

(6) A minimum of 100,000 Shares of the Fund will be outstanding as of the start of trading on the Exchange.

(7) With respect to application of Rule 10A-3 under the Act,<sup>24</sup> the Fund will rely on the exception contained in Rule 10A-3(c)(7).<sup>25</sup>

This approval order is based on all of the Exchange's representations.<sup>26</sup>

For the foregoing reasons, the Commission finds that the proposed rule change is consistent with Section 6(b)(5) of the Act<sup>27</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>28</sup> that the proposed rule change (SR-NYSEArca-2012-10) be, and it hereby is, approved.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>29</sup>

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

[FR Doc. 2012-8425 Filed 4-6-12; 8:45 am]

**BILLING CODE 8011-01-P**

**SECURITIES AND EXCHANGE COMMISSION**

[Release No. 34-66725; File No. SR-NYSEArca-2012-26]

**Self-Regulatory Organizations; NYSE Arca, Inc.; Notice of Filing of Proposed Rule Change to List and Trade Option Contracts Overlying 10 Shares of a Security ("Mini-Options Contracts") and Implementing Rule Text Necessary to Distinguish Mini-Options Contracts From Option Contracts Overlying 100 Shares of a Security ("Standard Contracts")**

April 3, 2012.

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 March 23, 2012, NYSE Arca, Inc. (the "Exchange" or "NYSE Arca") filed with the Securities and Exchange Commission (the "Commission") the proposed rule change as described in Items I and II below, which Items have been prepared by the self-regulatory organization. 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 list and trade option contracts overlying 10 shares of a security ("mini-options contracts") and implement rule text necessary to distinguish mini-options contracts from option contracts overlying 100 shares of a security ("standard contracts"). The text of the proposed rule change is available at the Exchange, [www.nyse.com](http://www.nyse.com), and 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 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 Statutory Basis for, the Proposed Rule Change*

**1. Purpose**

The Exchange is proposing to list and trade mini-options contracts and

implement rule text necessary to distinguish mini-options contracts from standard contracts. Whereas standard contracts represent a deliverable of 100 shares of an underlying security, mini-options contracts would represent a deliverable of 10 shares. The Exchange proposes to list and trade mini-options contracts overlying 5 high priced securities for which the standard contract overlying the same security exhibits significant liquidity.<sup>3</sup> The Exchange believes that investors would benefit from the availability of mini-options contracts by making options overlying high priced securities more readily available as an investing tool and at more affordable and realistic prices, most notably for the average retail investor.

For example, with Apple Inc. ("AAPL") trading at \$605.85 on March 21, 2012, (\$60,585 for 100 shares underlying a standard contract), the 605 level call expiring on March 23 is trading at \$7.65. The cost of the standard contract overlying 100 shares would be \$765, which is substantially higher in notional terms than the average equity option price of \$250.89.<sup>4</sup> Proportionately equivalent mini-options contracts on AAPL would provide investors with the ability to manage and hedge their portfolio risk on their underlying investment, at a price of \$76 per contract. In addition, investors who hold a position in AAPL at less than the round lot size would still be able to avail themselves of options to manage their portfolio risk. For example, the holder of 50 shares of AAPL could write covered calls for five mini-options contracts. The table below demonstrates the proposed differences between a mini-options contracts and a standard contract with a strike price of \$125 per share and a bid or offer of \$3.20 per share:

	Standard	Mini
Share Deliverable Upon Exercise .....	100 shares .....	10 shares
Strike Price .....	125 .....	12.5

<sup>24</sup> 17 CFR 240.10A-3.  
<sup>25</sup> 17 CFR 240.10A-3(c)(7).  
<sup>26</sup> The Commission notes that it does not regulate the market for futures in which the Fund plans to take positions, which is the responsibility of the CFTC. The CFTC has the authority to set limits on the positions that any person may take in futures. These limits may be directly set by the CFTC or by the markets on which the futures are traded. The Commission has no role in establishing position limits on futures, even though such limits could impact an exchange-traded product that is under the jurisdiction of the Commission.  
<sup>27</sup> 15 U.S.C. 78f(b)(5).

