For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.[16]

Cathy H. Ahn,

Deputy Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–64158; File No. SR–NSX–2011–03]

Self-Regulatory Organizations; National Stock Exchange, Inc.; Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Enable the Use of a Replace Message To Modify the Display Quantity of a Reserve Order, and Certain Other Conforming Changes to Exchange Rules

March 31, 2011.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the "Act")[1] and Rule 19b–4 thereunder,[2] notice is hereby given that, on March 30, 2011, National Stock Exchange, Inc. filed with the Securities and Exchange Commission (the "Commission") the proposed rule change as described in Items I and II 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

National Stock Exchange, Inc. ("NSX®" or "Exchange") is proposing to enable a Replace Message to be used to modify the display quantity of a Reserve Order (as defined in Rule 11.11(c)(2)), and proposes certain other conforming changes to its rules.

The text of the proposed rule change is available on the Exchange's Web site at *http://www.nsx.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 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

With this rule change, the Exchange is proposing to enable the Replace Message under NSX Rule 11.11(d) to be used to modify the display quantity of a Reserve Order (as defined in Rule 11.11(c)(2)). In addition, certain conforming modifications to the text and interpretation of Rule 11.14(a)(2) are proposed.

The proposed rule change would allow the Exchange's current "Cancel/Replace" order modifier functionality under Rule 11.11(d) to apply to the display quantity of Reserve Orders (such field being Tag 111 [3]). Currently, the Cancel/Replace functionality under Rule 11.11(d)(iii) allows only an adjustment to an order's price and quantity. As applied to Reserve Orders, the Exchange's trading system currently allows a Replace Message to be used to adjust only the reserve quantity, but not the display quantity. The proposed rule change would allow ETP Holders the ability to use the Replace Message to also adjust the display quantity of Reserve Orders (the Tag 111 field). Under the proposed rule change, the Replace Message could adjust both the display and non-display portion of a Reserve Order, including where the aggregate size of the order remains unchanged. Accordingly, the instant rule filing proposes to add an explanatory "Interpretation and Policy" to Rule 11.11(d) to clarify that the term "quantity term" in Rule 11.11(d)(iii) shall include either, or both, the display and non-display portion of a Reserve Order, including in cases where the aggregate size of the Reserve Order is not changed. The identical use of the Replace Message to adjust the Tag 111 field is similarly offered by at least one other exchange.[4]

The instant rule change also proposes to modify the language of NSX Rule 11.14 (Priority of Orders) with respect to how the use of cancel/replace affects an order's priority. The instant rule filing modifies Rule 11.14(a)(2) to provide that, where the quantity of an order has been reduced pursuant to a Replace Message, such order maintains price/time priority. This constitutes no changes to current Exchange system practice and is consistent with the trading systems of other markets.[5] An Interpretation and Policy is also proposed to be added to rule 11.14 to clarify how a Reserve Order's priority is impacted by quantity adjustments (to either the display or the non-display portion) through use of a Replace Message. Specifically, Interpretation and Policy .01 provides that a Replace Message's size decrement of a Reserve Order's display quantity (Tag 111) will not affect the order's priority only if total order size remains the same or decreases. Similarly, a Replace Message size decrement of a Reserve Order's total quantity will not affect the order's priority only if the display quantity also remains constant or decreases. Any increase in size of either the display portion or the total size of a Reserve Order will result in a new timestamp and cause that order to lose time priority.

The following chart summarizes the above-described impact on a Reserve Order's time priority, if any, due to the use of a Replace Message to adjust the quantity.

	Display qty (Tag 111) increases	Display qty (Tag 111) decreases	Display qty (Tag 111) same
Total Order Qty Increases	Lose Book Priority	Lose Book Priority	Lose Book Priority.
Total Order Qty Decreases	Lose Book Priority	Maintain Book Priority	Maintain Book Priority.
Total Order Qty Same	Lose Book Priority	Maintain Book Priority.	n/a.

[16] 17 CFR 200.30–3(a)(12).

[1] 15 U.S.C. 78s(b)(1).

[2] 17 CFR 240.19b–4.

[3] Tag 111, also known as Max Floor, is a standard FIX protocol.

[4] *See* DirectEdge (EDGA and EDGX) Rule 11.5(e) and DirectEdge FIX Specifications Version 1.11 (*http://www.directedge.com/Portals/0/docs/Direct%20Edge%20Next%20Gen%20FIX%20Manual.pdf*), at section 3.6.2 (providing that the Cancel/Replace functionality may be used to modify tag 111 (the displayed quantity of a Reserve Order)). The Exchange notes that, unlike the text of the cancel/replace rules of DirectEdge, the use of the Replace Message to adjust Tag 111 under the instant rule filing is proposed to be reflected in an Interpretation and Policy to NSX Rule 11.11(e) and not only in the Exchange's FIX specification.

[5] BATS (BZX and BYX) Rule 11.12(a)(3). *See also* DirectEdge (EDGA and EDGX) Rule 11.8(a)(4); Arca Rule 7.36(a)(3); and CBOE Rule 52.1(e).

