

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 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-CHX-2011-31 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-CHX-2011-31. 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-CHX-2011-31 and should be submitted on or before December 16, 2011.

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. 34-65788; File No. SR-NSCC-2011-10]

### Self-Regulatory Organizations; National Securities Clearing Corporation; Notice of Filing of Proposed Rule Change To Amend Rules Relating to the Creation of a Service To Provide Post-Trade Information

November 18, 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 November 7, 2011, National Securities Clearing Corporation ("NSCC") 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 primarily by NSCC. 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 purpose of this proposed rule change is to establish an optional service, "Trade Risk Pro," that would enable NSCC members to monitor intraday trading activity through review of post-trade data.<sup>3</sup>

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

In its filing with the Commission, NSCC 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. NSCC has prepared summaries, set forth in sections (A), (B), and (C) below, of the most significant aspects of these statements.<sup>4</sup>

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

##### (1) Purpose

NSCC is proposing to create an optional service for NSCC members, "Trade Risk Pro" or "DTCC Trade Risk Pro," which will enable members to monitor intraday trading activity of their organizations, their correspondent firms, or both through review of post-trade data. An effective risk management structure provides for multiple check points, including pre-trade controls and post-trade surveillance. Industry participants have indicated to NSCC that pre-trade monitoring as a stand-alone risk management tool may not provide adequate protection for firms or against systemic risk. For example, many orders are never actually executed and thus a pre-trade filter could overestimate potential positions or could generate false positives if not combined with information about what orders are actually executed. In addition, clearing firms only see their correspondents' orders that are routed through the clearing firm's trading desks or through the firm's order entry systems. Orders sent directly to the market can bypass pre-trade controls. Trade Risk Pro, as more fully described below, would provide NSCC's members with a method to monitor clearing activity in their accounts and to set parameters that enable them to monitor exposure.

As proposed, the service would be available to NSCC members on a voluntary basis to provide those members electing to participate in the service with: (i) Post-trade data relating to unsettled equity and fixed income securities trades for a given day that have been compared or recorded through NSCC's trade capture mechanisms on that day ("RP Trade Date Data") and (ii) other information based upon data the participating member may itself provide at start of or throughout the day ("RP Member-provided Data"), as provided in NSCC's Rules and Procedures governing the proposed service (RP Trade Date Data

<sup>4</sup> The Commission has modified the text of the summaries prepared by NSCC.

<sup>13</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> The text of the proposed rule change is attached as Exhibit 5 to NSCC's filing, which is available at [http://www.dtcc.com/downloads/legal/rule\\_filings/2011/nsc/2011-10.pdf](http://www.dtcc.com/downloads/legal/rule_filings/2011/nsc/2011-10.pdf).

and RP Member-provided Data shall collectively be referred to as “RP Transaction Data”). This would include allowing members the ability to input or load trade information from prior days into the system on their own to supplement their view of overall risk exposure. As such, the proposed Trade Risk Pro service would offer an industry-wide post-trade reporting system that would allow Members to monitor their U.S. equity and fixed-income trading exposure.

#### Overview of the Trade Risk Pro Service

Through Trade Risk Pro, NSCC would utilize market and other information to report post-trade activity to participating members. Such reporting would incorporate RP Trade Date Data from transactions in equity and municipal and corporate debt securities after such transactions have: (i) Passed through the NSCC’s edit checks and not been pended or rejected and (ii) been recorded or compared through NSCC’s Universal Trade Capture and/or Real-Time Trade Matching trade capture and comparison systems. In addition, as proposed, Trade Risk Pro would allow participating members to input or load start of day and intra-day positions (*i.e.*, RP Member-provided Data) to allow member to view their organization’s (or one or more correspondent’s) aggregate open positions in securities cleared through NSCC. Within Trade Risk Pro, members would be able to create “Risk Entities” to track activity for specific correspondents and clients as well as their own trading desks and to define the rules for the aggregation of trade data, set parameters on open positions allowable for each Risk Entity, and receive alerts for the display of breaches or near breaches of the parameters.<sup>5</sup> Trade Risk Pro would provide members with a screen-based view of their trade data residing in Trade Risk Pro for a given day aggregated and organized according to parameters set by the member. Displays provided to participating members will offer the option to view aggregate and net value, to view share exposure across markets and other liquidity destinations, and to see exposure at the CUSIP and individual trade levels. In conformance with NSCC’s Rule 49 (Release of Clearing Data and Clearing Fund Data), each member would only be able to view information with respect to its own clearing account(s). Trade Risk Pro

<sup>5</sup> Members would be able to input such limits into the Trade Risk Pro interface in order to receive system alerts in the event of a breach; however, these limits would not trigger a block by NSCC on any activity processed through NSCC’s clearance and settlement systems.

would be a reporting service only and any action taken by a member as a result of any alert, parameter breach, or other information associated with the service would be at the discretion of the member and not either in whole or part by NSCC.

