

Exchange. Exchange rules applicable to equity options trading generally will be applicable to Treasury securities options unless a specific rule in the 1000D Series is to the contrary or supplements an existing rule. Trading hours will correspond to the hours during which equity options are normally traded on the Exchange, which currently are 9:30 a.m. to 4 p.m. ET.

*Terms and Criteria for Listing and Trading.* Treasury securities may be initially approved by the Exchange as underlying securities for Exchange transactions in specific CUSIP options, subject to requirements as to size of original issuance (the original public sale of an underlying Treasury security must be at least \$1 billion in principle), aggregate principal amount outstanding, and years to maturity. Additionally, approval will extend only to the settled, on-the-run Treasury securities.<sup>7</sup> The Exchange will not approve a subsequent on-the-run Treasury security until after the expiration of all the options that are listed pursuant to this described options listing timeframe.

The expiration month and exercise price of each series will be determined by the Exchange at the time that the series is first opened for trading. The Exchange will open a minimum of one expiration month and series for each class of options. The Exchange may open and add Treasury options in one or all of the months in the options listing timeframe. Treasury security options opened for trading on the Exchange will expire on a monthly basis.

*Minimum Price Variation.* Treasury securities options will have a minimum increment of \$0.01.<sup>8</sup> The Exchange asserts that the proposed \$0.01 increment is appropriate for Treasury securities options to allow traders to make the most effective use of the product for hedging purposes. The Exchange also represents that the

<sup>7</sup> See Phlx Rule 1006D. The proposal is designed to ensure that a Treasury security is eligible for underlying options only during its most liquid on-the-run period. Options on a newly settled (subsequent) on-the-run Treasury security can be listed only after all the options that are listed pursuant to the preceding options listing timeframe expire. This minimizes or negates overlap and proliferation of Treasury options. An on-the-run Treasury security in the options listing timeframe becomes off-the-run when there is a subsequent auction for the Treasury security and as a result the newly settled security becomes on-the-run. The Exchange will not list options on the subsequent on-the-run Treasury security until all options listed within the options listing timeframe on the immediately preceding on-the-run Treasury security (which has become off-the-run) expire.

<sup>8</sup> See Phlx Rule 1013D.

proposed \$0.01 increments will not cause any capacity problems.

*Series Open for Trading.* The Exchange proposes that the exercise price of each series of Treasury security options will be fixed at a price denominated in \$0.50 increments. The exercise price will be reasonably close to, and no more than 20% away from, the price at which the underlying security is traded in the primary market at the time the series of options is first opened for trading.

*Settlement.* Treasury securities options will be physically settled, European-style options that may be exercised only on the day that they expire. Trading in Treasury securities options ordinarily will cease on the business day (usually a Friday) preceding the expiration date. The expiration date will be the Saturday immediately following the third Friday of the expiration month. The settlement process for Treasury securities options will be the same as the settlement process for equity options under current Exchange rules (e.g., Phlx Rule 1044). Payment of the aggregate exercise price must be accompanied by payment of accrued interest on the underlying Treasury security.

Additional information relating to options on Treasury securities—including definitions, listing standards, expiration, exercise, settlement, margin rules, positions limits, doing business with the public, and surveillance—can be found in the Notice.

### III. Discussion and Commission Findings

After careful review, the Commission finds that the proposed rule change, as modified by Amendment No. 1, is consistent with the requirements of the Act and the rules and regulations thereunder applicable to a national securities exchange.<sup>9</sup> In particular, the Commission finds that the proposed rule change is consistent with Section 6(b)(5) of the Act,<sup>10</sup> which requires that the rules of an exchange be designed, among other things, 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. The Commission believes that the proposal appropriately balances, on the one hand, the Exchange's desire to offer a new product

<sup>9</sup> 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).

<sup>10</sup> 15 U.S.C. 78f(b)(5).

to investors with, on the other hand, the necessity of having appropriate rules for listing, trading and margin, among other considerations relevant under the Act. The Commission notes that it has previously approved similar rules permitting other options exchanges to list and trade options on Treasury securities.<sup>11</sup>

### IV. Conclusion

*It is therefore ordered*, pursuant to Section 19(b)(2) of the Act,<sup>12</sup> that the proposed rule change (SR-Phlx-2012-105), as modified by Amendment No. 1 thereto, be, and it hereby is, approved.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>13</sup>

Kevin M. O'Neill,  
Deputy Secretary.

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-67987; File No. SR-NYSEARCA-2012-110]

### Self-Regulatory Organizations; NYSE Arca, Inc.; Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Amend the NYSE Arca Equities Schedule of Fees and Charges for Exchange Services To Amend the Fees Charged for Routing Orders to the New York Stock Exchange LLC

October 4, 2012.

