

#### D. Complex Order Entry, Processing, and Execution

The Commission finds that the changes to Phlx Rule 1080, Commentary .08(c)(i) indicating that a Complex Order with an underlying security component is eligible to trade only when the underlying security is open for trading on its primary market, and the changes to Phlx Rule 1080, Commentary .08(e)(vi)(A)(1) and .08(f)(iii) that indicate that legging may not occur, either in a COLA or against the CBOOK, when the underlying security is a component of a Complex Order, should help to clarify the operation of the Phlx's rules relating to the execution of Complex Orders with an underlying stock or ETF component. Similarly, the Commission believes that adding the term "legging" to Phlx Rule 1080, Commentary .08(e)(vi)(A)(1) to refer to the activity described in that rule could help to clarify the rule.

The amendment to Phlx Rule 1080, Commentary .08(e)(i)(B)(2) that permits the Phlx to determine the time period, which will not exceed ten seconds, at the end of a trading session when an order will not be COLA-eligible should provide the Phlx with flexibility in determining the time period within which the Exchange will not initiate a COLA during the final seconds of a trading session. The Commission notes that the Phlx will establish this time period in an Options Trader Alert.<sup>100</sup>

The Commission believes that modifying Phlx Rule 1080, Commentary .08(b)(ii) to allow SQTs, RSQTs, non-SQT ROTs, specialists, and non-Phlx market makers on another exchange to enter Complex Orders with more than two options components or an underlying security component as Day orders, in addition to entering them as IOC orders, could encourage these market participants to submit Complex Orders by providing them with greater flexibility in entering orders.

The Commission believes that the amendments to Phlx Rule 1080, Commentary .08(b)(iii) indicating that Floor Brokers using the FBMS may not enter DNA Orders, orders with a stock or ETF component, or orders with more than two legs are reasonable because, according to the Phlx, Floor Brokers are able to use systems other than FBMS to access Phlx XL II.<sup>101</sup> In addition, the Commission notes that the Phlx believes that Floor Brokers are unlikely to need or request changes to FBMS because they execute more complex orders in

the trading crowd than through FBMS.<sup>102</sup>

The Commission believes that the changes to Phlx Rules 1080, Commentary .08(e)(vi)(A)(1), (f)(iii)(A), and (f)(iii)(B)(1) that place an SQT or RSQT quoting all components of a Complex Order on parity with SQTs and RSQTs quoting a single component are consistent with the Act. The Phlx believes that these changes will simplify the allocation process as PHLX XL II begins to accept more Complex Order types.<sup>103</sup> In addition, the Phlx believes that the benefits provided by the current rules giving priority to SQTs and RSQTs quoting all components of a Complex Order are not material, and that they are not being realized intentionally by market participants.<sup>104</sup> The Commission notes that under the revised rules, public customer orders will continue to have priority over SQTs and RSQTs.<sup>105</sup>

#### IV. Conclusion

*It is therefore ordered*, pursuant to Section 19(b)(2) of the Act,<sup>106</sup> that the proposed rule change (File No. SR-Phlx-2010-157), as amended, is approved.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>107</sup>

**Elizabeth M. Murphy,**  
*Secretary.*

[FR Doc. 2011-2127 Filed 1-31-11; 8:45 am]

**BILLING CODE 8011-01-P**

#### SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-63779; File No. SR-EDGX-2011-01]

#### Self-Regulatory Organizations; EDGX Exchange, Inc.; Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Amend Rule 11.9

January 26, 2011.

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 January 21, 2011, 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 and II

<sup>102</sup> *Id.*

<sup>103</sup> See Notice at note 29 and accompanying text.

<sup>104</sup> *Id.*

<sup>105</sup> See Phlx Rules 1014(g)(vii) and 1080, Commentary .08(e)(vi)(A)(1), (f)(iii)(A), and (f)(iii)(B)(1).

<sup>106</sup> 15 U.S.C. 78s(b)(2).

<sup>107</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.

below, which Items have been prepared by the Exchange. The Exchange has designated the proposed rule change as constituting a non-controversial rule change under Rule 19b-4(f)(6) under the Act,<sup>3</sup> which renders the proposal effective upon filing with the Commission. 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 the Substance of the Proposed Rule Change

The Exchange proposes to amend Rule 11.9 to add its routing options, which are currently contained in its fee schedule, to the rule and to introduce additional options to the rule. The text of the proposed rule change is attached as Exhibit 5 and is available on the Exchange's Web site at <http://www.directedge.com>, at the Exchange's principal office, and at the Public Reference Room of 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 self-regulatory organization 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

The Exchange's current fee schedule contains a list of routing options. The Exchange proposes to move the current list of routing options from the fee schedule and codify it in Rule 11.9(a)(3). In addition, the Exchange proposes to amend the existing routing option descriptions to provide additional clarity and introduce additional routing options to Rule 11.9(a)(3).

