

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-64770; File No. SR-Phlx-2011-87)

June 29, 2011

Self-Regulatory Organizations; Notice of Filing and Immediate Effectiveness of Proposed Rule Change by NASDAQ OMX PHLX LLC Relating to Listing and Trading Various Russell Products

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 June 22, 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, II, and III, below, which Items have been prepared by the Exchange. 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 the Substance of the Proposed Rule Change

The Exchange, pursuant to Section 19(b)(1) of the Act³ and Rule 19b-4 thereunder,⁴ proposes to amend Exchange Rules 1079, 1001A and 1101A to list and trade new options on various Russell⁵ Indexes based upon the (i) full values of the Russell U.S. Indexes ("Full Value Russell U.S. Indexes") and (ii) one-tenth values of the Russell U.S. Indexes ("Reduced Values

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ 15 U.S.C. 78s(b)(1).

⁴ 17 CFR 240.19b-4.

⁵ Russell refers to the Frank Russell Company. Information about the Russell U.S. Indexes can also be found at <http://www.russell.com/us/indexes/us/definitions.asp>.

Russell U.S. Indexes”).⁶ 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.

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 its Exchange Rules 1079 (FLEX Index, Equity and Currency Options), 1001A (Position Limits), and 1101A (Terms of Options Contracts) to list and trade cash-settled, European-style options, including FLEX⁷ options and LEAPS,⁸ on the following products (collectively “Russell U.S. Indexes”): Russell 3000®

⁶ The Exchange currently lists cash-settled, European-style FULL Value Russell Options and Reduced Value Russell Options, including FLEX options and LEAPS, on the Russell 2000® Index and the Mini-Russell 2000.

⁷ FLEX Options are flexible exchange-traded index, equity, or currency option contracts that provide investors the ability to customize basic option features including size, expiration date, exercise style, and certain exercise prices. FLEX Options may have expiration dates within five years. See Exchange Rules 1079 and 1012.

⁸ LEAPS or Long Term Equity Anticipation Securities are long term options that generally expire from twelve to thirty-nine months from the time they are listed.

Index,⁹ Russell 3000® Value Index,¹⁰ Russell 3000® Growth Index,¹¹ Russell 2500™ Index,¹² Russell 2500™ Value Index,¹³ Russell 2500™ Growth Index,¹⁴ Russell 2000® Value Index,¹⁵ Russell 2000® Growth Index,¹⁶ Russell 1000® Index,¹⁷ Russell 1000® Value Index,¹⁸ Russell

⁹ The Russell 3000 Index measures the performance of the largest 3000 U.S. companies representing approximately 98% of the investable U.S. equity market.

¹⁰ The Russell 3000 Value Index measures the performance of the broad value segment of the U.S. equity universe. It includes those Russell 3000 companies with lower price-to-book ratios and lower forecasted growth values.

¹¹ The Russell 3000 Growth Index measures the performance of the broad growth segment of the U.S. equity universe. It includes those Russell 3000 companies with higher price-to-book ratios and higher forecasted growth values.

¹² The Russell 2500 Index measures the performance of the small to mid-cap segment of the U.S. equity universe, commonly referred to as "smid" cap. The Russell 2500 Index is a subset of the Russell 3000® Index.

¹³ The Russell 2500 Value Index measures the performance of the small to mid-cap value segment of the U.S. equity universe. It includes those Russell 2500 companies with lower price-to-book ratios and lower forecasted growth values.

¹⁴ The Russell 2500 Growth Index measures the performance of the small to mid-cap growth segment of the U.S. equity universe. It includes those Russell 2500 companies with higher price-to-book ratios and higher forecasted growth values.

¹⁵ The Russell 2000 Value Index measures the performance of small-cap value segment of the U.S. equity universe. It includes those Russell 2000 companies with lower price-to-book ratios and lower forecasted growth values.

¹⁶ The Russell 2000 Growth Index measures the performance of the small-cap growth segment of the U.S. equity universe. It includes those Russell 2000 companies with higher price-to-book ratios and higher forecasted growth values.

¹⁷ The Russell 1000 Index measures the performance of the large-cap segment of the U.S. equity universe. It is a subset of the Russell 3000® Index and includes approximately 1,000 of the largest securities based on a combination of their market cap and current index membership. The Russell 1000 represents approximately 92% of the Russell 3000 Index.

¹⁸ The Russell 1000 Value Index measures the performance of the large-cap value segment of the U.S. equity universe. It includes those Russell 1000 companies with lower price-to-book ratios and lower expected growth values.