The following examples illustrate the effect on a Reserve Order's time priority, if any, due to the use of a Replace Message to adjust the quantity. Each example assumes ETP Holder A has a first-in-time priority resting Reserve Order to sell 1000 shares total, with a display quantity of 500 (denoted as "1000/500").

Example 1 (Tag 111 Increases, Total Order Increases):

ETP Holder A submits a Replace Message to adjust quantity to 1100/600.

Example 1 Result: The order loses time priority because display quantity is increased.

Example 2 (Tag 111 Increases, Total Order Decreases):

ETP Holder A submits a Replace Message to adjust quantity to 900/600.

Example 2 Result: The order loses time priority because display quantity is increased, notwithstanding that total quantity is decreased.

Example 3 (Tag 111 Increases, Total Order Remains Same):

ETP Holder A submits a Replace Message to adjust quantity to 1000/600.

Example 3 Result: The order loses time priority because display quantity is increased, notwithstanding that total quantity remains the same.

Example 4 (Tag 111 Decreases, Total Order Increases):

ETP Holder A submits a Replace Message to adjust quantity to 1100/300.

Example 4 Result: The order loses time priority because total quantity is increased, notwithstanding that display quantity is decreased.

Example 5 (Tag 111 Decreases, Total Order Decreases):

ETP Holder A submits a Replace Message to adjust quantity to 800/400.

Example 5 Result: The order's time priority is maintained because display quantity is decreased and total quantity is not increased.

Example 6 (Tag 111 Decreases, Total Order Remains Same):

ETP Holder A submits a Replace Message to adjust quantity to 1000/400.

Example 6 Result: The order's time priority is maintained because display quantity is decreased and total quantity is not increased.

Example 7 (Tag 111 Remains Same, Total Order Increases):

ETP Holder A submits a Replace Message to adjust quantity to 1100/500.

Example 7 Result: The order loses time priority because total quantity is increased, notwithstanding that display quantity remains the same.

Example 8 (Tag 111 Remains Same, Total Order Decreases):

ETP Holder A submits a Replace Message to adjust quantity to 900/500.

Example 8 Result: The order's time priority is maintained because display quantity remains the same and total quantity is decreased.

2. Statutory Basis

The Exchange believes that the proposed rule change is consistent with the provisions of Section 6(b) of the Act,[6] in general, and Section 6(b)(5) of the Act,[7] in particular, in that it is designed, among other things, to promote clarity, transparency and full disclosure, in so doing, to prevent fraudulent and manipulative acts and practices, 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 rule change advances these objectives by making available to ETP Holders an order modifier that is currently in use elsewhere within the national market system and by clarifying order priority.[8] Moreover, the proposed rule change is not discriminatory in that it applies equally to those ETP Holders that choose to utilize such functionality.

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

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

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

The Exchange has neither solicited nor received written comments on the proposed rule change.

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

Because the foregoing proposed rule change does not: (i) Significantly affect the protection of investors or the public interest; (ii) impose any significant burden on competition; and (iii) become operative for 30 days from the date on which it was filed, or such shorter time as the Commission may designate, it has become effective pursuant to 19(b)(3)(A) of the Act[9] and Rule 19b–4(f)(6) thereunder.[10]

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 e-mail to *rule-comments@sec.gov.* Please include File Number SR–NSX–2011–03 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–NSX–2011–03. 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

[6] 15 U.S.C. 78f(b).

[7] 15 U.S.C. 78f(b)(5).

[8] *See supra,* footnotes 2 and 3 [sic].

[9] 15 U.S.C. 78s(b)(3)(A).

[10] 17 CFR 240.19b–4(f)(6). 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. NSX has satisfied this requirement.

identifying information from submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR–NSX–2011–03 and should be submitted on or before April 27, 2011.

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

Cathy H. Ahn,

Deputy Secretary.

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[11] 17 CFR 200.30–3(a)(12).

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–64154; File No. SR–ODD–2011–02]

Self-Regulatory Organizations; the Options Clearing Corporation; Order Granting Approval of Accelerated Delivery of Supplement to the Options Disclosure Document Reflecting Certain Changes to Disclosure Regarding Variability Index Options and Relative Performance Index Options and Amendment to the Options Disclosure Document Inside Front Cover

March 31, 2011.

On May 21, 2010, the Options Clearing Corporation ("OCC") submitted to the Securities and Exchange Commission (" Commission"), pursuant to Rule 9b–1 under the Securities Exchange Act of 1934 ("Act"),[1] five preliminary copies of a supplement to amend its options disclosure document ("ODD") to reflect certain changes to disclosure regarding variability index options.[2] On January 20, 2011, the OCC submitted to the Commission five preliminary copies of a supplement to amend its ODD to add disclosure regarding relative performance index options.[3] The OCC is also updating the front inside cover page of the ODD so that it contains a current list of the U.S. exchanges that trade options issued by the OCC, and the current names and corporate addresses of these options exchanges. On March 16, 2011, the OCC submitted to the Commission five definitive copies of the March 2011 Supplement[4] to reflect all these changes, as described in more detail below.[5]

