

SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34-64478; File No. SR-Phlx-2011-28)

May 12, 2011

Self-Regulatory Organizations; NASDAQ OMX PHLX LLC; Order Approving Proposed Rule Change to Expand the Number of Components in the PHLX Oil Service Sector<sup>SM</sup> known as OSX<sup>SM</sup>, and Changing the Weighting Methodology from Price-Weighted to Capitalization-Weighted

I. Introduction

On March 2, 2011, NASDAQ OMX PHLX LLC (“Phlx” or “Exchange”) filed with the Securities and Exchange Commission (“SEC” or “Commission”) pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)<sup>1</sup>, and Rule 19b-4 thereunder<sup>2</sup>, a proposed rule change to expand the number of components in the Phlx Oil Service Sector<sup>SM</sup> (the “Index”) and to change the Index’s weighting methodology. The proposed rule change was published in the Federal Register on March 17, 2011.<sup>3</sup> The Commission received no comments on the proposal. This order approves the proposed rule change.

II. Description of the Proposal

The Exchange proposes to expand the number of components in the Index from fifteen to thirty components and to change the Index weighting methodology from price-weighted to modified capitalization-weighted. No other changes are made to the Index or the options thereon.

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

<sup>2</sup> 17 CFR 240.19b-4.

<sup>3</sup> See Securities Exchange Act Release No. 64075 (March 11, 2011), 76 FR 14702. On April 8, 2011, the Commission extended the time to act on SR-Phlx-2011-28 by 45 days. See Securities Exchange Act Release No. 64282 (April 8, 2011), 76 FR 21084 (April 14, 2011).

The Exchange stated in its filing that the purpose of the proposed rule change is to expand the number of components in the Index, and to change the Index weighting methodology to modified capitalization-weighted.

Index options subsequent to the proposed rule change will be identical to Index options that are currently listed and trading and will trade pursuant to similar contract specifications (updated regarding components and weighting methodology).<sup>4</sup> The only post-proposal difference in Index options is that they will overlie an Index with thirty components (as opposed to fifteen) and the Index will be modified capitalization-weighted (the Index is currently price-weighted).<sup>5</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. In particular, the Commission finds that the proposal is consistent with Section 6(b)(5) of the Act,<sup>6</sup> 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

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<sup>4</sup> The contract specifications for the Index options are available at <https://www.nasdaqtrader.com/micro.aspx?id=phlxsectorscontractssecs>.

<sup>5</sup> For a detailed description of the Index and its components, see Release No. 64075, supra note 3.

<sup>6</sup> 15 U.S.C. 78f(b)(5).

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.<sup>7</sup>

The Commission believes that the proposed rule change is appropriate given the changes that have occurred to the sector of the economy that the Index overlies. The increase in the number of components from 15 to 30 will provide more depth to the Index, even as it continues to meet the definition of a narrow-based index under the Exchange's rules.<sup>8</sup> Likewise, the change from capitalization-weighted to price-weighted is within the parameters of the Exchange's generic rules for narrow-based indices.

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

Cathy H. Ahn  
Deputy Secretary

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<sup>7</sup> In approving the proposed rule change, the Commission notes that it has considered the proposed rule's impact on efficiency, competition and capital formation. 15 U.S.C. 78c(f).

<sup>8</sup> See Exchange Rule 1009A.

<sup>9</sup> 17 CFR 200.30-3(a)(12).