1000® Growth Index,¹⁹ Russell Top 200® Index,²⁰ Russell Top 200® Value Index,²¹ Russell Top 200® Growth Index,²² Russell MidCap® Index,²³ Russell MidCap® Value Index,²⁴ Russell MidCap® Growth Index,²⁵ Russell Small Cap Completeness® Index,²⁶ Russell Small Cap Completeness® Value Index²⁷ and Russell Small Cap Completeness® Growth Index.²⁸ The

¹⁹ The Russell 1000 Growth Index measures the performance of the large-cap growth segment of the U.S. equity universe. It includes those Russell 1000 companies with higher price-to-book ratios and higher forecasted growth values.

²⁰ The Russell Top 200 Index measures the performance of the largest cap segment of the U.S. equity universe. The Russell Top 200 Index is a subset of the Russell 3000® Index. It includes approximately 200 of the largest securities based on a combination of their market cap and current index membership and represents approximately 65% of the U.S. market.

²¹ The Russell Top 200 Value Index measures the performance of the especially large cap segment of the U.S. equity universe represented by stocks in the largest 200 by market cap that exhibit value characteristics. It includes Russell Top 200 companies with lower price-to-book ratios and lower forecasted growth values. These stocks also are members of the Russell 1000® Value Index.

²² The Russell Top 200 Growth Index offers measures the performance of the especially large cap segment of the U.S. equity universe represented by stocks in the largest 200 by market cap that exhibit growth characteristics. It includes Russell Top 200 Index companies with higher price-to-book ratios and higher forecast growth values. The companies also are members of the Russell 1000® Growth Index.

²³ The Russell Midcap Index measures the performance of the mid-cap segment of the U.S. equity universe. The Russell Midcap Index is a subset of the Russell 1000® Index. It includes approximately 800 of the smallest securities based on a combination of their market cap and current index membership. The Russell Midcap Index represents approximately 27% of the total market capitalization of the Russell 1000 companies.

²⁴ The Russell Midcap Value Index measures the performance of the mid-cap value segment of the U.S. equity universe. It includes those Russell Midcap Index companies with lower price-to-book ratios and lower forecasted growth values.

²⁵ The Russell Midcap Growth Index measures the performance of the mid-cap growth segment of the U.S. equity universe. It includes those Russell Midcap Index companies with higher price-to-book ratios and higher forecasted growth values.

²⁶ The Russell Small Cap Completeness measures the performance of the Russell 3000® Index companies excluding S&P 500 constituents.

²⁷ The Russell Small Cap Completeness Value Index measures the performance of the Russell 3000® Index companies excluding S&P 500 constituents. It includes those

Exchange also proposes to list and trade long-term options on each of the Full Value Russell U.S. Indexes and Reduced Value Russell U.S. Indexes noted above (“Russell LEAPS”).²⁹

Index Design and Composition

The Russell U.S. Indexes are designed to be a comprehensive representation of the investable U.S. equity market. These indexes are capitalization-weighted and include only common stocks belonging to corporations domiciled in the United States. These indexes are traded on NYSE, NYSE Amex and/or NASDAQ. Stocks are weighted by their "available" market capitalization, which is calculated by multiplying the primary market price by the "available" shares; that is, total shares outstanding less corporate cross-owned shares; shares owned by Employee Stock Ownership Plans ("ESOPs") and Leveraged Employee Stock

Russell Small Cap Completeness Index companies with lower price-to-book ratios and lower forecasted growth values.

²⁸ The Russell Small Cap Completeness Growth Index measures the performance of the Russell 3000® Index companies excluding S&P 500 constituents. It includes those Russell Small Cap Completeness Index companies with higher price-to-book ratios and higher forecast growth values.

²⁹ Each of these Russell U.S. Indexes is a capitalization-weighted index containing various groups of stocks drawn from the largest 3,000 companies incorporated in the United States. All index components are traded on the New York Stock Exchange ("NYSE"), the NYSE Amex, Inc. ("NYSE Amex") and/or the NASDAQ Stock Market LLC ("NASDAQ"). Options on all of the indexes, currently trade on the International Securities Exchange, LLC ("ISE") and options on all of the indexes, except for the Russell 2500 Index (regular, value, and growth) and the Russell Small Cap Completeness Index (regular, value, and growth), currently trade on the Chicago Board Options Exchange ("CBOE"). The Russell 2000® Index is traded on Phlx and the Boston Options Exchange ("BOX"). All of the Russell U.S. Indexes are subsets of the Russell 3000 Index. The growth and value versions of each primary index (Russell 3000, Russell 2500, Russell 2000, Russell 1000, Russell Top 200, Russell Midcap, and Russell Small Cap Completeness) may contain common components, but the capitalization of those components is apportioned so that the sum of the total capitalization of the growth and value indexes equals the total capitalization of the respective primary index.