Pursuant to Section 19(b)(1)<sup>1</sup> of the Securities Exchange Act of 1934 (the "Act")<sup>2</sup> and Rule 19b-4 thereunder,<sup>3</sup> notice is hereby given that, on September 28, 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, 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.

<sup>11</sup> See Chicago Board Options Exchange ("CBOE") rules 21.1-21.31. See also Securities Exchange Act Release No. 18371 (December 23, 1981), 46 FR 63423 (December 31, 1981) (approving SR-Amex-81-1 and SR-CBOE-81-27).

<sup>12</sup> 15 U.S.C. 78s(b)(2).

<sup>13</sup> 17 CFR 200.30-3(a)(12).

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

<sup>2</sup> 15 U.S.C. 78a.

<sup>3</sup> 17 CFR 240.19b-4.

## I. Self-Regulatory Organization's Statement of the Terms of Substance of the Proposed Rule Change

The Exchange proposes to amend the NYSE Arca Equities Schedule of Fees and Charges for Exchange Services ("Fee Schedule") to modify the fees that it charges for routing orders to the New York Stock Exchange LLC ("NYSE"). The text of the proposed rule change is available on the Exchange's Web site at [www.nyse.com](http://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 the Statutory Basis for, the Proposed Rule Change

#### 1. Purpose

The Exchange proposes to amend the Fee Schedule to modify the fees that it charges for routing orders to the NYSE. The Exchange proposes to implement the fee changes on October 1, 2012.<sup>4</sup>

The NYSE has proposed modifications to its transaction fee structures, including changes to the rates for taking liquidity, to become effective on October 1, 2012.<sup>5</sup> The Exchange's current fees for routing orders in securities with a per share price of \$1.00 or more to the NYSE are closely related to the NYSE's fees for taking liquidity in such securities, and the Exchange is proposing an adjustment to its routing fees to maintain the existing relationship to the new fees in place at the NYSE.

Currently, the NYSE charges a transaction fee for certain transactions in securities with a per share price of \$1.00 or more based on the characteristics of the transaction,

including order type.<sup>6</sup> Among other changes, the NYSE Fee Filing proposed to increase the charge for transactions that do not have a specified per share charge based on their characteristics ("all other" transactions). The NYSE Fee Filing proposed to increase the per share charge for all other non-floor broker transactions (i.e., when taking liquidity from the Exchange) from \$0.0023 to \$0.0025 per transaction.

Currently, for NYSE Arca Tier 1, Tier 2, Tier 3, Step Up Tier 1, and Step Up Tier 2 customers, the fee for routing orders in Tape A securities to the NYSE outside the book is equal to the NYSE fee of \$0.0023 per share for all other non-floor broker transactions in securities with a per share price of \$1.00 or more, and the fee for routing such orders to the NYSE for non-tier (i.e., Basic Rate) customers is \$0.0025 per share.<sup>7</sup> Consequently, the Exchange is proposing to increase each of those fees by \$0.0002 to \$0.0025 per share and \$0.0027 per share, respectively, consistent with the \$0.0002 increase in the NYSE fee for all other non-floor broker transactions.

In addition, the Exchange currently charges \$0.0021 per share for Primary Sweep Orders<sup>8</sup> in Tape A securities that are routed outside the book to the NYSE that remove liquidity from the NYSE.<sup>9</sup> In order to maintain the existing relationship to the other Exchange routing fees that are being adjusted

<sup>6</sup> For example, the NYSE charges \$0.0005 per share (subject to a monthly cap) for at the opening or at the opening only orders, \$0.0055 per share per transaction for all market at-the-close ("MOC") and limit at-the-close ("LOC") orders from any member organization executing an average daily volume of MOC/LOC activity on the NYSE in that month of at least 14 million shares, and \$0.0095 per share per transaction for all other MOC and LOC orders.

<sup>7</sup> The other tiers in the Fee Schedule (e.g., the Tape B and C Step Up Tiers, Investor Tiers, Cross-Asset Tier and Retail Order Tier) do not specify a fee for routing orders in Tape A securities to the NYSE outside the book. However, such tiers provide that if a fee (or credit) is not included in the tier, the relevant tiered or Basic Rate applies based on a firm's qualifying levels. Accordingly, for orders in Tape A securities routed to the NYSE outside the book, ETP Holders and Market Makers that qualify for another tier would default to the Tier 1, Tier 2, Tier 3, Step Up Tier 1, Step Up Tier 2 or Basic Rate that applied to them based on their qualifying levels.

<sup>8</sup> A Primary Sweep Order is a Primary Only ("PO") Order (i.e., a market or limit order that is to be routed to the primary market) that first sweeps the NYSE Arca book. See NYSE Arca Equities Rules 7.31(x) and (kk).

