

**SECURITIES AND EXCHANGE COMMISSION**

[Release No. 34-67143; File No. SR-NYSEArca-2012-52]

**Self-Regulatory Organizations; NYSE Arca, Inc.; Notice of Filing and Immediate Effectiveness of Proposed Rule Change Amending the Qualifications for Credits for Electronic Executions of Posted Customer Liquidity in Penny Pilot Issues and To Amend the Fees for Electronic Complex Order Executions**

June 6, 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 May 31, 2012, NYSE Arca, Inc. (the “Exchange” or “NYSE Arca”) 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 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 amend the qualifications for credits for electronic executions of posted Customer liquidity in Penny Pilot issues and to amend the fees for Electronic Complex Order executions. The text of the proposed rule change is available on the Exchange’s Web site at *www.nyse.com*, 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 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 proposes to amend the qualifications for credits for electronic executions of posted Customer liquidity in Penny Pilot issues and to amend the fees for Electronic Complex Order executions. The Exchange proposes to make the changes operative on June 1, 2012.

For executions prior to May 8, 2012, OTP Holders and OTP Firms that exceed the following thresholds of total monthly electronic executions of Customer posted liquidity receive the corresponding credits for all electronic executions of Customer posted liquidity in Penny Pilot issues:<sup>3</sup>

**CUSTOMER MONTHLY POSTING THRESHOLDS**

	Monthly total contracts executed from posted liquidity	Per contract rate on all posted liquidity
Threshold 1 .....	More than 350,000 .....	– \$0.28
Threshold 2 .....	More than 800,000 .....	– \$0.36
Threshold 3 .....	More than 1,200,000 .....	– \$0.42
Threshold 4 .....	More than 3,500,000 .....	– \$0.43

For executions beginning May 8, 2012, OTP Holders and OTP Firms that meet or exceed the qualifications below receive the corresponding credit for all electronic executions of Customer posted liquidity in Penny Pilot issues:

Tier	Qualification basis (average electronic executions per day)**			Credit applied to posted electronic customer executions in penny pilot issues
Base .....				(\$0.25)
Tier 1 .....	15,000 Customer Posted Contracts in Penny Pilot Issues.			(0.38)
Tier 2 .....	25,000 Customer Posted Contracts in Penny Pilot Issues, or	75,000 Posted Contracts in Penny Pilot Issues, any Account Type*.		(0.40)
Tier 3 .....	50,000 Customer Posted Contracts in Penny Pilot Issues.			(0.43)
Tier 4 .....	65,000 Customer Posted Contracts in Penny Pilot Issues, Plus 0.3% of U.S. Equity Market Share Posted and Executed on NYSE Arca Equity Market,* or.	100,000 Posted Contracts in Penny Pilot Issues, any Account type,* or.	100,000 Customer Posted and Removing Contracts in Penny Pilot Issues.	(0.44)

\* Includes transaction volume from the OTP Holder’s or OTP Firm’s affiliates.

\*\* For the month of May 2012, calculation of average electronic executions per day shall begin on May 8, 2012.

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

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

<sup>3</sup> As provided under NYSE Arca Options Rule 6.72, options on certain issues have been approved to trade with a minimum price variation of \$0.01 as part of a pilot program that is currently

scheduled to expire on June 30, 2012. The Exchange will submit a separate rule filing to extend the terms of the pilot.

The Exchange proposes to amend the Fee Schedule as follows. First, the Exchange proposes to eliminate the transitional tiers for electronic executions of posted Customer liquidity in Penny Pilot issues that were applicable through May 7, 2012 because they will no longer apply as of June 1, 2012.

