margin requirement on the put spread and $500 margin requirement on the call spread. However, there are offsetting properties between the two spreads, and, if viewed collectively, a total margin requirement of $1,500 is not necessary. Using the proposed computational methodology, a margin requirement would be calculated as follows:

INTRINSIC VALUES FOR ASSUMED PRICES OF THE UNDERLYING SPREAD

	$50	$60	$65	$70
Long 1 XYZ May2011 50 put	0	0	0	0
Short 1 XYZ May2011 60 put	$(1,000)	0	0	0
Short 1 XYZ May2011 65 call	0	0	0	$(500)
Long 1 XYZ May2011 70 call	0	0	0	0
Net intrinsic values	$(1,000)	0	0	$(500)

The greatest loss from among the netted intrinsic values is $1,000.[20] Under the proposed rule amendments, this would be the margin requirement. This spread margin requirement is $500 less than that required under current Exchange margin rules. Note that under both the current and proposed rules, any net debit incurred when establishing the spread is required to be paid for in full.

It can be intuitively shown that the put spread and call spread in the example do not have $1,500 of risk when viewed collectively. If the price of the underlying security or instrument is at or above $60, the put spread would have no intrinsic value. At or below $65, the call spread would have no intrinsic value. Thus, both spreads would never be at risk at any given price of the underlying security or instrument. Therefore, margin need be required on only one of the spreads—the one with the highest risk. In this example, the put spread has the highest risk ($1,000), and that is the risk (and margin requirement) that would be rendered by the proposed computational methodology.

In summary, the proposed rule amendments would enable the Exchange, for margin purposes, to accommodate the many types of spread strategies utilized in the industry today in a fair and efficient manner.

III. Discussion and Commission's Findings

After careful review of the proposed rule change, the Commission finds that the proposed rule change is consistent with the requirements of the Act and the rules and regulations thereunder applicable to a national securities exchange.[21] In particular, the Commission finds that the proposal is consistent with Section 6(b)(5) of the Act,[22] which requires, among other things, that the rules of an exchange be designed to promote just and equitable principles of trade, remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general, protect investors and the public interest. More specifically, the Commission believes that the proposed rule change modernizes the treatment of option spread strategies while maintaining margin requirements that are commensurate with the risk of those strategies. Further, because it is consistent with changes being made to FINRA Rule 4210,[23] the proposed rule change will provide for a more uniform application of margin requirements for similar products.

IV. Conclusion

It is therefore ordered, pursuant to Section 19(b)(2) of the Act,[24] that the proposed rule change (SR–CBOE–2012–043) is approved.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.[25]

Kevin M. O'Neill,

Deputy Secretary.

[FR Doc. 2012–21765 Filed 9–4–12; 8:45 am]

BILLING CODE 8011–01–P

[20] Again, depending on the type of spread strategy, there may be no loss among the netted intrinsic values, in which case there would be no margin requirement.

[21] In approving this proposed rule change, the Commission notes that it has considered the proposed rule's impact on efficiency, competition, and capital formation. 15 U.S.C. 78c(f).

[22] 15 U.S.C. 78f(b)(5).

[23] *See* Securities Exchange Act Release No. 67751 (Aug. 29, 2012) (SR–FINRA–2012–024) (order approving changes to FINRA Rule 4210 relating to spread margin requirements).

[24] 15 U.S.C. 78s(b)(2).

[25] 17 CFR 200.30–3(a)(12).

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–67754; File No. SR–ISE–2012–33]

Self-Regulatory Organizations; International Securities Exchange, LLC; Order Granting Approval of Proposed Rule Change, as Modified by Amendment No. 1, Regarding Strike Price Intervals for Certain Option Classes

August 29, 2012.

I. Introduction

On May 21, 2012, the International Securities Exchange, LLC ("ISE" or "Exchange") filed with the Securities and Exchange Commission ("Commission"), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act")[1] and Rule 19b–4 thereunder,[2] a proposed rule change to modify its Short Term Option Series Program ("STOS Program") to permit, during the expiration week of an option class that is selected for the STOS Program ("STOS Option"), the strike price intervals for the related non-STOS option that is in the same class as a STOS Option ("Related non-STOS Option") to be the same as the strike price interval for the STOS Option. The Exchange also proposed to adopt a rule to open for trading Short Term Option Series at $0.50 strike price intervals for option classes that trade in one dollar increments and are in the STOS Program ("Eligible Option Classes"). The proposed rule change was published for comment in the **Federal Register** on June 6, 2012.[3] The Commission received one comment letter on the proposal.[4] On July 26,

[1] 15 U.S.C. 78s(b)(1).

[2] 17 CFR 240.19b–4.

[3] Securities Exchange Act Release No. 67083 (June 6, 2012), 76 FR 33543 ("Notice").

[4] *See* letter from Jenny L. Klebes, Senior Attorney, Legal Division, Chicago Board Options Exchange, Incorporated ("CBOE"), to Elizabeth M. Murphy, Secretary, Commission, dated June 27, 2012

Continued

2012, ISE filed Amendment No.1 to the proposed rule change.[5] This order approves the proposed rule change, as modified by Amendment No. 1.

II. Description of the Proposal

The Exchange proposed to amend ISE Rules 504 (Series of Options Contracts Open for Trading) and 2009 (Terms of Index Options Contracts) to indicate that, during the expiration week, the strike price intervals for the Related non-STOS Option shall be the same as the strike price interval for the STOS Option. The Exchange also proposed to adopt a rule that would permit ISE to list Short Term Option Series at $0.50 strike price intervals for Eligible Option Classes.