Variability Indexes

The ODD currently contains general disclosures on the characteristics and risks of trading standardized options on variability indexes. The current ODD states that variability indexes are indexes intended to measure the implied volatility, or the realized variance or volatility, of specified stock indexes. In May of 2010, the Commission approved the Chicago Board Options Exchange's ("CBOE") proposal to list and trade options on the CBOE Gold ETF Volatility Index.[6] The March 2011 Supplement amends disclosures in the ODD regarding variability index options to accommodate the listing and trading of options on the CBOE Gold ETF Volatility Index and similarly structured equity-based volatility indexes that are intended to measure the volatility of a single reference security. Specifically, the proposed March 2011 Supplement amends the discussion of variability index options to provide disclosure regarding the characteristics of options on equity-based volatility indexes[7] and their special risks.

Relative Performance Indexes

Currently, the ODD states that indexes that may underlie options include stock indexes, variability indexes, strategy-based indexes, and dividend indexes. Recently, the Commission approved the NASDAQ OMX PHLX LLC's ("Phlx") proposal to list and trade Alpha Index options.[8] Alpha Indexes measure the relative total return of one stock and one exchange-traded fund share. The proposed March 2011 Supplement amends disclosures in the ODD to add relative performance indexes as a type of index that can underlie an option in order to accommodate the listing and trading of options on the Alpha Index and similarly structured relative performance indexes.[9] Specifically, the proposed March 2011 Supplement adds new disclosure regarding the characteristics of options on relative performance indexes and their special risks. The Commission notes that the intent of this proposed March 2011 Supplement is to provide disclosure for relative performance options on indexes of which both index components are equity securities, and one of which could be a fund share.

Inside Cover of ODD

Lastly, the March 2011 Supplement amends the ODD to revise the inside front cover page. The revisions are as follows: (1) Adding the C2 Options Exchange, Incorporated and its corporate address to the inside front cover of the ODD; (2) updating Phlx's name to incorporate the Phlx's recent conversion to a limited liability company; and (3) to reflect NASDAQ OMX BX's recent change in corporate address. These changes will ensure that the ODD accurately identifies the markets on which options currently trade and accurately reflects the corporate name and address of those entities.

The proposed supplement is intended to be read in conjunction with the more general ODD, which discusses the characteristics and risks of options generally.[10] Rule 9b–1(b)(2)(i) under the Act[11] provides that an options market must file five copies of an amendment or supplement to the ODD with the

[1] 17 CFR 240.9b–1.

[2] *See* letter from Jean M. Cawley, Senior Vice President and Deputy General Counsel, OCC, to Sharon Lawson, Senior Special Counsel, Division of Trading and Markets ("Division"), Commission, dated May 20, 2010.

[3] *See* letter from Jean M. Cawley, Senior Vice President and Deputy General Counsel, OCC, to Sharon Lawson, Senior Special Counsel, Division, Commission, dated January 19, 2011.

[4] *See* letter from Jean M. Cawley, Senior Vice President and Deputy General Counsel, OCC, to Sharon Lawson, Senior Special Counsel, Division, Commission, dated March 15, 2011.

[5] The proposed March 2011 Supplement to the ODD amends the February 1994 version of the booklet entitled "Characteristics and Risks of Standardized Options," and portions of the May 2007, June 2008, December 2009 and May 2010 Supplements.

[6] *See* Securities Exchange Act Release No. 62139 (May 19, 2010), 75 FR 29597 (May 26, 2010) (SR–CBOE–2010–018) (order approving CBOE's proposed rules to list and trade CBOE Gold ETF Volatility Index options).

[7] For purposes of the ODD, the disclosure will make clear that an equity-based volatility index measures the implied volatility, or the realized variance or volatility of a specified reference security.

[8] *See* Securities Exchange Act Release No. 63860 (February 7, 2011), 76 FR 7888 (February 11, 2011) (SR–Phlx–2010–176) (order approving Phlx's proposed rules to list and trade Alpha Index options).

[9] For purposes of the ODD, relative performance indexes are a special type of strategy-based indexes that measure the relative performance—generally the relative total return—of two index components (the target component and the benchmark component). The index is calculated by measuring the total return of the target component relative to the total return of the benchmark component. The index will rise as and to the extent that the target component outperforms the benchmark component, and will fall as and to the extent that the opposite occurs. As stated in the March 2011 Supplement, as of the date of this Supplement, the only relative performance options approved for trading are options on indexes of which both index components are equity securities, and one of which could be a fund share.

[10] The Commission notes that the options markets must continue to ensure that the ODD is in compliance with the requirements of Rule 9b–1(b)(2)(i) under the Act, 17 CFR 240.9b–1(b)(2)(i), including when changes regarding variability index options and relative performance index options are made in the future. Any future changes to the rules of the options markets concerning variability index options and relative performance index options would need to be submitted to the Commission under Section 19(b) of the Act. 15 U.S.C. 78s(b).

[11] 17 CFR 240.9b–1(b)(2)(i).