Ownership Plans ("LESOPs") that comprise 10% or more of shares outstanding; shares that are part of unlisted share classes; and shares held by an individual, a group of individuals acting together, or a corporation not in the index that owns 10% or more of the shares outstanding; and shares subject to Initial Public Offering lock-ups.

All equity securities listed on NYSE, NYSE Amex or NASDAQ are considered for inclusion in the Russell U.S. Indexes, with the following exceptions: (1) stocks trading less than \$1.00 per share on average during the month of May; (2) stocks of non-U.S. companies; (3) preferred and convertible preferred stocks; (4) redeemable shares; (5) participating preferred stocks; (6) warrants and rights; (7) trust receipts; (8) royalty trusts; (9) limited liability companies; (10) Bulletin Board and Pink Sheet stocks; (11) closed-end investment companies; (12) limited partnerships; and (13) foreign stocks. All of these stocks are "reported securities" as defined by Rule 11Aa3-1(a)(4) under the Act.³⁰ [sic]

As of May 31, 2010, the stocks comprising the Russell 1000[®] Index had an average market capitalization of \$ 12.24 billion, ranging from a high of \$ 295.03 billion (Exxon Mobil Corp.) to a low of \$ 0.14 billion (Seahawk Drilling Inc.). The number of available shares outstanding averaged 401.41 million, ranging from a high of 28.98 billion (Citigroup Inc.) to a low of 6.17 million (NVR Inc.). The Russell 1000[®] Index has a total capitalization of approximately \$ 11.7 trillion as of May 31, 2010.

As of May 31, 2010, the stocks comprising the Russell 1000[®] Growth Index had an average market capitalization of \$ 13.20 billion, ranging from a high of \$ 295.03 billion (Exxon Mobil Corp.) to a low of \$ 0.14 billion (Seahawk Drilling Inc.). The number of available shares outstanding averaged 355.18 million, ranging from a high of 8.76 billion (Microsoft Corp.) to a

³⁰ 17 CFR 240.11Aa3-1(a)(4). [sic]

low of 6.17 million (NVR Inc.). The Russell 1000[®] Growth Index has a total capitalization of approximately \$ 8.2 trillion as of May 31, 2010.

As of May 31, 2010, the stocks comprising the Russell 1000[®] Value Index had an average market capitalization of \$ 11.31 billion, ranging from a high of \$ 295.03 billion (Exxon Mobil Corp.) to a low of \$ 0.14 billion (Seahawk Drilling Inc.). The number of available shares outstanding averaged 429.04 million, ranging from a high of 28.98 billion (Citigroup Inc.) to a low of 6.17 million (NVR Inc.). The Russell 1000[®] Value Index has a total capitalization of approximately \$ 7.6 trillion as of May 31, 2010.

As of May 31, 2010, the stocks comprising the Russell 2000[®] Growth Index had an average market capitalization of \$ 623.07 million, ranging from a high of \$ 4.53 billion (Human Genome Sciences Inc.) to a low of \$ 14.57 million (Repos Therapeutics Inc.). The number of available shares outstanding averaged 44.06 million, ranging from a high of 658.72 million (Cell Therapeutics) to a low of 2.02 million (Atrion Corp.). The Russell 2000[®] Growth Index has a total capitalization of approximately \$ 0.8 trillion as of May 31, 2010.

As of May 31, 2010, the stocks comprising the Russell 2000[®] Value Index had an average market capitalization of \$ 579.57 million, ranging from a high of \$ 3.34 billion (UAL Corp.) to a low of \$ 26.15 million (Cardiac Science Corp.). The number of available shares outstanding averaged 46.19 million, ranging from a high of 2.20 billion (E*Trade Financial Corp.) to a low of 1.23 million (Seaboard Corp.). The Russell 2000[®] Value Index has a total capitalization of approximately \$ 0.8 trillion as of May 31, 2010.