Second, for the Customer monthly posting tier qualifications, the Exchange proposes that each qualification calculation also include an OTP Holder's or OTP Firm's executions of Electronic Complex Orders, including those from the OTP Holder's or OTP Firm's affiliates, for all issues and regardless of account type.<sup>4</sup> For example, to qualify for Tier 2, an OTP Holder or OTP Firm would be required to either execute electronically (1) an average daily volume ("ADV") of 25,000 contracts from the combination of (i) posted Customer orders in Penny Pilot issues and (ii) Electronic Complex Orders from all OTP Holders and Firms and their affiliates, in all issues and regardless of account type, or (2) an ADV of 75,000 contracts from the combination of (i) posted contracts in Penny Pilot issues, regardless of account type, and (ii) Electronic Complex Orders from all OTP Holders and Firms and their affiliates, in all issues and regardless of account type. There would be no change to the credit rates that correspond to the tiers.

Finally, the Exchange proposes to amend the rates for Electronic Complex Order executions. Under NYSE Arca Options Rule 6.91, an Electronic Complex Order means any Complex Order<sup>5</sup> or any Stock/Option Order<sup>6</sup> or

<sup>4</sup> Although the Exchange will include these Electronic Complex Orders in the calculation of the Customer monthly posting tier qualifications, executions of Electronic Complex Orders will not receive a credit under this section of the Fee Schedule.

<sup>5</sup> Under NYSE Arca Options Rule 6.62(e), a Complex Order is any order involving the simultaneous purchase and/or sale of two or more different option series in the same underlying security, for the same account, in a ratio that is equal to or greater than one-to-three (.333) and less than or equal to three-to-one (3.00) and for the purpose of executing a particular investment strategy.

<sup>6</sup> Under NYSE Arca Options Rule 6.62(h), a Stock/Option Order is an order to buy or sell a stated number of units of an underlying stock or a security convertible into the underlying stock ("convertible security") coupled with the purchase or sale of option contract(s) on the opposite side of the market representing either (A) the same number of units of the underlying stock or convertible security, or (B) the number of units of the underlying stock necessary to create a delta neutral position, but in no case in a ratio greater than eight option contracts per unit of trading of the underlying stock or convertible security established for that series by the Options Clearing Corporation.

Stock/Complex Order<sup>7</sup> that is entered into the NYSE Arca System. As proposed, all Complex to Complex Order executions would be 0.06 per contract side, rather than the current 0.10 per contract side. Additionally, a Complex to Complex Order for which the same OTP Holder or OTP Firm represents both sides will no longer be free, but would instead be charged the 0.06 rate per contract side proposed herein.

## 2. Statutory Basis

The Exchange believes that the proposed rule change is consistent with Section 6(b) of the Securities Exchange Act of 1934 (the "Act"),<sup>8</sup> in general, and furthers the objectives of Section 6(b)(4) of the Act,<sup>9</sup> in particular, because it provides for the equitable allocation of reasonable dues, fees, and other charges among its members, issuers and other persons using its facilities and does not unfairly discriminate between customers, issuers, brokers or dealers.

The Exchange believes that deleting outdated text adds clarity to the Fee Schedule and makes it easier to use.

The Exchange believes that charging all Complex to Complex Order executions \$0.06 per contract side, rather than the current \$0.10 per contract side, and eliminating the special rate (i.e., no charge) for Complex to Complex Orders when the same firm represents both sides is reasonable, equitable, and non-discriminatory because the Exchange has determined that the special rate has not led to increased trading volumes and therefore it would be more equitable to charge all participants the same rate.

The Exchange further believes that including Electronic Complex Orders in the eligibility for Customer posting credits in Penny Pilot issues is reasonable, equitable, and not unfairly discriminatory because it would incent OTP Holders and OTP Firms to increase the level of order flow sent to, and

<sup>7</sup> Under NYSE Arca Options Rule 6.62(h), a Stock/Complex Order is the purchase or sale of a Complex Order coupled with an order to buy or sell a stated number of units of an underlying stock or a security convertible into the underlying stock ("convertible security") representing either: (A) The same number of units of the underlying stock or convertible security as are represented by the options leg of the Complex Order with the least number of Options contracts, or (B) the number of units of the underlying stock necessary to create a delta neutral position, but in no case in a ratio greater than 8 options contracts per unit of trading of the underlying stock or convertible security established for that series by the Clearing Corporation, as represented by the options leg of the Complex Order with the least number of options contracts.

