

added securities.<sup>10</sup> Specifically, NYSE, NYSE Amex, NYSE Arca, and NASDAQ, as the listing markets, are proposing to set the price move required to trigger a trading pause for the proposed new securities to be 30% or more for such securities priced at \$1 or higher and 50% or more for such securities priced less than \$1. The listing markets believe that applying a broader percentage to securities priced less than \$1 compared to those priced above \$1 is appropriate given that lower-priced securities tend to be more volatile, and price movements of lower-priced securities equate to a higher percentage move than a similar price change for a higher-priced security. The listing markets also believe that, since the newly added securities are not currently included in the S&P 500 Index, Russell 1000 Index, or specified ETPs, they are more likely to be less liquid securities or securities with lower trading volumes. Accordingly, the Exchanges believe that broader price move percentages would be appropriate. Similarly, because leveraged ETPs trade at a ratio against the associated index, a broader price move percentage would also be appropriate for leveraged ETPs. As such, the Exchange proposes to delete language concerning the limited application of pauses in Circuit Breaker Securities from the rule's text, as the text therein would no longer be necessary, and to define Circuit Breaker Securities as all NMS stocks.

## 2. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act,<sup>11</sup> in general, and furthers the objectives of Section 6(b)(5),<sup>12</sup> in particular, in that it is designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in facilitating transactions in securities, and to remove impediments to and perfect the mechanism of a free and open market and a national market system. The proposed rule change also is designed to support the principles of Section 11A(a)(1)<sup>13</sup> of the Act in that it seeks to ensure fair competition among brokers and dealers and among exchange markets. The Exchange believes that the proposed rule meets these requirements because it expands the scope of the Pilot

to cover all NMS stocks, consistent with similar proposals submitted by the other Exchanges.

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

The Exchange does not believe that the proposed rule change will result in any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act, as amended.

### C. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received From Members, Participants, or Others

Written comments were neither solicited nor received.

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

Within 45 days of the date of publication of this notice in the **Federal Register** or within such longer period (i) as the Commission may designate up to 90 days of such date if it finds such longer period to be appropriate and publishes its reasons for so finding or (ii) as to which the self-regulatory organization consents, the Commission will:

- (A) By order approve or disapprove such proposed rule change, or
- (B) Institute proceedings to determine whether the proposed rule change should be disapproved.

## 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-Phlx-2011-64 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-Phlx-2011-64. 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-Phlx-2011-64 and should be submitted on or before June 2, 2011.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>14</sup>

**Elizabeth M. Murphy,**  
Secretary.

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-64429; File No. SR-BYX-2011-008]

### Self-Regulatory Organizations; BATS Y-Exchange, Inc.; Notice of Filing and Immediate Effectiveness of Proposed Rule Change Related to Fees for Use of BATS Y-Exchange, Inc.

May 6, 2011.

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 April 29, 2011, BATS Y-Exchange, Inc. (the "Exchange" or "BYX") 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 Exchange. The Exchange has designated the proposed rule change as

<sup>10</sup> Certain of the Exchanges that have market maker requirements are modifying their market maker obligations to fit within these new Pilot price move percentages.

<sup>11</sup> 15 U.S.C. 78f(b).

<sup>12</sup> 15 U.S.C. 78f(b)(5).

<sup>13</sup> 15 U.S.C. 78k-1(a)(1).

<sup>14</sup> 17 CFR 200.30-3(a)(12).

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

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

one establishing or changing a member due, fee, or other charge imposed by the Exchange under Section 19(b)(3)(A)(ii) of the Act<sup>3</sup> and Rule 19b-4(f)(2) thereunder,<sup>4</sup> which renders the proposed rule change 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 Substance of the Proposed Rule Change**

The Exchange proposes to amend the fee schedule applicable to Members<sup>5</sup> of the Exchange pursuant to BYX Rules 15.1(a) and (c). While changes to the fee schedule pursuant to this proposal will be effective upon filing, the changes will become operative on May 2, 2011.