<sup>28</sup> 15 U.S.C. 78s(b)(2).  
<sup>29</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> The Exchange proposes that mini-options contracts would be listed in only five issues, specifically SPDR S&P 500 (SPY), Apple, Inc. (AAPL), SPDR Gold Trust (GLD), Google Inc. (GOOG), and Amazon.com Inc. (AMZN). These issues were selected because they are priced greater than \$100 and are among the most actively traded issues, in that the standard contract exhibits average daily volume ("ADV") over the previous three

calendar months of at least 45,000 contracts, excluding LEAPS and FLEX series. The Exchange notes that any expansion of the program would require that a subsequent proposed rule change be submitted with the Commission.  
<sup>4</sup> A high priced underlying security may have relatively expensive options, because a low percentage move in the share price may mean a large movement in the options in terms of absolute dollars. Average non-FLEX equity option premium per contract January 1-December 31, 2011. See <http://www.theocc.com/webapps/monthly-volume-reports?reportClass=equity>.

	Standard	Mini
Bid/Offer .....	3.20 .....	.32
Premium Multiplier .....	100 .....	100
Total Value of Deliverable .....	12,500 .....	1,250
Total Value of Contract .....	320 .....	32

The Exchange notes that the Commission has approved an earlier proposal of NYSE Arca to list and trade option contracts overlying a number of shares other than 100.<sup>5</sup> Moreover, the concept of listing and trading parallel options products of reduced values and sizes on the same underlying security is not novel. For example, parallel product pairs on a full-value and reduced-value basis are currently listed on the S&P 500 Index ("SPX" and "XSP," respectively), the Nasdaq 100 Index ("NDX" and "MNX," respectively) and the Russell 2000 Index ("RUT" and "RMN," respectively).

The Exchange believes that the proposal to list and trade mini-options contracts would not lead to investor confusion. On the contrary, the Exchange's proposal is structured to easily convey strike prices and premiums to investors in the total amount of the investment (100 times the displayed premium) and the amount of the deliverable (100 times the strike price). The Exchange believes that the difference between the price of the 100 share standard contract and the 10 share mini-options contract would immediately alert investors that the contract is different, thereby avoiding inadvertent investment in the wrong contract. Additionally, the Exchange will designate mini-options contracts with a different trading symbols than their related standard contract.<sup>6</sup> The Exchange believes that the clarity of this approach is appropriate and transparent, as supported by the recent Options Clearing Corporation ("OCC") filing to amend its bylaws to accommodate such strike prices and premiums.<sup>7</sup> Moreover, the Exchange believes that the terms of mini-options contracts are consistent with the terms of the Options Disclosure Document.

The Exchange recognizes the need to differentiate mini-options contracts from standard options and therefore is

proposing the following changes to its rules.

The Exchange proposes to add Commentary .01 to Rule 6.3 (Option Contracts to Be Traded) to reflect that, in addition to option contracts with a unit of trading of 100, the Exchange may list option contracts overlying 10 shares of SPDR S&P 500 (SPY), Apple, Inc. (AAPL), SPDR Gold Trust (GLD), Google Inc. (GOOG), and Amazon.com Inc. (AMZN) for all expirations applicable to 100 share options in each class. The Exchange believes that these five securities are appropriate because they are high priced securities for which there is already significant options liquidity and therefore significant customer demand.

The Exchange also proposes to add Commentary .14 to Rule 6.4 (Series of Options Open for Trading) to list series of mini-options provided that (i) the underlying security has been designated as eligible under Rule 6.3 Commentary .01, (ii) no mini-options series will be listed with a strike price less than \$10, and (iii) for each mini-options contract there is a corresponding option contract with a unit of trading of 100 overlying the same security, and that the underlying security is trading over \$90 to list additional mini-options series. Commentary .14 would also delineate that strike prices for contracts overlying 10 shares shall be set at 1/100th of the value of the contract deliverable value. For example, an option contract to deliver 10 shares of stock at \$125 per share has a total deliverable value of \$1,250, and the strike price would be set at 12.50. The Exchange notes that this is consistent with the current determination of strike prices for standard contracts as well as options on the full and reduced-values of the indexes referenced above. Additionally, by restricting mini-options series to a strike price of \$10 or greater and to a corresponding standard strike overlying 100 shares, the Exchange will limit the number of series and also maintain its application to high priced underlyings. Also, the Exchange proposes to not permit the listing of additional mini-options series if the underlying is trading at \$90 or less to limit the number of strikes once the underlying is no longer a high priced security. The Exchange proposes a \$90.01 minimum for continued qualification so that

additional mini-options that correspond to standard strikes may be added even though the underlying has fallen slightly below the initial qualification standard. In addition, the underlying security must be trading above \$90 for five consecutive days before the listing of mini-option contracts in a new expiration month. This restriction will allow the Exchange to list mini-option strikes without disruption when a new expiration month is added even if the underlying has had a minor decline in price.