The Exchange intends to implement the rule change upon filing with the Commission with respect to all routing options, except ROOC, which the Exchange intends to implement on or about February 14, 2011.

<sup>3</sup> 17 CFR 240.19b-4(f)(6).

<sup>100</sup> See Phlx Rule 1080, Commentary .08(e)(B)(2).

<sup>101</sup> See Notice at 78323.

First, the Exchange proposes to move its discussion of available routing options, which is located at the end of the fee schedule, and codify it in Rule 11.9(b)(3)(a)–(r).

Currently, the fee schedule has the following descriptions of routing strategies:

ROUQ .....	sweeps the EDGX book, then routes to other destination centers.
ROUC .....	sweeps the EDGX book, then sequentially sweeps the balance, if any, to the following destinations: other destination centers, then Nasdaq OMX BX, NYSE, and the remainder posts to EDGX.
ROUD .....	sweeps the EDGX book before being routed to other destination centers.
ROUE .....	sweeps the EDGX book, then other destination centers, and any remainder routes to other market centers.
ROUZ .....	sweeps the EDGX book before interacting with solicited orders on a price/time priority basis.
INET .....	sweeps the EDGX book and removes liquidity from Nasdaq, if the order is marketable, or posts on Nasdaq, if the order is non-marketable.
ROBA .....	sweeps the EDGX book and routes to BATS BZX Exchange as an immediate or cancel (IOC) order, with the remainder being cancelled if there is no execution.
ROBX .....	sweeps the EDGX book and routes to Nasdaq BX Exchange as an immediate or cancel (IOC) order, with the remainder being cancelled if there is no execution.
ROBY .....	sweeps the EDGX book and routes to BATS BYX Exchange as an immediate or cancel (IOC) order, with the remainder being cancelled if there is no execution.

The Exchange proposes to amend Rule 11.9(b)(2) to cross-reference the routing options listed in proposed Rule 11.9(b)(3), as described in more detail below.

The Exchange proposes to describe how its routing options work in Rule 11.9(b)(3). The Exchange's system ("System") provides a variety of routing options. Routing options may be combined with all available order types and times-in-force, with the exception of order types and times-in-force whose

terms are inconsistent with the terms of a particular routing option. The System will consider the quotations only of accessible markets. The term "System routing table" refers to the proprietary process for determining the specific trading venues to which the System routes orders and the order in which it routes them. The Exchange reserves the right to maintain a different System routing table for different routing options and to modify the System routing table at any time without notice. The System routing options are described in more detail below.

The ROUC strategy currently states that under this strategy an order sweeps the book then sequentially sweeps the balance, if any, to the following destinations: Other destination centers, then Nasdaq OMX BX, NYSE, and the remainder posts to EDGX. The Exchange proposes to amend the description to state that it is a routing option under which an order checks the System for available shares and then is sent sequentially to destinations on the System routing table, Nasdaq OMX BX, and NYSE. If shares remain unexecuted after routing, they are posted on the Exchange's book. The Exchange will place this proposed description in Rule 11.9(b)(3)(a).

The ROUD strategy description states that it sweeps the book before being routed to other destination centers. The Exchange proposes to revise this description to state that it checks the System for available shares and then is sent sequentially to destinations on the System routing table. The ROUE routing strategy currently states that it sweeps the book, then other destination centers, and any remainder routes to other market centers. The Exchange proposes to revise this description to state that an order routed under this strategy checks the System for available shares, and then is sent to destinations on the System routing table. The revised descriptions of the ROUD and ROUE routing strategies, as described above, will be placed in proposed Rules 11.9(b)(3)(b)–(c).

The INET strategy is currently described as a strategy that sweeps the EDGX book and removes liquidity from Nasdaq, if the order is marketable, or posts on Nasdaq, if the order is non-marketable. The Exchange proposes to revise the description to read that "such an order checks the System for available shares and then is sent to Nasdaq. If shares remain unexecuted after routing, they are posted on Nasdaq book." The proposed description of the INET routing strategy, as described above, will be placed in proposed Rule 11.9(b)(3)(d).

The Exchange's current description of the ROBA strategy states that it is a strategy under which an order sweeps the book and routes to BATS BZX Exchange as an immediate or cancel (IOC) order, with the remainder being cancelled if there is no execution. The Exchange proposes to revise such description to read that such order checks the System for available shares and then is sent to BATS BZX Exchange as an IOC order. If shares remain unexecuted after routing, they are cancelled. The proposed description will be placed in Rule 11.9(b)(3)(e).

ROBX is currently described as a strategy under which an order sweeps the book and routes to Nasdaq BX Exchange as an IOC order, with the remainder being cancelled if there is no execution. This description is proposed to be revised to read that such order "checks the System for available shares and then is sent to Nasdaq BX Exchange as an immediate or cancel (IOC) order. If shares remain unexecuted after routing, they are cancelled."