NSCC proposes to create a new Rule 54 (Trade Risk Pro) and Procedure XVII (Trade Risk Pro) to reflect the proposed rule changes described below. The proposed rule change also proposes to amend Rule 58 (Limitations of Liability) and to update Rule 1 (Definitions) to include definitions for RP Trade Data, RP Member-provided Data, and RP Transaction Data, as described more fully below.

#### 1. Establishing and Maintaining Risk Entities and Limits

As an initial step in using the Trade Risk Pro service, members would have to establish Risk Entities. These designations could include the trading activity of a single desk, a correspondent, a single clearing number within the member’s NSCC account structure, or the overall firm. The member could also look at a combination of entities or other recognized groups. Trade Risk Pro would provide members with the ability to create Risk Entities through the defining and updating of the data structure and relationships for the entities to which they assign a parameter or risk limit. The Risk Entity definitions entered by Members would drive position calculation and displays in Trade Risk Pro. Trade Risk Pro would provide Members with a facility to set share and dollar limits with respect to each Risk Entity at a gross and net level, and it may provide for additional limits as NSCC may determine from time to time are appropriate.

Each member may define the Risk Entities so that only trades that the member intended to belong to that Risk Entity are included through the use of trade arrays. For each trade, relevant data elements to create a trade array may include: (i) The member’s account number(s), (ii) the executing broker, (iii) the submitting market or firm, and (iv) other categories as allowed by NSCC from time to time. Use of these elements will create an array so that each transaction would be assigned by virtue of the array to one or more Risk Entities. Users can assign multiple trade arrays to a single Risk Entity.

Upon implementation of the service, updates and changes made to Risk Entities by the member would take effect overnight with a cut-off time

designated by NSCC from time to time.<sup>6</sup> Although Trade Risk Pro would prohibit double counting of trades within the same Risk Entity, it is possible that two separate Risk Entities may contain defined elements as specified by the member that cause a specific trade to be included into both Risk Entities. Because Risk Entities would be defined by members, the members would control the ability to either uniquely define Risk Entities or create Risk Entities that intersect with one another.

#### 2. Limit Monitoring

As proposed, Trade Risk Pro would aggregate and make available position information for purposes of the member’s limit monitoring. The aggregate data would be the sum of RP Member-provided data and RP Trade Date Data, with the aggregated data defined as RP Transaction Data in NSCC’s Rules and Procedures. Under the proposal, RP Trade Date Data, RP Member-provided Data, and other relevant data would be aggregated and sorted, and the data would then be displayed to the member. The display may include shares and values on a gross or net basis or any other total aggregation and sorting methods as NSCC may from time to time make available to members. RP Trade Date Data would be carried at contract amount unless another pricing method is implemented by NSCC. RP Member-provided Data would be priced according to information provided by the member.

Intraday allocations in the settlement system would not be taken into consideration as they are not fully effective until money settlement completes (after the day cycle). The totals would be compared to the parameters set by the members, and the members would be alerted to breaches based upon their set parameters. The alerts may take the form of visual screen changes or other notification methods. The service would also provide updated information when the alert is resolved (*i.e.*, when the Risk Entity is within the relevant limit say, for example, as a result of an offsetting transaction reducing the position or the participant raises the limit for a Risk Entity). Information such as alert history, members’ Risk Entity definitions, end of day positions, and other data that NSCC provides from time to time will be supplied to members in an end of day report.

<sup>6</sup> NSCC may eventually, at its discretion, provide for real-time updates post-implementation.

### 3. No Effect on Trade Guaranty and Other Considerations

The proposed rule change would provide that any reports and data supplied to members through Trade Risk Pro is not intended to impact the timing or status of the guaranty of any transaction in CNS or Balance Order Securities. In addition, the issuance of information or data through Trade Risk Pro to Member or the lack of the issuance of information would not of itself indicate or have any bearing on the status of any trade, including but not limited to, as compared, locked-in, validated, guaranteed or not guaranteed.