The Exchange also proposes to add Commentary .08 to Rule 6.8 (Position Limits) to reflect that, for purposes of compliance with the Position Limits of Rules 6.8, ten mini-options contracts will equal one standard contract overlying 100 shares.

The Exchange also proposes to add subsection (c) to Rule 6.71 (Meaning of Premium Bids and Offers) to extend the explanation of bids and offers with respect to mini-options contracts and also remove references to Exchange-Traded Fund Shares, because other types of underlying securities have options traded on them.

Finally, the Exchange proposes to add Commentary .03 to Rule 6.72, Trading Differentials, to allow quoting in penny increments in mini-options contracts, because a penny increment in a mini-option is equivalent to quoting at an increment of \$0.10 per share.

With regard to the impact of this proposal on system capacity, the Exchange has analyzed its capacity and represents that it and the Options Price Reporting Authority have the necessary systems capacity to handle the potential additional traffic associated with the listing and trading of mini-options contracts. The Exchange has further discussed the proposed listing and trading of mini-options contracts with the OCC, which has represented that it is able to accommodate the proposal.

## 2. Statutory Basis

The Exchange believes the proposed rule change is consistent with Section 6(b)<sup>8</sup> of the Securities Exchange Act of 1934 (the "Act"), in general, and furthers the objectives of Section

<sup>5</sup> See Securities Exchange Act Release No. 44025 (February 28, 2001) 66 FR 13986 (March 8, 2001) (approving SR-PCX-01-12).

<sup>6</sup> OCC Symbology is structured for contracts with other than 100 shares to be designated with a numerical suffix to the standard trading symbol, i.e., AAPL8.

<sup>7</sup> See Securities Exchange Act Release No. 61485 (February 3, 2010), 75 FR 6750 (February 10, 2010) (SR-OCC-2010-01).

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

6(b)(5),<sup>9</sup> in particular, because it is designed to promote just and equitable principles of trade, to prevent fraudulent and manipulative acts, to remove impediments to and to perfect the mechanism for a free and open market and a national market system and, in general, to protect investors and the public interest. Specifically, the Exchange believes that investors would benefit from the availability of mini-options contracts by making options on high priced securities more readily available as an investing tool and at more affordable and realistic prices, most notably for the average retail investor. As described above, the proposal contains a number of features designed to protect investors by reducing investor confusion, such as the mini-options contracts being designated by different trading symbols from their related standard contracts.<sup>10</sup> Moreover, the proposal is designed to protect investors and the public interest by providing investors with an enhanced tool to reduce risk in high priced securities. In particular, the proposed contracts will provide retail customers who invest in high priced issues in lots of less than 100 shares with a means of protecting their investments that is presently only available to those who have positions of 100 shares or more. Further, the proposal currently is limited to five high priced securities for which there is already significant options liquidity, and therefore significant customer demand and trading volume.

#### *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 that is not necessary or appropriate in furtherance of the purposes of the Act.

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

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**

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 email to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include File No. SR-NYSEArca-2012-26 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-NYSEArca-2012-26. This file number should be included on the subject line if email 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-NYSEArca-2012-26 and should be submitted on or before April 30, 2012.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>11</sup>

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

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## **SECURITIES AND EXCHANGE COMMISSION**

[Release No. 34-66728; File No. SR-BX-2012-023]

### **Self-Regulatory Organizations; NASDAQ OMX BX, Inc.; Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Amend the BOX Fee Schedule**

April 3, 2012.

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 March 29, 2012, NASDAQ OMX BX, Inc. ("Exchange") 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 substantially 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 the Fee Schedule of the Boston Options Exchange Group, LLC ("BOX"). The text of the proposed rule change is attached as Exhibit 5.<sup>3</sup> The text of the proposed rule change is available from the principal office of the Exchange, at the Commission's Public Reference Room, on the Commission's Web site at [www.sec.gov](http://www.sec.gov), and also on the Exchange's Internet Web site at <http://nasdaqomxbx.cchwallstreet.com/NASDAQOMXBX/Filings/>.

#### **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

<sup>11</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> The Commission notes that the Exhibit 5 is attached to the filing, not to this notice.

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

<sup>10</sup> See supra note 6.