

## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-62272; File No. SR-CBOE-2010-055]

### Self-Regulatory Organizations; Chicago Board Options Exchange, Incorporated; Notice of Filing and Immediate Effectiveness of Proposed Rule Change Related to Individual Equity Options Overlying Stocks Subject to Trading Pauses Due to Extraordinary Market Volatility

June 10, 2010.

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 June 10, 2010, Chicago Board Options Exchange, Incorporated (the “Exchange” or “CBOE”) filed with the Securities and Exchange Commission (“Commission”) the proposed rule change as described in Items I and II below, which Items have been prepared by the Exchange. The Exchange filed the proposal as a “non-controversial” proposed rule change pursuant to Section 19(b)(3)(A)(iii) of the Act<sup>3</sup> and Rule 19b-4(f)(6) thereunder.<sup>4</sup> 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 CBOE is proposing to amend its trading procedures on a pilot basis for individual equity options overlying certain stocks. The text of the proposed rule change is available on the Exchange’s Web site (<http://www.cboe.org/Legal>), at the Exchange’s Office of the Secretary, at the Commission, and on the Commission’s Web site at <http://www.sec.gov>.

#### 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 primary listing markets for U.S. stocks are in the process of amending their rules so that they may, from time to time, issue a trading pause for an individual stock if the price of such stock moves 10% or more from a sale in a preceding five-minute period. The Exchange is proposing the rule change described below in consultation with U.S. listing markets and the Commission staff to provide for uniform market-wide trading pause standards for certain individual stocks that experience rapid price movement and for individual equity options overlying those stocks.<sup>5</sup>

The Exchange proposes to add a new Interpretation and Policy .06 to Rule 6.3, *Trading Halts*, to provide that CBOE would halt trading in the options on a Circuit Breaker Stock, as defined below, when the primary listing market for such stock issues a trading pause. CBOE would resume trading in the options once trading has resumed on the primary listing market in the underlying Circuit Breaker Stock. If, however, trading has not resumed on the primary listing market in the underlying Circuit Breaker Stock after ten minutes have passed since the individual stock trading pause message has been received from the responsible single plan processor, CBOE may resume trading in the options if at least one other market has resumed trading in the stock.

The proposed rule would apply to trading pauses issued by primary listing markets in “Circuit Breaker Stocks.” Specifically, on a pilot basis, set to end on December 10, 2010, Circuit Breaker Stocks would mean the stocks included in the S&P 500 Index and such other eligible underlying stocks as may be designated for inclusion in the pilot from time to time by the stock markets. Thus, proposed Interpretation and Policy .06 to Rule 6.3 would be in effect with respect to individual equity options overlying stocks in the S&P 500 Index and individual equity options overlying such other eligible underlying

stocks as may be designated for inclusion in the pilot.

Upon receipt of a trading pause message from the single plan processor responsible for consolidation of information for the stock, the Exchange would automatically implement a trading halt in the overlying options traded on the Exchange. During the halt, the Exchange would maintain existing orders in the Book, continue accepting orders, and process cancels. In this regard the Exchange notes that, consistent with its existing rotation processes, the Exchange would accept opening-only orders during the halt, any unfilled portion of which would automatically cancel upon conclusion of the reopen.

Upon reopening, a rotation shall be held in the options on CBOE in accordance with Rule 6.2B, *Hybrid Opening System (“HOSS”)*, unless the Exchange concludes that a different method of reopening is appropriate under the circumstances, including but not limited to, no rotation, an abbreviated rotation or any other variation in the manner of the rotation.

Lastly, nothing in the proposed Rule shall be construed to limit the ability of the Exchange to halt or suspend trading in any security or securities traded on the Exchange pursuant to any other Exchange rule or policy.

##### 2. Statutory Basis

The rule change proposed in this submission is consistent with the requirements of the Act and the rules and regulations thereunder that are applicable to a national securities exchange, and, in particular, with the requirements of Section 6(b) of the Act.<sup>6</sup> In particular, the proposed change is consistent with Section 6(b)(5) of the Act,<sup>7</sup> because it would 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. The proposed rule change is also designed to support the principles of Section 11A(a)(1)<sup>8</sup> of the Act in that it seeks to assure fair competition among brokers and dealers and among exchange markets. The Exchange believes that the proposed rule meets these requirements in that it promotes transparency and uniformity across markets concerning decisions to pause trading in a stock and the individual equity options overlying that stock

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

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

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

<sup>4</sup> 17 CFR 240.19b-4(f)(6).

