

SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34-72949; File No. SR-Phlx-2014-46)

August 29, 2014

Self-Regulatory Organizations; NASDAQ OMX PHLX LLC; Order Granting Approval of Proposed Rule Change, as Modified by Amendment No. 1, Relating to SPY and DIA Options

I. Introduction

On July 9, 2014, NASDAQ OMX PHLX LLC (“Phlx” or “Exchange”) filed with the Securities and Exchange Commission (“Commission”), pursuant to Section 19(b)(1)<sup>1</sup> of the Securities Exchange Act of 1934 (“Act”),<sup>2</sup> and Rule 19b-4 thereunder,<sup>3</sup> a proposed rule change to allow \$1 or greater strike price intervals for options on the SPDR<sup>®</sup> S&P 500<sup>®</sup> Exchange Traded Fund (“SPY”) and the SPDR<sup>®</sup> Dow Jones<sup>®</sup> Industrial Average Exchange Traded Fund (“DIA”) for strike prices above \$200. On July 22, 2014, the Exchange filed Amendment No. 1 to the proposal. The proposed rule change, as modified by Amendment No. 1, was published for comment in the Federal Register on July 30, 2014.<sup>4</sup> The Commission received three comment letters on the proposal.<sup>5</sup> This order approves the proposed rule change, as modified by Amendment No. 1.

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<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 15 U.S.C. 78a.

<sup>3</sup> 17 CFR 240.19b-4.

<sup>4</sup> See Securities Exchange Act Release No. 72664 (July 24, 2014), 79 FR 44231 (“Notice”).

<sup>5</sup> See letters to Elizabeth M. Murphy, Secretary, Commission, from Joseph Burtnick, dated July 28, 2014; Michael, dated August 26, 2014; and Colin J. Gerrard, dated August 28, 2014. All three commenters supported the approval of the proposal because it would enhance market participation in SPY options.

## II. Description of the Proposed Rule Change

Under current Phlx Rule 1012 (Series of Options Open for Trading), the interval of strike prices of series of options on Exchange Traded Fund (“ETF”) Shares is \$1 or greater where the strike price is \$200 or less and \$5 or greater where the strike price is more than \$200.<sup>6</sup> The Exchange proposes to narrow those strike intervals by amending Commentary .05(a)(iv)(C) to Rule 1012 to allow trading of SPY and DIA options in \$1 strike intervals where the strike price is above \$200.

With regard to the impact of the proposal on system capacity, the Exchange states that it has analyzed its capacity and represents that it and the Options Price Reporting Authority (“OPRA”) have the necessary systems capacity to handle any potential additional traffic associated with this proposed rule change.<sup>7</sup> In addition, the Exchange states that it believes that its members will not experience a capacity issue as a result of this proposal.<sup>8</sup> Furthermore, the Exchange states that it does not believe the proposed rule change will cause fragmentation of liquidity.<sup>9</sup>

## III. Discussion and Commission Findings

After careful review, 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.<sup>10</sup> In particular, the Commission finds that the proposed rule change is

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<sup>6</sup> See Commentary .05(a)(iv)(A) to Rule 1012.

<sup>7</sup> See Notice, supra note 4, at 44232.

<sup>8</sup> Id.

<sup>9</sup> Id.

<sup>10</sup> In approving the proposed rule change, the Commission has considered its impact on efficiency, competition, and capital formation. See 15 U.S.C. 78c(f).

consistent with Section 6(b)(5) of the Act,<sup>11</sup> 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 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. The Commission believes that the proposed change may provide the investing public and other market participants more flexibility to closely tailor their investment and hedging decisions in SPY and DIA options, thus allowing them to better manage their risk exposure.

In approving this proposal, the Commission notes that the Exchange has represented that it and OPRA have the necessary systems capacity to handle the potential additional traffic associated with this proposed rule change.<sup>12</sup> The Exchange further stated that it believes its members will not have a capacity issue as a result of the proposal and that it does not believe this expansion will cause fragmentation of liquidity.<sup>13</sup>

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<sup>11</sup> 15 U.S.C. 78f(b)(5).

<sup>12</sup> See Notice, supra note 4, at 44232.

<sup>13</sup> Id.

IV. Conclusion

IT IS THEREFORE ORDERED, pursuant to Section 19(b)(2) of the Act<sup>14</sup> that the proposed rule change (SR-Phlx-2014-46), as modified by Amendment No. 1, be, and hereby is, approved.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>15</sup>

Kevin M. O'Neill  
Deputy Secretary

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<sup>14</sup> 15 U.S.C. 78f(b)(2).

<sup>15</sup> 17 CFR 200.30-3(a)(12).