

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-64294; File No. SR-Phlx-2011-53)

April 13, 2011

Self-Regulatory Organizations; Notice of Filing and Immediate Effectiveness of
Proposed Rule Change by NASDAQ OMX PHLX LLC Relating to Amending the
Option Floor Procedures Advice F-14 Regarding Executing Hedge and Synthetic Options
Orders Containing Stock Components

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),¹ and Rule 19b-4² thereunder, notice is hereby given that on April 8, 2011, NASDAQ OMX PHLX LLC ("Phlx" or "Exchange") filed with the Securities and Exchange Commission ("SEC" or "Commission") the proposed rule change as described in Items I and II below, which Items have been prepared by the Exchange. The Exchange filed the proposal pursuant to Section 19(b)(3)(A) of the Act³ and Rule 19b-4(f)(6) thereunder.⁴ 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 Option Floor Procedures Advice F-14 regarding executing hedge and synthetic options orders containing stock components.

The text of the proposed rule change is available on the Exchange's Website at <http://www.nasdaqtrader.com/micro.aspx?id=PHLXRulefilings>, at the principal office of the Exchange, and at the Commission's Public Reference Room.

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ 15 U.S.C. 78s(b)(3)(A).

⁴ 17 CFR 240.19b-4(f)(6).

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 amend the Exchange’s Option Floor Procedures Advice F-14 (the “OFPA F-14”) regarding executing hedge and synthetic options orders containing stock components. Specifically, the Exchange proposes to modify the requirement that once the credit or debit execution price to a hedge or synthetic options order is agreed upon, the stock portion of the order must be effected **prior to** the execution of the option portion.⁵ Instead, the Exchange proposes to require that the stock portion of the order, if any, must be executed **at or near the same time as** the options portion.

The qualified contingent trade exemption (“QCT Exemption”)⁶ exempts the component orders of a qualified contingent trade (“QCT”) from the trade [sic] provisions of Rule 611 of Regulation NMS.⁷ As provided in the QCT Exempt [sic] Order, a QCT is

⁵ See Options Floor Procedures Advice F-14(d).

⁶ See Securities Exchange Act Release No. 54389 (August 31), 71 FR 52829 (September 7, 2006), amended by Securities Exchange Act Release No. 57620 (April 4, 2008), 73 FR 19271 (September 7, 2006)(“QCT Exemption Order”).

⁷ 17 CFR 242.611.

a transaction that consists of two or more component orders that satisfy the requirements of a QCT in the QCT Exemption Order. In the QCT Exemption Order, the definition of a QCT requires that the execution of one component is contingent upon the execution of all components at or near the same time.

Currently, OFPA F-14 provides that the stock portion of the hedge or synthetic options order must be executed prior to the options portion of the order. The Exchange proposes to amend OFPA F-14 to more closely align OFPA F-14 with the language of the QCT Exemption by stating the stock portion of a hedge or synthetic options order must trade at or near the same time as the options order. The Exchange notes that compliance with OFPA F-14, by itself, is not sufficient to qualify for the QCT Exemption. A transaction must satisfy all the requirements of the QCT Exemption Order to qualify for the QCT Exemption. The Exchange notes that the proposed amendment to OFPA F-14 does not modify the terms of Exchange Rule 1064, Commentary .04 in that the members must continue to comply with all procedures concerning tied hedge orders.⁸

2. Statutory Basis

⁸ A tied hedge order is an options order that is tied to a hedge transaction as defined in Commentary .04 to rule 1064, following the receipt of an options order in a class determined by the Exchange as eligible for “tied hedge” transactions. See Exchange Rule 1066(f)(4). Commentary .04 to Rule 1064 further states that Rule 1064(d) does not prohibit a member or member organization from buying or selling a stock, security futures or futures position following receipt of an option order, including a complex order, but prior to announcing such order to the trading crowd, provided that, among other things, all tied hedge transactions (regardless of whether the option order is a simple or complex order) are treated the same as complex orders for purposes of the Exchange's open outcry allocation and reporting procedures. Tied hedge transactions are subject to the existing NBBO trade-through requirements for options and stock, as applicable, and may qualify for various exceptions; however, when the option order is a simple order the execution of the option leg of a tied hedge transaction does not qualify it for any NBBO trade-through exception for a Complex Trade.

The Exchange believes that its proposal is consistent with Section 6(b) of the Act⁹ in general, and furthers the objectives of Section 6(b)(5) of the Act¹⁰ in particular, in that it is designed 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 by deleting obsolete language that is relied upon to execute orders that are outside the PHLX market. Modifying OFPA F-14 as proposed will promote efficiency, eliminate confusion and prevent potential trade-through violations within the marketplace

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 not necessary or appropriate in furtherance of the purposes of the Act.

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

No written comments were either solicited or received.

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

The Exchange has designated the proposed rule change as one that 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, if consistent with the protection of investors and the public interest. Therefore, the

⁹ 15 U.S.C. 78f(b).

¹⁰ 15 U.S.C. 78f(b)(5).

proposed rule change has become effective pursuant to Section 19(b)(3)(A) of the Act¹¹ and Rule 19b-4(f)(6) thereunder.¹²

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-Phlx-2011-53 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.

¹¹ 15 U.S.C. 78s(b)(3)(A).

¹² 17 CFR 240.19b-4(f)(6). Rule 19b-4(f)(6)(iii) also requires the self-regulatory organization to provide the Commission with written notice of its intent to file the proposed rule change, along with a brief description and text of 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. The Exchange satisfied this requirement.

All submissions should refer to File Number SR-Phlx-2011-53. 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 website (<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 website viewing and printing in the Commission's Public Reference Room on official business days between the hours of 10:00 a.m. and 3:00 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 available publicly. All submissions should refer to File Number SR-Phlx-2011-53 and should be submitted on or before [insert date 21 days from publication in the Federal Register].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.¹³

Cathy H. Ahn
Deputy Secretary

¹³ 17 CFR 200.30-3(a)(12).