### 4. Limitation of Liability

Trade Risk Pro provides members with a facility to review and monitor trade activity in a manner they select, including providing members with the ability to populate the service (but not limited to the ability to input or load positions), define Risk Entities and set limits, and receive alerts and position data of their choosing. Since NSCC is not the originator of information made available through Trade Risk Pro, NSCC proposes to make clear that it is not responsible for the completeness or accuracy of Trade Date Data or other information or data which it receives from members or third parties used in offering the Trade Risk Pro service, for information or data that is received and compared or recorded by NSCC, or for any errors, omissions, or delays which may occur in the transmission of such data or information. In addition, because not all transactions are submitted to NSCC on a real-time basis, thus NSCC can only provide members using the service with Trade Date Data as it is compared or recorded. Accordingly, members should be aware that such Trade Date Data may not be complete.

### 5. Indemnification

Since each member may use the information for purposes of its own discretion, the proposed rule change would provide that any member participating in Trade Risk Pro shall indemnify NSCC and any or all of its employees, officers, directors, shareholders, agents, and participants who may sustain any loss, liability or expense as a result of a third party claim related to any act or omission of the member made in reliance upon data or information transmitted through Trade Risk Pro by NSCC to the Member.

### 6. Implementation Time Frame

Subject to regulatory approval, NSCC is proposing to implement the above changes during the first quarter of 2012

or soon thereafter. Upon Commission approval of this proposed rule change, the actual implementation date will be announced to members through an Important Notice. NSCC is also proposing to implement a pilot program of the service among a limited number of members in November 2011.

### (2) Statutory Basis

The proposed rule change is consistent with the requirements of the Act and the rules and regulations thereunder applicable to NSCC because as proposed Trade Risk Pro should provide NSCC members with mechanism to monitor post-trade activity on an intraday basis and thereby allow for enhanced risk management by those members. By providing for enhanced risk management, the proposed rule change should better facilitate the prompt and accurate clearance and settlement of securities transactions. In addition, the proposal is consistent with the Recommendations for Central Counterparties of the Committee on Payment and Settlement Systems and the Technical Committee of the International Organization of Securities Commissions in that it provides members with a tool for the measurement and management of credit exposures and thus provides enhanced transparency to members with respect to their transactions submitted to NSCC.

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

NSCC does not believe that the proposed rule change would impose any burden on competition.

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

Written comments relating to the proposed rule change have not been solicited NSCC.

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

Within forty-five 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 ninety 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 the 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 email to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include File Number SR-NSCC-2011-10 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 submission should refer to File Number SR-NSCC-2011-10. 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 Section, 100 F Street NE., Washington, DC 20549-1090, on official business days between the hours of 10 a.m. and 3 p.m. Copies of such filings will also be available for inspection and copying at the principal office of NSCC and on NSCC's Web site at [http://www.dtcc.com/downloads/legal/rule\\_filings/2011/nsc/2011-10.pdf](http://www.dtcc.com/downloads/legal/rule_filings/2011/nsc/2011-10.pdf). 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-NSCC-2011-10 and should be submitted on or before December 16, 2011.

For the Commission by the Division of Trading and Markets, pursuant to delegated authority.<sup>7</sup>

Kevin M. O'Neill,

Deputy Secretary.

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-65790; File No. SR-Phlx-2011-150]

### Self-Regulatory Organizations; NASDAQ OMX PHLX LLC; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change To Reduce Transaction Fees for Members Engaging in Certain Accommodation Transactions

November 18, 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 November 7, 2011, NASDAQ OMX PHLX LLC ("Phlx" or "Exchange") 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 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 Fee Schedule to adopt a transaction fee for members transacting certain Accommodation Transactions, specifically cabinet trading.<sup>3</sup>

While changes to the Fee Schedule pursuant to this proposal are effective upon filing, the Exchange has designated these changes to be operative on December 1, 2011.

The text of the proposed rule change is available on the Exchange's Web site at <http://nasdaqtrader.com/micro.aspx?id=PHLXfilings>, 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 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 purpose of the proposed rule change is to create a new fee for equity options transactions executed pursuant to Exchange Rule 1059 entitled "Accommodation Trading." Cabinet or accommodation trading of option contracts is intended to accommodate persons wishing to effect closing transactions in those series of options dealt in on the Exchange for which there is no auction market.<sup>4</sup> Currently, the fees which members are assessed when transacting cabinet trades are the standard equity option fees.<sup>5</sup> The Exchange believes that the proposed fee reduction will encourage members to transact cabinet trades on the Exchange.