ROBY is currently described as a strategy under which an order sweeps the EDGX book and routes to BATS BYX Exchange as an immediate or cancel (IOC) order, with the remainder being cancelled if there is no execution. This description is proposed to be revised to state that such order "checks the System for available shares and then is sent to BATS BYX Exchange as an IOC order. If shares remain unexecuted after routing, they are cancelled." The revised descriptions of the ROBX and ROBY strategies are proposed to be placed in Rules 11.9(b)(3)(f)–(g).

The Exchange proposes to codify the following strategies in Rule 11.9(b)(3)(h)–(r) as well:

In proposed rule 11.9(b)(3)(h), the Exchange proposes to describe the ROUT routing option as a routing option under which an order checks the System for available shares, and then is sent to destinations on the System routing table.

In proposed rule 11.9(b)(3)(i), the Exchange proposes to describe the ROUX routing option under which an order checks the System for available shares and then is sent to destinations on the System routing table.

In proposed rule 11.9(b)(3)(j), the Exchange proposes to describe the RDOT routing option as a routing option under which an order checks the System for available shares, and then is sent sequentially to destinations on the System routing table. If shares remain unexecuted after routing, they are sent to the NYSE.

In proposed rule 11.9(b)(3)(k), the Exchange proposes to describe the

RDOX routing option under which an order checks the System for available shares, and then is sent to the NYSE.

In proposed rule 11.9(b)(3)(l), the Exchange proposes to describe the ROLF routing option under which an order checks the System for available shares, and then is sent to LavaFlow ECN.

In proposed rule 11.9(b)(3)(m), the Exchange proposes to describe the ROPA routing option under which an order checks the System for available shares and then is sent to NYSE Arca as an immediate or cancel order (IOC). If shares remain unexecuted after routing, they are cancelled.

In proposed rule 11.9(b)(3)(n), the Exchange proposes to describe the IOCX routing option under which an order checks the System for available shares and then is sent to EDGA.

In proposed rule 11.9(b)(3)(o), the Exchange proposes to describe the IOCT routing option under which an order checks the System for available shares and then is sent sequentially to destinations on the System routing table. If shares remain unexecuted after routing, they are sent to EDGA.

In proposed rule 11.9(b)(3)(p), the Exchange proposes to describe the ROOC routing option for orders that the entering firm wishes to designate for participation in the opening or closing process of a primary listing market (NYSE, Nasdaq, NYSE Amex, or NYSE Arca) if received before the opening/closing time of such market. If shares remain unexecuted after attempting to execute in the opening or closing process, they are either posted to the book, executed, or routed like a ROUT routing option, as described in proposed Rule 11.9(b)(3)(h), above.

The Exchange also proposes to introduce the SWPA and SWPB routing strategies and add them to proposed Rules 11.9(b)(3)(q)–(r). Under the SWPA strategy, an order would check the System for available shares and then would be sent to Protected Quotations and only for displayed size. Under this strategy, orders would not have to contain sufficient size to execute against *all* Protected Quotations (emphasis added). If any shares remain unexecuted, such remainder will be cancelled back to the User. Under the SWPB routing strategy, an order would check the System for available shares and then is sent to Protected Quotations and only for displayed size. Under this strategy, orders would have to contain sufficient size to execute against all Protected Quotations. The entire SWPB order will be cancelled back to the User immediately if at the time of entry there is insufficient quantity in the SWPB

order to fulfill the displayed size of all Protected Quotations. The Exchange believes that the proposed introduction of the SWPA/B routing options will provide market participants with greater flexibility in routing orders consistent with Regulation NMS. This proposed rule change is similar to NASDAQ Rule 4758(a)(1)(A)(vi) (NASDAQ's "MOPP" strategy) and BATS Exchange, Inc. Rule 11.13(a)(3)(D) ("Parallel T").<sup>4</sup>

In addition, the Exchange also believes that the proposed introduction of the routing options, described above, will provide market participants with greater flexibility in routing orders, without having to develop their own complicated routing strategies.

## 2. Statutory Basis

The Exchange believes that the proposed rule change is consistent with Section 6(b)(5) of the Act,<sup>5</sup> which requires the rules of an exchange to promote just and equitable principles of trade, 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 proposed change to introduce the routing options described above will provide market participants with greater flexibility in routing orders without developing complicated order routing strategies on their own. In addition, it will provide additional clarity and specificity to the Exchange's rules regarding routing strategies and will further enhance transparency with respect to Exchange routing offerings.

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

The proposed rule change does not 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 Regarding the Proposed Rule Change Received From Members, Participants or Others*

The Exchange has not solicited, and does not intend to solicit, comments on this proposed rule change. The Exchange has not received any unsolicited written comments from members or other interested parties.