As of May 31, 2010, the stocks comprising the Russell 3000[®] Index had an average market capitalization of \$ 4.39 billion, ranging from a high of \$ 295.03 billion (Exxon Mobil Corp.) to a low of \$ 14.57 million (Repos Therapeutics Inc.). The number of available shares

outstanding averaged 161.73 million, ranging from a high of 28.98 billion (Citigroup Inc.) to a low of 1.23 million (Seaboard Corp.). The Russell 3000[®] Index has a total capitalization of approximately \$ 12.9 trillion as of May 31, 2010.

As of May 31, 2010, the stocks comprising the Russell 3000[®] Growth Index had an average market capitalization of \$ 4.77 billion, ranging from a high of \$ 295.03 billion (Exxon Mobil Corp.) to a low of \$ 14.57 million (Repos Therapeutics Inc.). The number of available shares outstanding averaged 146.50 million ranging from a high of 8.76 billion (Microsoft Corp.) to a low of 2.02 million (Atrion Corp.). The Russell 3000[®] Growth Index has a total capitalization of approximately \$ 9.0 trillion as of May 31, 2010.

As of May 31, 2010, the stocks comprising the Russell 3000[®] Value Index had an average market capitalization of \$ 4.10 billion, ranging from a high of \$ 295.03 billion (Exxon Mobil Corp.) to a low of \$ 26.15 million (Cardiac Science Corp.). The number of available shares outstanding averaged 171.82 million, ranging from a high of 28.98 billion (Citigroup Inc.) to a low of 1.23 million (Seaboard Corp.). The Russell 3000[®] Value Index has a total capitalization of approximately \$ 8.4 trillion as of May 31, 2010.

As of May 31, 2010, the stocks comprising the Russell Midcap[®] Index had an average market capitalization of \$ 4.59 billion, ranging from a high of \$ 18.79 billion (TJX Cos Inc.) to a low of \$ 0.14 billion (Seahawk Drilling Inc.). The number of available shares outstanding averaged 173.74 million, ranging from a high of 1.74 billion (Qwest Communications International) to a low of 6.17 million (NVR Inc.). The Russell Midcap[®] Index has a total capitalization of approximately \$ 3.5 trillion as of May 31, 2010.

As of May 31, 2010, the stocks comprising the Russell Midcap[®] Growth Index had an average market capitalization of \$ 4.71 billion, ranging from a high of \$ 18.79 billion (TJX Cos

Inc.) to a low of \$ 0.14 billion (Seahawk Drilling Inc.). The number of available shares outstanding averaged 163.59 million, ranging from a high of 1.38 billion (Xerox Corp.) to a low of 6.17 million (NVR Inc.). The Russell Midcap[®] Growth Index has a total capitalization of approximately \$ 2.3 trillion as of May 31, 2010.

As of May 31, 2010, the stocks comprising the Russell Midcap[®] Value Index had an average market capitalization of 4.43 billion, ranging from a high of \$ 15.48 billion (Las Vegas Sands Corp.) to a low of \$ 0.14 billion (Seahawk Drilling Inc.). The number of available shares outstanding averaged 187.15 million, ranging from a high of 1.74 billion (Qwest Communications International) to a low of 6.17 million (NVR Inc.). The Russell Midcap[®] Value Index has a total capitalization of approximately \$ 2.4 trillion as of May 31, 2010.

As of May 31, 2010, the stocks comprising the Russell Top 200[®] Index had an average market capitalization of \$ 42.92 billion, ranging from a high of \$ 295.03 billion (Exxon Mobil Corp.) to a low of \$2.24 billion (AOL Inc.). The number of available shares outstanding averaged 1.31 billion, ranging from a high of 28.98 billion (Citigroup Inc.) to a low of 48.90 million (Liberty Media Corp. - Starz). The Russell Top 200[®] Index has a total capitalization of approximately \$ 8.2 trillion as of May 31, 2010.

As of May 31, 2010, the stocks comprising the Russell Top 200[®] Growth Index had an average market capitalization of \$ 44.74 billion, ranging from a high of \$ 295.03 billion (Exxon Mobil Corp.) to a low of \$ 9.11 billion (Boston Scientific Corp.) The number of available shares outstanding averaged 1.07 billion, ranging from a high of 8.76 billion (Microsoft Corp.) to a low of 64.32 million (Blackrock Inc.). The Russell Top 200[®] Growth Index has a total capitalization of approximately \$ 5.9 trillion as of May 31, 2010.