The text of the proposed rule change is available at the Exchange's Web site at <http://www.batstrading.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 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 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 modify its fee schedule applicable to use of the Exchange effective May 2, 2011, in order to amend its pricing to add displayed liquidity. The Exchange currently maintains a tiered pricing structure applicable to added displayed liquidity in securities priced \$1.00 and above, under which any Member adding a daily average of 10 million shares or more of liquidity (including displayed and non-displayed liquidity) during a month is able to add displayed liquidity without charge, while any Member

adding a daily average of less than 10 million shares of liquidity during a month is charged \$0.0002 per share. The Exchange proposes to replace its existing tiered pricing structure with a structure that allows Members to add liquidity free of charge to the extent such liquidity sets the national best bid or offer (the "NBBO Setter Program") so long as the Member submitting the order achieves the applicable average daily volume ("ADV") requirement, as described below.

An order that is entered at the most aggressive price both on the BYX order book and according to then-current consolidated data from the applicable securities industry processor ("SIP") will be determined to have set the national best bid or offer for purposes of the NBBO Setter Program without regard to whether a more aggressive order is entered prior to the original order being executed. The Exchange's affiliate, BATS Exchange, Inc., has adopted similar pricing for its options platform ("BATS Options").<sup>6</sup>

In conjunction with the adoption of the NBBO Setter Program, the Exchange proposes to modify the volume requirement of the tiered pricing structure from an ADV requirement of at least 10 million shares added per day in a given month to an ADV requirement of at least 0.1% of the total consolidated volume ("TCV") during the month. Accordingly, rather than basing its pricing structure on a static number of shares, the Exchange proposes to modify its tiered pricing structure such that it is based on TCV, and is thus variable based on overall volumes in the securities industry. To illustrate the Exchange's application of TCV, if the overall volume of securities traded as reported by all exchanges and trade reporting facilities is 100 billion shares in a given month, this amount will be used as the TCV against which the Exchange's tiered pricing will be measured for all trading activity during the month. The amount of overall TCV in the month will be divided by the number of trading days to determine average TCV; for instance, 100 billion shares divided by 20 trading days is an average TCV of 5 billion shares per day. Using these volumes as an example, to reach the Exchange's proposed tier of 0.10% of average TCV, and thus qualify for the NBBO Setter Program, a Member

would need to have an ADV of at least 5 million shares traded on BYX per day. If, in the next month, volumes doubled, and the TCV for the month was 200 billion shares, then a Member would need to have an ADV of at least 10 million shares traded on BYX per day to have an ADV equal to 0.10% of average TCV. The Exchange believes that basing its tiered pricing on TCV rather than a specific number of shares is a preferable measure of overall activity given the fluctuation of volumes in the securities industry. Further, subject to increased volumes in the securities industry, a volume requirement of 0.10% of average TCV is likely less than 10 million shares per day, and is thus a reduction from the Exchange's current volume requirement for tiered pricing.

In addition, the Exchange proposes to adopt definitions for both ADV and TCV. For purposes of the fee schedule, the proposed definition of ADV is average daily volume calculated as the number of shares added or removed, combined, per day on a monthly basis. The Exchange currently applies its tiered pricing structure based on added shares only. Accordingly, in addition to 0.10% of TCV likely being a lower requirement than 10 million shares per day (absent a significant increase in volumes) the proposed tiered rates will also be easier to achieve because all shares traded, added and removed, will be included in the calculation of ADV. The Exchange proposes to make clear in the definition of ADV that routed contracts are not included in the Exchange's calculation of ADV, but rather, only volume executed on the Exchange counts towards a Member's ADV. The Exchange also proposes to allow affiliated entities to aggregate their order flow for purposes of the Exchange's determination of ADV with respect to pricing tiers if such entities provide prior notice to the Exchange. Specifically, to the extent two or more affiliated companies maintain separate memberships with the Exchange and can demonstrate their affiliation by showing they control, are controlled by, or are under common control with each other, the Exchange will permit such Members to count overall volume of the affiliates in calculating ADV. The Exchange will verify such affiliate using a Member's Form BD, which lists control affiliates.

As proposed, TCV is defined as total consolidated volume calculated as the volume reported by all exchanges and trade reporting facilities to a consolidated transaction reporting plan for the month for which the fees apply.

<sup>6</sup> See Securities Exchange Act Release No. 63632 (January 3, 2011), 76 FR 1205 (January 7, 2011) (SR-BATS-2010-038) (adopting an NBBO Setter Rebate for BATS Options); see also Securities Exchange Act Release No. 64211 (April 6, 2011), 76 FR 20414 (April 12, 2011) (SR-BATS-2011-012) (modifying the NBBO Setter Program for BATS Options to include a volume requirement based on TCV).