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

Because the foregoing proposed rule change: (1) Does not significantly affect

the protection of investors or the public interest; (2) does not impose any significant burden on competition; and (3) by its terms does not become operative for 30 days after the date of this filing, or such shorter time as the Commission may designate if consistent with the protection of investors and the public interest, the proposed rule change has become effective pursuant to Section 19(b)(3)(A) <sup>6</sup> of the Act and Rule 19b-4(f)(6) thereunder.<sup>7</sup>

A proposed rule change filed under 19b-4(f)(6) normally may not become operative prior to 30 days after the date of filing.<sup>8</sup> However, Rule 19b-4(f)(6)(iii)<sup>9</sup> permits the Commission to designate a shorter time if such action is consistent with the protection of investors and the public interest. The Exchange has requested that the Commission waive the 30-day operative delay. The Exchange notes that waiver of this requirement will allow the Exchange to immediately offer Exchange Users new routing strategies, and with respect to the ROOC option, as soon as the technology for such strategy is completed. The Commission believes that waiving the 30-day operative delay is consistent with the protection of investors and the public interest because such waiver would allow the new routing strategies to become immediately available, and, with respect to the ROOC option, available on or about February 14, 2011, and would immediately provide additional clarity and specificity to the Exchange's rules regarding routing strategies and further enhance transparency with respect to Exchange routing offerings. For this reason, the Commission designates the proposed rule change to be operative upon filing with the Commission.<sup>10</sup>

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.

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

<sup>7</sup> 17 CFR 240.19b-4(f)(6).

<sup>8</sup> 17 CFR 240.19b-4(f)(6)(iii). In addition, Rule 19b-4(f)(6) requires a self-regulatory organization to give 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 Exchange has satisfied this requirement.

<sup>9</sup> *Id.*

<sup>10</sup> For the 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).

<sup>4</sup> See, e.g., NASDAQ Rule 4758, BATS Rule 11.13(a)(3)(D).

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

**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–EDGX–2011–01 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–EDGX–2011–01. 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 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–EDGX–2011–01 and should be submitted on or before February 22, 2011.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>11</sup>

**Elizabeth M. Murphy,**

*Secretary.*

[FR Doc. 2011–2132 Filed 1–31–11; 8:45 am]

**BILLING CODE 8011–01–P**

**SECURITIES AND EXCHANGE COMMISSION**

**[Release No. 34–63778; File No. SR–EDGA–2011–01]**

**Self-Regulatory Organizations; EDGA Exchange, Inc.; Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Amend Rule 11.9**

January 26, 2011.

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 January 21, 2011, the EDGA Exchange, Inc. (the “Exchange” or “EDGA”) 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 has designated the proposed rule change as constituting a non-controversial rule change under Rule 19b–4(f)(6) under the Act,<sup>3</sup> which renders the proposal effective upon filing with the Commission. 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 the Substance of the Proposed Rule Change**

The Exchange proposes to amend Rule 11.9 to add its routing options, which are currently contained in its fee schedule, to the rule and to introduce additional options to the rule. The text of the proposed rule change is attached as Exhibit 5 and is available on the Exchange’s Web site at <http://www.directedge.com>, at the Exchange’s principal office, and at the Public Reference Room of 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 self-regulatory organization 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

The Exchange’s current fee schedule contains a list of routing options. The Exchange proposes to move the current list of routing options from the fee schedule and codify it in Rule 11.9(a)(3). In addition, the Exchange proposes to amend the existing routing option descriptions to provide additional clarity and introduce additional routing options to Rule 11.9(a)(3).

The Exchange intends to implement the rule change upon filing with the Commission with respect to all routing options, except ROOC, which the Exchange intends to implement on or about February 14, 2011.

First, the Exchange proposes to move its discussion of available routing options, which is located at the end of the fee schedule, and codify it in Rule 11.9(b)(3)(a)–(s).

Currently, the fee schedule has the following descriptions of routing strategies:

ROUQ .....	sweeps the EDGA book, then routes to other destination centers.
ROUC .....	sweeps the EDGA book, then sequentially sweeps the balance, if any, to the following destinations: other destination centers, then Nasdaq OMX BX, NYSE, and the remainder posts to EDGX.
ROUD .....	sweeps the EDGA book before being routed to other destination centers.
ROUE .....	sweeps the EDGA book, then other destination centers, and any remainder routes to other market centers.
ROUZ .....	sweeps the EDGA book before interacting with solicited orders on a price/time priority basis.
INET .....	sweeps the EDGA book and removes liquidity from Nasdaq, if the order is marketable, or posts on Nasdaq, if the order is non-marketable.

<sup>11</sup> 17 CFR 200.30–3(a)(12).

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

<sup>2</sup> 17 CFR 240.19b–4.

<sup>3</sup> 17 CFR 240.19b–4(f)(6).