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

<sup>9</sup> 15 U.S.C. 78f(b)(4).

liquidity added on, the Exchange, thereby potentially improving the quality and efficiency of order interaction and executions on the Exchange. The inclusion of Complex trades will also encourage more complex orders to be sent to the Exchange, thereby increasing trade opportunities for all participants. The Exchange further believes that the tiers, as amended, are reasonable, equitable and not unfairly discriminatory because they are set at levels that would be more achievable for OTP Holders and OTP Firms. Overall, the Exchange believes that this will result in more OTP Holders and OTP Firms qualifying for the tiers, receiving the credits, and therefore reducing their overall transaction costs on the Exchange. The Exchange further believes that the proposed change is reasonable, equitable and not unfairly discriminatory because the tiers, and the corresponding credits, will apply uniformly to all OTP Holders and OTP Firms.

Finally, the Exchange notes that it operates in a highly competitive market in which market participants can readily favor competing venues. In such an environment, the Exchange must continually review, and consider adjusting, its fees and credits to remain competitive with other exchanges. The Exchange believes that the proposed rule change reflects this competitive environment because it would broaden the conditions under which OTP Holders and OTP Firms may qualify for the tiers and because it would result in an increase in the corresponding credit rates.

### 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

The foregoing rule change is effective upon filing pursuant to Section 19(b)(3)(A)<sup>10</sup> of the Act and

<sup>10</sup> 15 U.S.C. 78s(b)(3)(A).

subparagraph (f)(2) of Rule 19b-4<sup>11</sup> thereunder, because it establishes a due, fee, or other charge imposed by the NYSE Arca.

At any time within 60 days of the filing of such 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-NYSEArca-2012-52 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-NYSEArca-2012-52. 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 10:00 a.m. and 3:00 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-2012-52 and should be submitted on or before July 3, 2012.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>12</sup>

**Kevin M. O'Neill,**

*Deputy Secretary.*

[FR Doc. 2012-14190 Filed 6-11-12; 8:45 am]

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-67124; File No. SR-CBOE-2012-052]

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

June 5, 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 May 31, 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 the CBOE Stock Exchange ("CBSX") 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 Public Reference Room.

<sup>12</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 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 the Statutory Basis for, the Proposed Rule Change

###### 1. Purpose

The Exchange proposes to amend the CBSX Fees Schedule with regards to connectivity fees. CBSX recently moved its trading systems over to the Equinix NY4 facility ("NY4"). In addition to 1 Gigabit Ethernet ("1 Gbps") network access, NY4 has capacity to accommodate 10 Gigabit Ethernet ("10 Gbps") network access. The Exchange would like to make such a connection available to CBSX market participants. However, the equipment and infrastructure necessary to provide the 10 Gbps connection is more expensive than that necessary to provide a 1 Gbps connection. As such, the Exchange proposes to adopt a \$1,000 per month fee for access to a 10 Gbps Network Access Port (\$2,000 for Sponsored Users), and to clarify on the Fees Schedule that the connection currently being provided for \$250 per month (\$500 for Sponsored Users) is for a 1 Gbps connection to a Network Access Port. CBSX market participants will be able to elect to connect to CBSX's trading system via either a 1 Gbps or 10 Gbps Network Access port. Regardless of which is chosen, the Network Access Port fee will be assessed for each port that provides direct access to CBSX's trading system. The Exchange currently charges a different rate for regular access and Sponsored User access, and merely proposes to increase the rates in equal proportion.

The proposed change is to take effect on June 1, 2012.

###### 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

<sup>11</sup> 17 CFR 240.19b-4(f)(2).