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

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

<sup>5</sup> A Member is any registered broker or dealer that has been admitted to membership in the Exchange.

## 2. Statutory Basis

The Exchange believes that the proposed rule change 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 of the Act.<sup>7</sup> Specifically, the Exchange believes that the proposed rule change is consistent with Section 6(b)(4) of the Act,<sup>8</sup> in that it provides for the equitable allocation of reasonable dues, fees and other charges among members and other persons using any facility or system which the Exchange operates or controls. The Exchange notes that it operates in a highly competitive market in which market participants can readily direct order flow to competing venues if they deem fee levels at a particular venue to be excessive. The Exchange believes that its fees and credits are competitive with those charged by other venues.

The establishment of the NBBO Setter Program may result in a small increase in fees for Members currently reaching the Exchange's 10 million share ADV tier who are able to add displayed liquidity without a fee. Although such Members (and likely several Members not currently reaching such tier) will likely meet the volume requirement of the NBBO Setter Program, as proposed, only those executions that were the result of such a Member adding liquidity and that set the NBBO will be added without fee. Nonetheless, the Exchange's standard displayed liquidity adding fee of \$0.0002 per share still remains lower than other markets that impose a fee to add liquidity, such as EDGA Exchange (\$0.00025 charge per share) and NASDAQ OMX BX (\$0.0014 charge per share). Additionally, the Exchange believes that the NBBO Setter Program will incentivize the entry of more aggressive orders that will create tighter spreads, benefitting both Members and public investors. Also, to the extent the proposed changes will result in increased fees charged to Members, the Exchange believes that any additional revenue it receives will allow the Exchange to devote additional capital to its operations and to continue to offer competitive pricing, which, in turn, will benefit Members of the Exchange.

The Exchange believes that the new tier rate based on TCV represents a fair and equitable allocation of reasonable dues, fees, and other charges as it is aimed at incentivizing liquidity for high

volume providers, which results in increased volume on BYX. By combining this volume tier with the NBBO Setter program, the Exchange is incentivizing aggressively priced liquidity from such liquidity providers. The increased, aggressively priced liquidity benefits all investors by deepening BYX's liquidity pool, supporting the quality of price discovery, promoting market transparency and improving investor protection. Volume-based discounts such as the liquidity adding fee tier maintained by the Exchange have been widely adopted by numerous exchanges, and are equitable and not unreasonably discriminatory because they are open to all members on an equal basis and provide discounts that are reasonably related to the value to an exchange's market quality associated with higher levels of market activity, such as higher levels of liquidity provision and introduction of higher volumes of orders into the price and volume discovery process. Accordingly, the Exchange believes that the proposal is not unreasonably discriminatory because it is consistent with the overall goals of enhancing market quality. Additionally, the Exchange believes that the adoption of a definition for TCV will help to avoid potential confusion regarding the Exchange's fee schedule.

The proposed language permitting aggregation of volume amongst corporate affiliates for purposes of the ADV calculation is intended to avoid disparate treatment of firms that have divided their various business activities between separate corporate entities as compared to firms that operate those business activities within a single corporate entity. By way of example, many firms that are Members of the Exchange operate both a market making desk and a public customer business within the same corporate entity. In contrast, other firms may be part of a corporate structure that separates those business lines into different corporate affiliates, either for business, compliance or historical reasons. Those corporate affiliates, in turn, are required to maintain separate memberships with the Exchange in order to access the Exchange. Absent the proposed policy, such corporate affiliates would not receive the same treatment as firms operating similar business lines within a single entity that is a Member of the Exchange. Accordingly, the Exchange believes that its proposed policy is fair and equitable, and not unreasonably discriminatory. In addition to ensuring fair and equal treatment of its Members, the Exchange does not want to create

incentives for its Members to restructure their business operations or compliance functions simply due to the Exchange's pricing structure.

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

The Exchange does not believe that the proposed rule change imposes any burden on competition.

### *(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.

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

Pursuant to Section 19(b)(3)(A)(ii) of the Act<sup>9</sup> and Rule 19b-4(f)(2) thereunder,<sup>10</sup> the Exchange has designated this proposal as establishing or changing a due, fee, or other charge applicable to the Exchange's Members and non-members, which renders the proposed rule change effective upon filing.