<sup>5</sup> The Exchange has separately proposed a rule change for CBOE Stock Exchange, the CBOE’s stock trading facility (“CBSX”), to provide for uniform market-wide trading pause standards for individual stocks in the S&P 500 Index traded on CBSX. Securities Exchange Act Release No. 62132 (May 19, 2010), 75 FR 28847 (May 24, 2010) (SR-CBOE-2010-047).

<sup>6</sup> 15 U.S.C. 78f(b).

<sup>7</sup> 15 U.S.C. 78f(b)(5).

<sup>8</sup> 15 U.S.C. 78k-1(a)(1).

when there are significant price movements.

#### 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 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

The Exchange neither solicited nor received comments on the proposal.

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

Because the proposed rule change: (i) Does not significantly affect the protection of investors or the public interest; (ii) Does not impose any significant burden on competition; and (iii) does not become operative for 30 days after the date of the filing, or such shorter time as the Commission may designate if consistent with the protection of investors and the public interest, provided that the self-regulatory organization has given the Commission written notice of its intent to file the proposed rule change at least five business days prior to the date of filing of the proposed rule change or such shorter time as designated by the Commission, the proposed rule change has become effective pursuant to Section 19(b)(3)(A) of the Act<sup>9</sup> and Rule 19b-4(f)(6) thereunder.<sup>10</sup>

A proposed rule change filed under Rule 19b-4(f)(6) normally does not become operative for 30 days after the date of filing.<sup>11</sup> However, Rule 19b-4(f)(6)(iii) permits the Commission to designate a shorter time if such action is consistent with the protection of investors and the public interest. The Exchange requested that the Commission waive the 30-day operative delay, as specified in Rule 19b-4(f)(6)(iii),<sup>12</sup> which would make the rule change effective and operative upon filing. The Commission approved filings from the exchanges and the Financial Industry Regulatory Authority to institute a single stock trading pause for equity securities that experience a 10% change in price during a five minute period.<sup>13</sup> The Commission believes that

waiving the 30-day operative delay is consistent with the protection of investors and the public interest because it will allow CBOE to halt trading for individual equity options at the same time that the primary listing market implements the pilot for eligible underlying stocks.<sup>14</sup>

At any time within 60 days of the filing of such proposed rule change, the Commission may summarily abrogate 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 e-mail to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include File Number SR-CBOE-2010-055 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-CBOE-2010-055. This file number should be included on the subject line if e-mail 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 publicly available. All submissions should refer to File Number SR-CBOE-2010-055 and should be submitted on or before July 8, 2010.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>15</sup>

**Florence E. Harmon,**  
Deputy Secretary.

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-62270; File No. SR-NASDAQ-2010-071]

### Self-Regulatory Organizations; Notice of Filing and Immediate Effectiveness of Proposed Rule Change by NASDAQ Stock Market LLC Relating to Trading Halts in Options During a Trading Pause in the Underlying Security

June 10, 2010.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),<sup>1</sup> and Rule 19b-4<sup>2</sup> thereunder, notice is hereby given that on June 10, 2010, The NASDAQ Stock Market LLC ("NASDAQ" or "Exchange") filed with the Securities and Exchange Commission ("SEC" or "Commission") the proposed rule change as described in Items I and II below, which Items have been prepared by the NASDAQ. The Exchange has designated the proposed rule change as constituting a "non-controversial" rule change under paragraph (f)(6) of Rule 19b-4 under the Act,<sup>3</sup> which renders the proposal effective upon receipt of this filing by the Commission. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

<sup>15</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> 17 CFR 240.19b-4(f)(6).

<sup>9</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>10</sup> 17 CFR 240.19b-4(f)(6). The Commission notes that the Exchange has met this requirement.

<sup>11</sup> 17 CFR 240.19b-4(f)(6).

<sup>12</sup> 17 CFR 240.19b-4(f)(6)(iii).

<sup>13</sup> See Securities Exchange Act Release Nos. 62251 and 62252 (June 10, 2010).

<sup>14</sup> For purposes only of waiving the 30-day operative delay, the Commission has considered the proposed rule's impact on efficiency, competition, and capital formation. See 15 U.S.C. 78c(f).