

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 filings also will 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/2010/nsc/2010-04.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-2010-04 and should be submitted on or before April 23, 2010.

For the Commission by the Division of Trading and Markets, pursuant to delegated authority.⁹

Florence E. Harmon,
Deputy Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-61796; File No. SR-Phlx-2010-20]

Self-Regulatory Organizations; NASDAQ OMX PHLX, Inc.; Order Granting Approval of Proposed Rule Change To Expand the Number of Components in the PHLX Semiconductor SectorSM Known as SOXSM, on Which Options are Listed and Traded

March 29, 2010.

On February 2, 2010, NASDAQ OMX PHLX, Inc. ("Phlx" or "Exchange") filed

with the Securities and Exchange Commission ("Commission") a proposed rule change pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act")¹ and Rule 19b-4² thereunder to expand the number of components in the PHLX Semiconductor SectorSM known as SOXSM, on which options are listed and traded.³ The proposed rule change was published for comment in the **Federal Register** on February 25, 2010 for a 21-day comment period.⁴ The Commission received no comment letters regarding the proposal. This order approves the proposed rule change.

SOX is a modified market capitalization-weighted index composed of twenty-one companies primarily involved in the design, distribution, manufacture, and sale of semiconductors, and is one of several narrow-based sector indexes on which options are listed and traded on the Exchange. Options on the SOX index are currently listed pursuant to "generic" initial listing and maintenance standards in Phlx Rule 1009A for narrow-based indexes.⁵ The Exchange proposes to expand the number of components in the SOX index to thirty. The Exchange represents that the expanded SOX index would continue to meet all the index maintenance requirements in subsection (c) of Rule 1009A applicable to options on narrow-based indexes, except subsection (c)(2), which indicates that the total number of component securities in the index may not increase or decrease by more than 33 $\frac{1}{3}$ % from the total number of securities in the index at the time of its initial listing.

After careful consideration, the Commission finds that the proposed rule change is consistent with the requirements of the Act and the rules and regulations thereunder applicable to a national securities exchange⁶ and, in particular, the requirements of Section 6 of the Act.⁷ Specifically, the Commission finds that the proposed

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ PHLX Semiconductor SectorSM may also be known as PHLX Semiconductor Index or PHLX Semiconductor SectorSM Index.

⁴ See Securities Exchange Act Release No. 61539 (February 18, 2010), 75 FR 8765 ("Notice").

⁵ A narrow-based index or industry index is defined as: An index designed to be representative of a particular industry or a group of related industries. The term "narrow-based index" includes indices the constituents of which are all headquartered within a single country. See Phlx Rule 1000A(b)(12).

⁶ In approving this proposed rule change, the Commission has considered the proposed rule's impact on efficiency, competition, and capital formation. 15 U.S.C. 78c(f).

⁷ 15 U.S.C. 78f.

rule change is consistent with Section 6(b)(5) of the Act,⁸ which requires, among other things, that the rules of a national securities exchange be 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 mechanisms of a free and open market and a national market system.

Listing and Trading of Options on the SOX Index

As set out more fully in the Notice, Phlx has represented that options on an expanded thirty-component SOX index would continue to meet all of the initial and maintenance generic index listing standards contained in Sections (b) and (c) of Phlx Rule 1009A except subsection (c)(2) of Phlx Rule 1009A. Subsection (c)(2) of Phlx Rule 1009A only permits a maximum increase of 33 $\frac{1}{3}$ % from the total number of securities in the index at the time of its initial listing, *i.e.*, an increase to 28 components, whereas Phlx proposes an increase to 30 components. Additionally, the Exchange has represented that no other changes are being made to the SOX index as it currently exists. Based on these representations, the Commission believes that the proposed expansion to the SOX index is appropriate and that Phlx should continue to be able to list and trade options on the SOX index.

Surveillance

The Commission notes that the Exchange has represented that it has an adequate surveillance program in place for options traded on the proposed expanded SOX index and intends to apply those same program procedures that it applies to the Exchange's current SOX options and other index options. Additionally, the Exchange is a member of the Intermarket Surveillance Group ("ISG") under the Intermarket Surveillance Group Agreement, dated June 20, 1994.⁹ In addition, the major futures exchanges are affiliated members of the ISG, which allows for the sharing of surveillance information for potential intermarket trading abuses. The Exchange also represented that it has the necessary systems capacity to continue to support listing and trading

⁸ 15 U.S.C. 78f(b)(5).

⁹ A list of the current members and affiliate members of ISG can be found at <http://www.isgportal.com>.

⁹ 17 CFR 200.30-3(a)(12).

SOX options. This order is based on these representations.