At any time within 60 days of the filing of the 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 proposal 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 No. SR-BYX-2011-008 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 No. SR-BYX-2011-008. This file number

<sup>7</sup> 15 U.S.C. 78f.

<sup>8</sup> 15 U.S.C. 78f(b)(4).

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

<sup>10</sup> 17 CFR 240.19b-4(f)(2).

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 will also 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 No. SR-BYX-2011-008 and should be submitted on or before June 2, 2011.

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

**Elizabeth M. Murphy,**  
Secretary.

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-64436; File No. SR-OCC-2011-05]

### Self-Regulatory Organizations; Options Clearing Corporation; Notice of Filing of Proposed Rule Change To Provide Flexibility to the Options Clearing Corporation With Respect to Its Obligations To Pay Settlement Amounts to Clearing Members Generally as Well as in Emergency Situations

May 6, 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 April 28, 2011, The Options Clearing Corporation ("OCC") 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 primarily by OCC. 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 purpose of the proposed rule change is to provide flexibility to OCC with respect to its obligations to pay settlement amounts to clearing members generally as well as in emergency situations.

#### II. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, OCC 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. OCC has prepared summaries, set forth in sections (A), (B), and (C) below, of the most significant aspects of these statements.<sup>3</sup>

##### (A) Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

The purpose of this rule change is to revise OCC's By-Laws and Rules to provide flexibility to OCC with respect to its obligations to pay settlement amounts to clearing members generally as well as in emergency situations. The proposed rule amendments would change the current daily deadline for OCC to pay settlement amounts to clearing members from 10 a.m. to 1 p.m. (All times referred to in this filing are Central Time). In addition, in the event that an emergency condition exists, the Board of Directors ("Board") or an authorized executive officer of OCC would be authorized to extend OCC's obligation to pay settlement amounts to clearing members beyond the 1 p.m. deadline.

Currently, each business day morning, OCC is obligated to collect cash owed by its clearing members for the prior day's settlement activity by 9 a.m. OCC, in turn, is obligated to pay cash owed to

its clearing members for the prior day's settlement activity by 10 a.m. This one-hour window is designed to ensure that OCC has collected all required settlement funds before having to disburse any settlement funds to its clearing members. Daily settlement activity includes obligations relating to: (1) The net premium payments arising from the prior day's option purchases and sales, (2) the mark-to-market of futures contracts and stock loan positions, and (3) exercises and assignments of cash-settled option contracts.

OCC's settlement banks routinely approve and are required to honor the associated settlements made by OCC and OCC's clearing members within these time frames. On most business days, the entire bank approval process, which irrevocably obligates each settlement bank to make settlement, is completed by 8:30 a.m.

Under OCC's rules, a failure by OCC to pay its daily settlement obligations to clearing members by 10 a.m. constitutes a default. During discussions amongst OCC's senior management of various potential extreme default and liquidity squeeze scenarios, including the possible default of one of OCC's largest clearing members, OCC analyzed the risk associated with not being able to immediately access liquidity resources in time to meet the 10 a.m. deadline for OCC to pay settlement amounts to clearing members. The deadline may be difficult to meet if, for example, OCC learned of a default near the 9 a.m. deadline. In such a circumstance, OCC would have only one hour or less (considering the time needed to process and communicate information) to access the funds necessary to meet the 10 a.m. deadline.

OCC's immediate liquidity resources rely heavily upon its \$2.0 billion revolving credit facility (backed by Treasuries held in the clearing fund). A one-hour advance notice is required prior to OCC drawing funds from the credit facility. Beyond the credit facility, it would likely take more than one hour to raise cash by borrowing against the remaining clearing fund Treasuries (*i.e.*, those Treasuries not securing the credit facility) either through tri-party repurchase agreements or a traditional bank loan.

The main benefit of moving the deadline to 1 p.m. for OCC to pay clearing members settlement amounts is that it allows up to four hours (rather than one) within which OCC can meet its daily settlement requirement without being required to declare an emergency in order to do so. In addition, based on discussions with its settlement banks,

<sup>11</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> The Commission has modified the text of the summaries prepared by OCC.