<sup>9</sup> This charge is included in the provisions for Tier 1, Tier 2, and the Basic Rate. The other tiers in the Fee Schedule do not specify a fee for Primary Sweep Orders in Tape A securities that are routed outside the book to the NYSE that remove liquidity from the NYSE. Accordingly, for such orders ETP Holders and Market Makers that qualify for another tier would default to the Tier 1, Tier 2 or Basic Rate that applied to them based on their qualifying levels. See note 7, *supra*.

upward, the Exchange is also proposing to increase this fee by \$0.0002, to \$0.0023 per share.

Finally, for Primary Only Plus ("PO+") orders,<sup>10</sup> the current Exchange fee for orders routed to the NYSE that remove liquidity from the NYSE is \$0.0023 per share, which is equal to the current NYSE fee for all other non-floor broker transactions in securities with a per share price of \$1.00 or more.<sup>11</sup> Consequently, the Exchange is proposing to increase its fees for routing PO+ orders to the NYSE that remove liquidity by the same amount (\$0.0002) as the increase in the corresponding NYSE fees. The proposed new fee for PO+ orders routed to the NYSE that remove liquidity is \$0.0025 per share. This change would maintain the current relationship with the NYSE rates.

#### 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>12</sup> in general, and furthers the objectives of Section 6(b)(4) of the Act,<sup>13</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 the proposed changes are reasonable because the Exchange's fees for routing orders to the NYSE are closely related to the NYSE's fees for its members for taking liquidity, and the fee increases are consistent with the changes proposed by the NYSE to increase its fees for taking liquidity. The proposed changes will result in maintaining the existing relationship between the two sets of fees. In addition, the Exchange believes that the proposed rule change is reasonable, equitable, and not unfairly discriminatory because it would result in an increase in the per share fee for orders, Primary Sweep Orders, and PO+ Orders routed to the NYSE, thereby aligning the rate that the

<sup>10</sup> A PO+ Order is a PO Order that is entered for participation in the primary market, other than for participation in the primary market opening or primary market re-opening. See NYSE Arca Equities Rule 7.31(x)(3).

<sup>11</sup> This charge is included in the provisions for Tier 1, Tier 2, and the Basic Rate. The other tiers in the Fee Schedule do not specify a fee for PO+ orders routed outside the book to the NYSE that remove liquidity. Accordingly, for such orders ETP Holders and Market Makers that qualify for another tier would default to the Tier 1, Tier 2 or Basic Rate that applied to them based on their qualifying levels. See note 7, *supra*.

<sup>12</sup> 15 U.S.C. 78f(b).

<sup>13</sup> 15 U.S.C. 78f(b)(4).

<sup>4</sup> The Exchange filed a separate fee filing, which the Exchange proposes to implement on October 1, 2012. See SR-NYSEArca-2012-104 (Sept. 24, 2012).

<sup>5</sup> See SR-NYSE-2012-50 (Sept. 26, 2012) (the "NYSE Fee Filing").

Exchange charges to ETP Holders with the rate that the Exchange is charged by the NYSE. Accordingly, the Exchange is proposing this increase so that the rate it charges to ETP Holders reflects the rate that the Exchange is charged by the NYSE. In addition, the proposed changes are equitable and not unfairly discriminatory because the fee increases apply uniformly across pricing tiers and all similarly situated ETP Holders would be subject to the same fee structure.

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. For the reasons described above, the Exchange believes that the proposed rule change reflects this competitive environment.

#### *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>14</sup> of the Act and subparagraph (f)(2) of Rule 19b-4<sup>15</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-2012-110 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-2012-110. 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 the 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-2012-110 and should be submitted on or before November 1, 2012.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>16</sup>

**Kevin M. O'Neill,**

*Deputy Secretary.*

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## **SECURITIES AND EXCHANGE COMMISSION**

[Release No. 34-67981; File No. SR-EDGX-2012-45]

### **Self-Regulatory Organizations; EDGX Exchange, Inc.; Notice of Filing and Immediate Effectiveness of Proposed Rule Change Relating to Amendments to the EDGX Exchange, Inc. Fee Schedule**

October 4, 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 October 1, 2012 the EDGX Exchange, Inc. (the "Exchange" or "EDGX") 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 its fees and rebates applicable to Members<sup>3</sup> of the Exchange pursuant to EDGX Rule 15.1(a) and (c). Text of the proposed rule change is attached as Exhibit 5 at <http://www.directedge.com/Regulation/ExchangeRuleFilings/EDGX.aspx>.

#### **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 these statements may be examined at the places specified in Item IV below. The self-regulatory organization has prepared summaries, set forth in sections A, B and C below, of the most significant aspects of such statements.

<sup>16</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> As defined in Exchange Rule 1.5(n).

<sup>14</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>15</sup> 17 CFR 240.19b-4(f)(2).