It is therefore ordered, pursuant to Section 19(b)(2) of the Act,¹⁰ that the proposed rule change (SR-Phlx-2010-20) is hereby approved.

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

Florence E. Harmon,

Deputy Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-61785; File No. SR-CBOE-2010-021]

Self-Regulatory Organizations; Chicago Board Options Exchange, Incorporated; Notice of Proposed Rule Change Relating to Correlated Instrument Delta Hedge Exemption

March 25, 2010.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)¹ and Rule 19b-4 thereunder,² notice is hereby given that on March 19, 2010, the Chicago Board Options Exchange, Incorporated (“Exchange” or “CBOE”) 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

CBOE proposes to (i) expand the delta hedging exemption available for equity options position limits, (ii) amend the reporting requirements applicable to members relying on the delta hedging exemption, and (iii) adopt a delta hedging exemption from certain index options position limits. The text of the rule proposal is available on the Exchange’s Web site (<http://www.cboe.org/legal>), at the Exchange’s Office of the Secretary and at the Commission.

¹⁰ 15 U.S.C. 78s(b)(2).

¹¹ 17 CFR 200.30-3(a)(12).

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

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

I. Expansion of Delta-Based Equity Hedge Exemption

On December 14, 2007,³ the Commission approved a proposed rule change establishing an exemption from equity options position and exercise limits for positions held by CBOE members, and certain of their affiliates, that are “delta neutral”⁴ under a “permitted pricing model”⁵, subject to certain conditions (“Exemption”).

The “options contract equivalent of the net delta” of a hedged equity option position is subject to the position limits under Rule 4.11, subject to the availability of other exemptions.⁶ Currently, the Exemption only is available for securities that directly underlie the applicable option position. This means that with respect to options on exchange-traded funds (“ETF

³ See Securities Exchange Act Release No. 56970 (December 14, 2007), 72 FR 72428 (December 20, 2007). The exemption was extended to certain customers whose accounts are carried by a member. See Securities Exchange Act Release No. 60555 (August 21, 2009), 74 FR 43741 (August 27, 2009).

⁴ The term “delta neutral” is defined in Rule 4.11.04(c)(A) as referring to an equity option position that is hedged, in accordance with a permitted pricing model, by a position in the underlying security or one or more instruments relating to the underlying security, for the purpose of offsetting the risk that the value of the option position will change with incremental changes in the price of the security underlying the option position.

⁵ Permitted pricing model is defined in Rule 4.11.04(c)(C).

⁶ The term “options contract equivalent of the net delta” is defined in Rule 4.11.04(c)(B) as the net delta divided by the number of shares underlying the option contract. The term “net delta” is defined in the same rule to mean, at any time, the number of shares (either long or short) required to offset the risk that the value of an equity option position will change with incremental changes in the price of the security underlying the option position, as determined in accordance with a permitted pricing model.

options”), index options overlying the same index on which the ETF is based currently cannot be combined with the ETF options to calculate a net delta for purposes of the Exemption.

Many ETF options overlie exchange-traded funds that track the performance of an index. For example, options on Standard & Poor’s Depository Receipts (“SPY”) track the performance of the S&P 500 index. Market participants often hedge SPY options with options on the S&P 500 Index (“SPX options”) or with other financial instruments based on the S&P 500 Index for risk management purposes. The Exchange believes that in order for eligible market participants to more fully benefit from the Exemption as it relates to ETF options, securities and other instruments that are based on the same underlying ETF or the same index on which the ETF is based should also be included in any determination of an ETF option position’s net delta or whether the options position is hedged delta neutral.⁷

Accordingly, the Exchange proposes to expand the Exemption by amending Rule 4.11.04(c)(A) to permit equity option positions for which the underlying security is an ETF that is based on the same index as an index option to be combined with an index option position for calculation of the delta-based equity hedge exemption. The proposed rule would allow financial products such as securities index options, index futures, and options on index futures to be included along with the ETF in an equity option’s net delta calculation. So for example, the proposed rule would allow SPY options to be hedged not only with SPY shares, but with S&P 500 options, S&P 500 futures, options on S&P 500 futures or any other instrument that tracks the performance of or is based on the S&P 500 index. This would be accomplished by including such positions with a related index option position in accordance with the Delta-Based Index Hedge Exemption rule proposed below.

Index options and equity options (*i.e.*, ETF options) that are eligible to be combined for computing a delta-based hedge exemption, along with all securities and/or other instruments that are based on or track the performance of the same underlying security or index, will be grouped and the net delta and options contract equivalent of the net delta will be calculated for each respective option class based on offsets realized from the grouping as a whole.

⁷ However, this would not include baskets of securities for purposes of the Exemption.