

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-64157; File No. SR-Phlx-2011-15)

March 31, 2011

Self-Regulatory Organizations; NASDAQ OMX PHLX LLC; Order Granting Approval of Proposed Rule Change to Expand the \$2.50 Strike Price Program

I. Introduction

On February 2, 2011, 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 expand the \$2.50 Strike Price Program. The proposed rule change was published for comment in the Federal Register on February 22, 2011.³ 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 Exchange Rule 1012, Series of Options Open for Trading, to expand the range of option strike prices for which \$2.50 strike price intervals may be listed under the \$2.50 Strike Price Program (“Program”) from between \$50 and \$75 to between \$50 and \$100, provided the \$2.50 strike price intervals are no more than \$10 from the closing price of the underlying stock in the primary market. The Exchange also proposed to increase the number of option classes on individual stocks, from 46 to 60, that it may select for the Program.⁴

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ Securities Exchange Act Release No. 63914 (February 15, 2011), 76 FR 9846 (“Notice”).

⁴ In addition, the \$2.50 Strike Price Program also permits the Exchange to list any option class with \$2.50 strike intervals that is included in the \$2.50 Strike Price Program of another exchange. See Phlx Rule 1012, Commentary .05(b).

In support of its proposal, Phlx stated that \$2.50 strike intervals above \$75 would afford investors the ability to more closely tailor investment strategies to the precise movement of the underlying security. The Exchange also stated that the number of option classes in the Program has not expanded since 1998, although increasingly more companies have completed initial public offerings since 1998 and significantly more options classes are trading now as compared to 1998. The Exchange stated that the increase would allow it to accommodate investor requests for \$2.50 strikes in additional options classes.

Finally, Phlx stated that it 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 that would result from expanding the 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 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 proposal strikes a reasonable balance between the Exchange's desire to offer a wider array of investment opportunities and the need to avoid unnecessary proliferation of options series and the corresponding increase in quotes and market

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).

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-2011-15) be, and it hereby is, approved.

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

Cathy H. Ahn
Deputy Secretary

⁷ 15 U.S.C. 78s(b)(2).

⁸ 17 CFR 200.30-3(a)(12).