In the Notice, the Exchange stated that the principal reason for the proposed expansion is in response to market and customer demand to list actively traded products in more granular strike price intervals and to provide Exchange members and their customers increased trading opportunities in the STOS Program.[6] ISE also represented that there are substantial benefits to market participants in the ability to trade the Eligible Option Classes at more granular strike price intervals and that the instant proposal has the support of several of its market makers and was developed in consultations with one such market-making firm.[7] Furthermore, the Exchange also argued that allowing it to open Related non-STOS Options at the more granular strike price intervals the week before expiration would ensure conformity between STOS options and Related non-STOS Options.

The Exchange stated that it has analyzed its capacity, and represented that it and the Options Price Reporting Authority (''OPRA'') have the necessary systems capacity to handle the potential additional traffic associated with trading the Eligible Option Classes in narrower strike price intervals.[8] The Exchange also represented that the proposal, if approved, would not increase the number of listed short-term series.[9]

III. Discussion and Commission Findings

After careful review of the proposed rule change and the CBOE Letter, the Commission finds that the proposed rule change is consistent with the requirements of the Act and the rules and regulations thereunder applicable to a national securities exchange.[10] Specifically, the Commission finds that the proposal is consistent with Section 6(b)(5) of the Act,[11] which requires, among other things, that the rules of a national securities exchange be designed to promote just and equitable principles of trade, to prevent fraudulent and manipulative acts, 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 believes that the proposal strikes a reasonable balance between the Exchange's desire to offer a wider array of investment opportunities and the need to avoid unnecessary proliferation of options series.

In approving this proposal, the Commission notes that the Exchange has represented that it and OPRA have the necessary systems capacity to handle the potential additional traffic associated with trading the expanded number of strike price intervals available to the Eligible Option Classes and Related non-STO Options. The Commission expects the Exchange to monitor the trading volume associated with the additional options series listed as a result of this proposal and the effect of these additional series on market fragmentation and on the capacity of the Exchange's, OPRA's, and vendors' automated systems.

IV. Conclusion

It is therefore ordered, pursuant to Section 19(b)(2) of the Act,[12] that the proposed rule change (SR–ISE–2012–33) be, and it hereby is, approved.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.[13]

Kevin M. O'Neill,

Deputy Secretary.

[FR Doc. 2012–21767 Filed 9–4–12; 8:45 am]

BILLING CODE 8011–01–P

(''CBOE Letter''). CBOE sought further clarification on how the proposed rule change would be implemented and suggested that the proposed rule change be revised to indicate which, if any, day(s) during the week of expiration for standard options the related non-STOS options could be added. *See* CBOE Letter at 2.

[5] Amendment No. 1 clarified the timing of when additional series of non-STOS, or standard options, may be opened. Because Amendment No. 1 is technical in nature, the Commission is not required to publish it for public comment.

[6] *See* Notice, *supra* note 3 at 33544.

[7] *Id.* at 33545.

[8] *Id.* The Exchange also stated that, while liquidity levels at each individual option series could decrease as a result of listing short term options series at more granular strike price intervals, it did not expect that the proposed rule change would result in a significant change in liquidity or otherwise cause liquidity in the Eligible Options Classes products to decline.

[9] *See* Notice, *supra* note 3 at 33545

[10] In approving this proposed rule change, the Commission has considered the proposed rule's impact on efficiency, competition, and capital formation. *See* 15 U.S.C. 78c(f).

[11] 15 U.S.C. 78f(b)(5).

[12] 15 U.S.C. 78s(b)(2).

[13] 17 CFR 200.30–3(a)(12).

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–67755; File No. SR–BYX–2012–012]

Self-Regulatory Organizations; BATS–Y Exchange, Inc.; Order Approving Proposed Rule Change, as Modified by Amendment No. 1, To Adopt a New Market Maker Peg Order Available to Exchange Market Makers

August 29, 2012.

I. Introduction

On June 26, 2012, BATS–Y Exchange, Inc. (''Exchange'' or ''BYX'') filed with the Securities and Exchange Commission (''Commission''), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (''Act'') [1] and Rule 19b–4 thereunder,[2] a proposed rule change to adopt a new Market Maker Peg Order to provide similar functionality as the automated functionality provided to market makers under Rule 11.8(e). The proposed rule change was published for comment in the **Federal Register** on July 16, 2012.[3] The Commission received no comment letters regarding the proposed rule change. This order approves the proposed rule change, as modified by Amendment No. 1.

II. Background

BYX is proposing to adopt a new Market Maker Peg Order to provide a similar functionality presently available to Exchange market makers under Rule 11.8(e). [4] BYX adopted Rule 11.8(e) as

[1] 15 U.S.C. 78s(b)(1).

[2] 17 CFR 240.19b–4.

[3] *See* Securities Exchange Act Release No. 67382 (July 10, 2012), 77 FR 41842 (''Notice''). The Commission notes that on July 6, 2012, the Exchange submitted Amendment No. 1 to the proposed rule change to make certain amendments that, in part, clarified that it is expected that market makers will perform the necessary checks to comply with Regulation SHO prior to entry of a Market Maker Peg Order.

[4] BYX will continue to offer the present automated quote management functionality provided to market makers under Rule 11.8(e) for a period of 3 months after the implementation of the proposed Market Maker Peg Order. The purpose of this transition period, during which both the present automated quote management functionality under Rule 11.8(e) and the Market Maker Peg Order will operate concurrently, is to afford market makers with the opportunity to adequately test the