

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

**Kevin M. O'Neill,**  
Deputy Secretary.

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-66781; File No. SR-CBOE-2012-036]

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

April 11, 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 April 2, 2012, the Chicago Board Options Exchange, Incorporated (the "Exchange" or "CBOE") filed with the Securities and Exchange Commission (the "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 its Fees Schedule. The text of the proposed rule change is available on the Exchange's Web site (<http://www.cboe.com/AboutCBOE/CBOELegalRegulatoryHome.aspx>), 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 Exchange proposes to amend its Fees Schedule. Specifically, the Exchange proposes to exclude executions related to contracts that are routed to one or more exchanges in connection with the Options Order Protection and Locked/Crossed Market Plan referenced in CBOE Rule 6.80 ("Linkage") from counting towards the Exchange's Volume Incentive Program (the "Program"), through which Trading Permit Holders ("TPHs") are credited increasing per contract amounts for electronically executing increasing numbers of public customer contracts in multiply-listed classes. The Exchange does not benefit from transactions revenue resulting from the execution of public customer contracts that are routed to other exchanges through Linkage,<sup>3</sup> so providing a credit for such executions means that the Exchange is paying out monies for such executions without taking in any net revenue. The Exchange cannot continue to subsidize Linkage-related transactions in this manner, and therefore proposes to exclude such transactions from the Program.

##### 2. Statutory Basis

The Exchange believes the proposed rule change is consistent with the Act and the rules and regulations thereunder applicable to the Exchange and, in particular, the requirements of Section 6(b) of the Act.<sup>4</sup> Specifically, the Exchange believes the proposed rule change is consistent with Section 6(b)(4) of the Act,<sup>5</sup> which provides that Exchange rules may provide for the equitable allocation of reasonable dues, fees, and other charges among its Trading Permit Holders and other persons using its facilities. The proposed change to exclude Linkage-related executions from the Program is reasonable because the Exchange does not generally take in revenue for such customer transactions, and therefore it is not currently economically logical to provide a credit for such executions. This change is equitable and not unfairly discriminatory for similar reasons; it is certainly equitable to not provide a credit in circumstances wherein the Exchange does not collect

a fee (otherwise, the recipients of said credits would be collecting "free money" from the Exchange), and it is not unfairly discriminatory as this exclusion applies to all parties to whom the Program applies.

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

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

The Exchange neither solicited nor received comments on the proposed rule change.

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

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A)<sup>6</sup> of the Act and paragraph (f) of Rule 19b-4<sup>7</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 email to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include File Number SR-CBOE-2012-036 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.

All submissions should refer to File Number SR-CBOE-2012-036. This file number should be included on the subject line if email is used. To help the

<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> See Exchange Fees Schedule, Section 20.I.

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

<sup>5</sup> 15 U.S.C. 78f(b)(4).

<sup>6</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>7</sup> 17 CFR 240.19b-4(f). [sic]

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 CBOE. 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-2012-036 and should be submitted on or before May 8, 2012.<sup>8</sup>

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

**Kevin M. O'Neill,**  
Deputy Secretary.

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-66780; File No. SR-NASDAQ-2012-049]

### Self-Regulatory Organizations; The NASDAQ Stock Market LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Amend Rule 4751

April 11, 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 April 5, 2012, The NASDAQ Stock Market LLC ("NASDAQ" or the "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 prepared by NASDAQ. 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 this proposed rule change to amend the definition of "Directed Orders" in Rule 4751(f)(9).

The text of the proposed rule change is below. Proposed new language is italicized; proposed deletions are in brackets.<sup>3</sup>

\* \* \* \* \*

##### 4751. Definitions

(a)-(e) No change.

(f) The term "Order Type" shall mean the unique processing prescribed for designated orders that are eligible for entry into the System, and shall include:

(1)-(8) No change.

(9) "Directed Orders" are orders that are directed to an exchange other than Nasdaq as directed by the entering party without checking the Nasdaq book. If unexecuted, the order (or unexecuted portion thereof) shall be returned to the entering party. [This option may only be used for orders with time-in-force parameters of IOC.]

Directed Orders may be designated as intermarket sweep orders by the entering party to execute against the full displayed size of any protected bid or offer (as defined in Rule 600(b) of Regulation NMS under the Act). A broker-dealer that designates an order as an intermarket sweep order has the responsibility of complying with Rules 610 and 611 of Regulation NMS.

*Directed Orders marked as intermarket sweep may only be used with time-in-force parameters of IOC.*

Directed Orders may not be directed to a facility of an exchange that is an affiliate of Nasdaq except for Directed Orders directed to the NASDAQ OMX BX Equities Market or to the NASDAQ OMX PSX facility of NASDAQ OMX PHLX.

(10)-(13) No change.

(g)-(i) No change.

\* \* \* \* \*

#### 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

Rule 4751(f)(9) defines a "Directed Order" as an order that is directed to an exchange other than NASDAQ as directed by the entering party without checking the NASDAQ book and, if unexecuted, the order (or unexecuted portion thereof) must be returned to the entering party. Currently, however, this option is only available for Directed Orders with time-in-force ("Time-in-Force")<sup>4</sup> parameters of immediate or cancel ("IOC").

NASDAQ proposes to modify Rule 4751(f)(9) by removing the above restriction. The elimination of this restriction would then allow the Nasdaq Market Center ("System") via its broker-dealer, NASDAQ Execution Services ("NES"), to direct customer orders that would post liquidity to particular away markets. This would further enable members to specify the maximum length of time to allow these orders to remain booked in accordance with any applicable rules of the away market. The proposed rule change would enhance order execution opportunities for market participants by increasing the mobility of liquidity, augmenting liquidity at less liquid venues and generally increasing the interconnectedness of the exchanges.

Additionally, Rule 4751(f)(9) would be clarified to specifically state that a Directed Order that is marked as an intermarket sweep order must be marked as IOC. By making this clarification, NASDAQ will prevent its routing broker from locking or crossing an away market because of customer instructions.

The proposed rule change, in essence, makes the Exchange's Directed Order similar to the BATS Exchange's "Modified Destination Specific Order."<sup>5</sup> The remaining difference

<sup>4</sup> Time-in-Force denotes the period of time that the Nasdaq Market Center will hold an order for potential execution. See NASDAQ Rule 4751(h).

<sup>5</sup> See Securities Exchange Act Release No. 58546 (September 15, 2008), 73 FR 54440 (September 19, 2008) (SR-BATS-2008-003). See BATS Rule 11.9(c)(13).

<sup>8</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> Changes are marked to the rule text that appears in the electronic Nasdaq Manual found at <http://nasdaqomx.cchwallstreet.com>.