

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-61796; File No. SR-Phlx-2010-20)

March 29, 2010

Self-Regulatory Organizations; NASDAQ OMX PHLX, Inc.; Order Granting Approval of Proposed Rule Change to Expand the Number of Components in the PHLX Semiconductor SectorSM Known as SOXSM, on which Options are Listed and Traded

On February 2, 2010, NASDAQ OMX PHLX, Inc. (“Phlx” or “Exchange”) filed with the Securities and Exchange Commission (“Commission”) a proposed rule change pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)¹ and Rule 19b-4² thereunder to expand the number of components in the PHLX Semiconductor SectorSM known as SOXSM, on which options are listed and traded.³ The proposed rule change was published for comment in the Federal Register on February 25, 2010 for a 21-day comment period.⁴ The Commission received no comment letters regarding the proposal. This order approves the proposed rule change.

SOX is a modified market capitalization-weighted index composed of twenty-one companies primarily involved in the design, distribution, manufacture, and sale of semiconductors, and is one of several narrow-based sector indexes on which options are listed and traded on the Exchange. Options on the SOX index are currently listed pursuant to “generic” initial listing and maintenance standards in Phlx Rule 1009A for narrow-based

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ PHLX Semiconductor SectorSM may also be known as PHLX Semiconductor Index or PHLX Semiconductor SectorSM Index.

⁴ See Securities Exchange Act Release No. 61539 (February 18, 2010), 75 FR 8765 (“Notice”).

indexes.⁵ The Exchange proposes to expand the number of components in the SOX index to thirty. The Exchange represents that the expanded SOX index would continue to meet all the index maintenance requirements in subsection (c) of Rule 1009A applicable to options on narrow-based indexes, except subsection (c)(2), which indicates that the total number of component securities in the index may not increase or decrease by more than 33 1/3% from the total number of securities in the index at the time of its initial listing.

After careful consideration, 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 exchange⁶ and, in particular, the requirements of Section 6 of the Act.⁷ Specifically, the Commission finds that the proposed rule change is consistent with Section 6(b)(5) of the Act,⁸ 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 foster cooperation and coordination with persons engaged in facilitating transactions in securities, and to remove impediments to and perfect the mechanisms of a free and open market and a national market system.

Listing and Trading of Options on the SOX Index

As set out more fully in the Notice, Phlx has represented that options on an expanded thirty-component SOX index would continue to meet all of the initial and maintenance generic

⁵ A narrow-based index or industry index is defined as: An index designed to be representative of a particular industry or a group of related industries. The term "narrow-based index" includes indices the constituents of which are all headquartered within a single country. See Phlx Rule 1000A(b)(12).

⁶ In approving this proposed rule change, the Commission has considered the proposed rule's impact on efficiency, competition, and capital formation. 15 U.S.C. 78c(f).

⁷ 15 U.S.C. 78f.

⁸ 15 U.S.C. 78f(b)(5).

index listing standards contained in Sections (b) and (c) of Phlx Rule 1009A except subsection (c)(2) of Phlx Rule 1009A. Subsection (c)(2) of Phlx Rule 1009A only permits a maximum increase of 33 1/3% from the total number of securities in the index at the time of its initial listing, i.e., an increase to 28 components, whereas Phlx proposes an increase to 30 components. Additionally, the Exchange has represented that no other changes are being made to the SOX index as it currently exists. Based on these representations, the Commission believes that the proposed expansion to the SOX index is appropriate and that Phlx should continue to be able to list and trade options on the SOX index.

Surveillance

The Commission notes that the Exchange has represented that it has an adequate surveillance program in place for options traded on the proposed expanded SOX index and intends to apply those same program procedures that it applies to the Exchange's current SOX options and other index options. Additionally, the Exchange is a member of the Intermarket Surveillance Group ("ISG") under the Intermarket Surveillance Group Agreement, dated June 20, 1994.⁹ In addition, the major futures exchanges are affiliated members of the ISG, which allows for the sharing of surveillance information for potential intermarket trading abuses. The Exchange also represented that it has the necessary systems capacity to continue to support listing and trading SOX options. This order is based on these representations.

⁹ A list of the current members and affiliate members of ISG can be found at www.isgportal.com.

IT IS THEREFORE ORDERED, pursuant to Section 19(b)(2) of the Act,¹⁰ that the proposed rule change (SR-Phlx-2010-20) is hereby approved.

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

Florence E. Harmon
Deputy Secretary

¹⁰ 15 U.S.C. 78s(b)(2).

¹¹ 17 CFR 200.30-3(a)(12).