The Exchange is proposing to reduce transaction fees to \$.10 per contract for Cabinet Trades which occur pursuant to Rule 1059, for all participants, except Customers.<sup>6</sup> Specifically, the Exchange proposes to assess a \$.10 per contract transaction charge on Professionals,<sup>7</sup>

<sup>4</sup> On December 30, 2010, the Exchange extended a pilot program through December 1, 2011 to allow cabinet transactions to take place in open outcry at a price of at least \$0 but less than \$1 per option contract. These lower priced transactions are traded pursuant to the same procedures applicable to \$1 cabinet trades, except that pursuant to the pilot program (i) bids and offers for opening transactions are only permitted to accommodate closing transactions in order to limit use of the procedure to liquidations of existing positions, and (ii) the procedures are also made available for trading in options participating in the Penny Pilot Program. See Securities Exchange Act Release No. 64571 (May 31, 2011), 76 FR 32385 (June 6, 2011) (SR-Phlx-2011-72).

<sup>5</sup> The equity options fees are in Section II of the Fee Schedule.

<sup>6</sup> The Exchange is not proposing to otherwise amend its equity option fees.

<sup>7</sup> The term "professional" means any person or entity that (i) is not a broker or dealer in securities, and (ii) places more than 390 orders in listed options per day on average during a calendar month for its own beneficial account(s). See Rule 1000(b)(14).

Specialists,<sup>8</sup> Registered Options Traders,<sup>9</sup> SQTs,<sup>10</sup> RSQTs,<sup>11</sup> Broker-Dealers and Firms. Customers would continue to remain free of charge when transacting cabinet trades. Additionally, the Exchange currently waives the Firm equity options transaction fees for members executing facilitation orders pursuant to Exchange Rule 1064 when such members are trading in their own proprietary account.<sup>12</sup> Similar to the equity option fees, which are currently subject to the aforementioned waiver, the Exchange would continue to apply the waiver to members executing facilitation orders pursuant to Exchange Rule 1064 to cabinet trade equity option transactions.

In order to capture the necessary information electronically, the Exchange requires members to designate on the trade ticket that the option trade is a cabinet trade by entering the code, "Z5", on the trading ticket and into the system, or directly into the Floor Broker Management System ("FBMS").<sup>13</sup>

While changes to the Fee Schedule pursuant to this proposal are effective upon filing, the Exchange has

<sup>8</sup> A Specialist is an Exchange member who is registered as an options specialist pursuant to Rule 1020(a).

<sup>9</sup> A Registered Options Trader ("ROT") includes a Streaming Quote Trader ("SQT"), a Remote Streaming Quote Trader ("RSQT") and a Non-SQT, which by definition is neither a SQT or a RSQT. A Registered Option Trader is defined in Exchange Rule 1014(b) as a regular member or a foreign currency options participant of the Exchange located on the trading floor who has received permission from the Exchange to trade in options for his own account. See Exchange Rule 1014 (b)(i) and (ii).

<sup>10</sup> An SQT is defined in Exchange Rule 1014(b)(ii)(A) as an ROT who has received permission from the Exchange to generate and submit option quotations electronically in options to which such SQT is assigned.

<sup>11</sup> An RSQT is defined Exchange Rule in 1014(b)(ii)(B) as an ROT that is a member or member organization with no physical trading floor presence who has received permission from the Exchange to generate and submit option quotations electronically in options to which such RSQT has been assigned. An RSQT may only submit such quotations electronically from off the floor of the Exchange.

<sup>12</sup> The waiver does not apply to orders where a member is acting as agent on behalf of a non-member. See Securities Exchange Act Release No. 60477 (August 11, 2009), 74 FR 41777 (August 18, 2009) (SR-Phlx-2009-67).

<sup>13</sup> FBMS is designed to enable Floor Brokers and/or their employees to enter, route and report transactions stemming from options orders received on the Exchange. FBMS also is designed to establish an electronic audit trail for options orders represented and executed by Floor Brokers on the Exchange, such that the audit trail provides an accurate, time-sequenced record of electronic and other orders, quotations and transactions on the Exchange, beginning with the receipt of an order by the Exchange, and further documenting the life of the order through the process of execution, partial execution, or cancellation of that order. See Exchange Rule 1080, Commentary .06.

<sup>7</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> An "accommodation" or "cabinet" trade refers to trades in listed options on the Exchange that are worthless or not actively traded. Cabinet trading is generally conducted in accordance with Exchange Rules, except as provided in Exchange Rule 1059 entitled "Accommodation Trading", which sets forth specific procedures for engaging in cabinet trading below \$1 per option contract.