-dealer, and the Adviser has implemented a fire wall with respect to its broker-dealer affiliate regarding access to information concerning the composition and/or changes to the portfolio.<sup>27</sup>

The Exchange represents that the Shares are deemed to be equity securities, thus rendering trading in the Shares subject to the Exchange's existing rules governing the trading of equity securities. In support of this proposal, the Exchange has made representations, including:

(1) The Shares will conform to the initial and continued listing criteria under NYSE Arca Equities Rule 8.600.

(2) The Exchange has appropriate rules to facilitate transactions in the Shares during all trading sessions.

(3) The Exchange's surveillance procedures applicable to derivative products, which include Managed Fund Shares, are adequate to properly monitor Exchange trading of the Shares in all trading sessions and to deter and detect violations of Exchange rules and applicable federal securities laws.

(4) Prior to the commencement of trading, the Exchange will inform its Equity Trading Permit Holders in an Information Bulletin of the special characteristics and risks associated with

<sup>26</sup> See NYSE Arca Equities Rule 8.600(d)(2)(B)(ii).

<sup>27</sup> See *supra* note 5. The Commission notes that an investment adviser to an open-end fund is required to be registered under the Investment Advisers Act of 1940 ("Advisers Act"). As a result, the Adviser and its related personnel are subject to the provisions of Rule 204A-1 under the Advisers Act relating to codes of ethics. This Rule requires investment advisers to adopt a code of ethics that reflects the fiduciary nature of the relationship to clients as well as compliance with other applicable securities laws. Accordingly, procedures designed to prevent the communication and misuse of non-public information by an investment adviser must be consistent with Rule 204A-1 under the Advisers Act. In addition, Rule 206(4)-7 under the Advisers Act makes it unlawful for an investment adviser to provide investment advice to clients unless such investment adviser has (i) adopted and implemented written policies and procedures reasonably designed to prevent violation, by the investment adviser and its supervised persons, of the Advisers Act and the Commission rules adopted thereunder; (ii) implemented, at a minimum, an annual review regarding the adequacy of the policies and procedures established pursuant to subparagraph (i) above and the effectiveness of their implementation; and (iii) designated an individual (who is a supervised person) responsible for administering the policies and procedures adopted under subparagraph (i) above.

<sup>18</sup> 15 U.S.C. 78f.

<sup>19</sup> In approving this proposed rule change, the Commission notes that it has considered the proposed rule's impact on efficiency, competition, and capital formation. See 15 U.S.C. 78c(f).

<sup>20</sup> 15 U.S.C. 78f(b)(5).

<sup>21</sup> 15 U.S.C. 78k-1(a)(1)(C)(iii).

<sup>22</sup> According to the Exchange, several major market data vendors display and/or make widely available Portfolio Indicative Values published on CTA or other data feeds.

<sup>23</sup> On a daily basis, the Adviser will disclose for each portfolio security or other financial instrument of the Fund the following information: ticker symbol (if applicable), name of security or financial instrument, number of shares or dollar value of

trading the Shares. Specifically, the Information Bulletin will discuss the following: (a) The procedures for purchases and redemptions of Shares in Creation Unit aggregations (and that Shares are not individually redeemable); (b) NYSE Arca Equities Rule 9.2(a), which imposes a duty of due diligence on its ETP Holders to learn the essential facts relating to every customer prior to trading the Shares; (c) the risks involved in trading the Shares during the Opening and Late Trading Sessions when an updated Portfolio Indicative Value will not be calculated or publicly disseminated; (d) how information regarding the Portfolio Indicative Value is disseminated; (e) the requirement that Equity Trading Permit Holders deliver a prospectus to investors purchasing newly issued Shares prior to or concurrently with the confirmation of a transaction; and (f) trading information.

(5) For initial and/or continued listing, the Fund will be in compliance with Rule 10A-3 under the Exchange Act,<sup>28</sup> as provided by NYSE Arca Equities Rule 5.3.

(6) The Fund will invest only in U.S.-registered equity securities and non-U.S.-registered equity securities that trade in markets that are members of the ISG or are parties to a comprehensive surveillance sharing agreement with the Exchange; the Fund's investments will be consistent with its investment objective and will not be used to enhance leverage; and consistent with the Exemptive Order, the Fund will not invest in options contracts, futures contracts, or swap agreements.

