SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-63654; File No. SR-Phlx-2010-158)

January 6, 2011

Self-Regulatory Organizations; NASDAQ OMX PHLX LLC; Order Granting Approval of Proposed Rule Change Establishing a $5 Strike Price Program

I. Introduction

On November 12, 2010, NASDAQ OMX PHLX LLC ("Phlx" or "Exchange") filed with the Securities and Exchange Commission ("Commission"), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act")[1] and Rule 19b-4 thereunder,[2] a proposed rule change to allow the Exchange to list and trade option series with strike price intervals of $5 or greater where the strike price is more than $200 in up to five option classes on individual stocks. The proposed rule change, as amended, was published for comment in the Federal Register on November 24, 2010.[3] The Commission received no comment letters on the proposal. This order approves the proposed rule change.

II. Description of the Proposal

Phlx has proposed to modify Commentary .05 to Exchange Rule 1012 to allow the Exchange to list and trade series in intervals of $5 or greater where the strike price is more than $200 in up to five option classes on individual stocks ("$5 Strike Price Program"). Currently, Exchange Rule 1012 at Commentary .05 permits strike price intervals of $10 or greater where

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

2 17 CFR 240.19b-4.

3 Securities Exchange Act Release No. 63339 (November 18, 2010), 75 FR 71771 ("Notice").

the strike price is $200 or more.[4] The proposal would allow the Exchange to list series in intervals of $5 or greater where the strike price is more than $200 in up to five option classes on individual stocks.

In support of its proposal, Phlx stated that it believes the proposed $5 Strike Price Program would provide investors increased opportunities to improve returns and manage risk in the trading of equity options that overlie high priced stocks. In addition, the Exchange believes the proposed $5 Strike Price Program would allow investors to establish equity options positions that are better tailored to meet their investment, trading, and risk management requirements.

Phlx further stated that it has analyzed its capacity and represented that the Exchange and the Options Price Reporting Authority have the necessary systems capacity to handle the potential additional traffic associated with the listing and trading of new series associated with the $5 Strike Price Program.

III. Discussion

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 exchange.[5] Specifically, the Commission finds that the proposal is consistent with Section 6(b)(5) of the Act,[6] which requires, among other things, that the rules of a national securities exchange be designed to promote just and equitable principles of trade, to prevent fraudulent and

4 Commentary .05 also permits strike price intervals of $5 or greater where the strike price is greater than $25 but less than $200; and $2.50 or greater where the strike price is $25 or less.

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

6 15 U.S.C. 78f(b)(5).

manipulative acts, 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.

As the Exchange notes, the proposal should provide investors with added flexibility in the trading of options on high-priced securities and allow investors to establish options positions that are more precisely tailored to meet their investment objectives. The Commission believes that the proposal strikes a reasonable balance between the Exchange's desire to accommodate market participants by offering a wider array of investment opportunities and the need to avoid unnecessary proliferation of options series and the corresponding increase in quotes and market fragmentation. The Commission expects the Exchange to monitor the trading volume associated with the additional options series listed as a result of this proposal and the effect of these additional series on market fragmentation and on the capacity of the Exchange's, OPRA's, and vendors' automated systems.

In addition, the Commission notes that Phlx has represented that it believes the Exchange and the Options Price Reporting Authority have the necessary systems capacity to handle the additional traffic associated with the newly permitted listings.

IV. Conclusion

IT IS THEREFORE ORDERED, pursuant to Section 19(b)(2) of the Act,[7] that the proposed rule change (SR-Phlx-2010-158) be, and it hereby is, approved.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.[8]

Elizabeth M. Murphy
Secretary

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[7] 15 U.S.C. 78s(b)(2).

[8] 17 CFR 200.30-3(a)(12).