(7) The Fund may hold in the aggregate up to 15% of its net assets in: (a) Illiquid securities, which include delayed funding loans, revolving credit facilities, fixed- and floating-rate loans, and loan participations and assignments; and (b) Rule 144A securities.

(8) A minimum of 100,000 Shares of the Fund will be outstanding at the commencement of trading on the Exchange.

This approval order is based on all of the Exchange's representations.

For the foregoing reasons, the Commission finds that the proposed rule change is consistent with Section 6(b)(5) of the Act<sup>29</sup> and the rules and regulations thereunder applicable to a national securities exchange.

#### IV. Conclusion

*It is therefore ordered*, pursuant to Section 19(b)(2) of the Act,<sup>30</sup> that the

proposed rule change (SR-NYSEArca-2012-09) be, and it hereby is, approved.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>31</sup>

**Kevin M. O'Neill,**

*Deputy Secretary.*

[FR Doc. 2012-7913 Filed 4-2-12; 8:45 am]

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-66668; File No. SR-Phlx-2012-35]

### Self-Regulatory Organizations; NASDAQ OMX PHLX LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change Relating to the Equity Options Fees and Singly Listed Option Fee

March 28, 2012.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),<sup>1</sup> and Rule 19b-4<sup>2</sup> thereunder, notice is hereby given that, on March 16, 2012, NASDAQ OMX PHLX LLC ("Phlx" or "Exchange") 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

The Exchange proposes to amend: (i) Section II<sup>3</sup> of the Fee Schedule entitled "Equity Options Fees" to assess Professionals an Options Surcharge in certain Multiply Listed Options; (ii) amend Section III<sup>4</sup> of the Fee Schedule entitled "Singly Listed Options" to specify certain options that would be subject to the fees in this section; and (iii) amend the title of the Fee Schedule.

While changes to the Fee Schedule pursuant to this proposal are effective upon filing, the Exchange has designated these changes to be operative on April 2, 2012.

The text of the proposed rule change is available on the Exchange's Web site at <http://nasdaqtrader.com/>

<sup>31</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> Section II of the Fee Schedule includes options overlying equities, ETPs, ETNs, indexes and HOLDERS which are Multiply Listed.

<sup>4</sup> Section III of the Fee Schedule includes options overlying equities, ETPs, ETNs, indexes and HOLDERS which are not listed on another exchange.

[micro.aspx?id=PHLXRulefilings](http://micro.aspx?id=PHLXRulefilings), at the principal office of the Exchange, 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 Exchange proposes to amend Section II of the Fee Schedule to assess Professionals an Options Surcharge for transactions in RUT,<sup>5</sup> MNX,<sup>6</sup> NDX<sup>7</sup> and BKX.<sup>8</sup> The Exchange believes that these surcharges will assist the Exchange in remaining competitive in these options. The Exchange also proposes to amend Section III of the Fee Schedule to specify that the following options: PHLX Semiconductor Sector<sup>SM</sup> (SOX<sup>SM</sup>), PHLX Housing Sector<sup>TM</sup> (HGX<sup>SM</sup>) and PHLX Oil Service Sector<sup>SM</sup> (OSX<sup>SM</sup>) are subject to the Singly Listed Options Transaction Charge even though these options will no longer be Singly Listed. These above-referenced options are proprietary indexes. These options will be listed on the NASDAQ Options Market LLC ("NOM") commencing on April 2, 2012. The Exchange seeks to continue to recoup fees associated with maintaining these proprietary indexes. The Exchange is also proposing to amend the title of the Fee Schedule to more specifically describe the document.

#### Section II Amendments

The Exchange currently assesses an Options Surcharge for transactions in RUT, MNX and NDX of \$.15 per

<sup>5</sup> RUT represents the options on the Russell 2000® Index (the "Full Value Russell Index" or "RUT").

<sup>6</sup> MNX represents options on the one-tenth value of the Nasdaq 100 Index traded under the symbol MNX ("MNX").

<sup>7</sup> NDX represents options on the Nasdaq 100 Index1 traded under the symbol NDX ("NDX").

<sup>8</sup> BKX represents the KBW Bank Index.

<sup>28</sup> 17 CFR 240.10A-3.

<sup>29</sup> 15 U.S.C. 78f(b)(5).

<sup>30</sup> 15 U.S.C. 78s(b)(2).