As of May 31, 2010, the stocks comprising the Russell Top 200[®] Value Index had an average market capitalization of \$ 41.52 billion, ranging from a high of \$ 295.03 billion (Exxon Mobil Corp.) to a low of \$2.24 billion (AOL Inc.). The number of available shares outstanding averaged 1.49 billion, ranging from a high of 28.98 billion (Citigroup Inc.) to a low of 48.90 million (Liberty Media Corp. - Starz). The Russell Top 200[®] Value Index has a total capitalization of approximately \$ 5.2 trillion as of May 31, 2010.

As of May 31, 2010, the stocks comprising the Russell 2500[™] Index had an average market capitalization of \$ 1.06 billion, ranging from a high of \$ 10.19 billion (Centurylink Inc.) to a low of \$ 14.57 million (Repos Therapeutics Inc.). The number of available shares outstanding averaged 62.53 million, ranging from a high of 2.20 billion (E*Trade Financial Corp.) to a low of 1.23 million (Seaboard Corp.). The Russell 2500[™] Index has a total capitalization of approximately \$ 2.6 trillion as of May 31, 2010.

As of May 31, 2010, the stocks comprising the Russell 2500[™] Growth Index had an average market capitalization of \$ 1.07 billion, ranging from a high of \$ 7.62 billion (Genworth Financial Inc.) to a low of \$ 14.57 million (Repos Therapeutics Inc.). The number of available shares outstanding averaged 57.71 million, ranging from a high of 673.37 million (Advanced Micro Devices Inc.) to a low of 2.02 million (Atrion Corp.). The Russell 2500[™] Growth Index has a total capitalization of approximately \$ 1.7 trillion as of May 31, 2010.

As of May 31, 2010, the stocks comprising the Russell 2500[™] Value Index had an average market capitalization of \$ 1.05 billion, ranging from a high of \$ 10.19 billion (Centurylink Inc.) to a low of \$ 26.15 million (Cardiac Science Corp.). The number of available shares outstanding averaged 65.34 million, ranging from a high of 2.20 billion (E*Trade

Financial Corp.) to a low of 1.23 million (Seaboard Corp.). The Russell 2500™ Value Index has a total capitalization of approximately \$ 1.8 trillion as of May 31, 2010.

As of May 31, 2010, the stocks comprising the Russell Small Cap Completeness Index had an average market capitalization of \$ 1.11 billion, ranging from a high of \$ 31.67 billion (Blackrock Inc.) to a low of \$ 14.57 million (Repros Therapeutics Inc.). The number of available shares outstanding averaged 61.07 million, ranging from a high of 1.66 billion (Level 3 Communications Inc.) to a low of 1.23 million (Seaboard Corp.). The Russell Small Cap Completeness Index has a total capitalization of approximately \$ 2.7 trillion as of May 31, 2010.

As of May 31, 2010, the stocks comprising the Russell Small Cap Completeness Growth Index had an average market capitalization of \$ 1.17 billion, ranging from a high of \$ 31.67 billion (Blackrock Inc.) to a low of \$ 14.57 million (Repros Therapeutics Inc.). The number of available shares outstanding averaged 59.29 million, ranging from a high of 1.24 billion (Activision Blizzard Inc.) to a low of 2.02 million (Atrion Corp.). The Russell Small Cap Completeness Growth Index has a total capitalization of approximately \$ 1.8 trillion as of May 31, 2010.

As of May 31, 2010, the stocks comprising the Russell Small Cap Completeness Value Index had an average market capitalization of \$ 1.08 billion, ranging from a high \$ 31.67 billion (Blackrock Inc.) to a low of \$ 26.15 million (Cardiac Science Corp.). The number of available shares outstanding averaged 62.61 million, ranging from a high of 1.66 billion (Level 3 Communications Inc.) to a low of 1.23 million (Seaboard Corp.). The Russell Small Cap Completeness Value Index has a total capitalization of approximately \$ 1.8 trillion as of May 31, 2010.

Index Calculation and Index Maintenance

The value of each Russell Index is currently calculated by Reuters Limited (“Reuters”)³¹ on behalf of Russell and is disseminated every 15 seconds during regular Exchange trading hours to market information vendors via RussellTickTM.³²

The methodology used to calculate the value of the Russell U.S. Indexes is similar to the methodology used to calculate the value of other well known market-capitalization-weighted indexes. The level of each index reflects the total market value of the component stocks relative to a particular base period and is computed by dividing the total market value of the companies in each index by the respective index divisor. The divisor is adjusted periodically to maintain consistent measurement of the index. Below is a table of base dates and the respective index levels as of May 26, 2011:

Index	Total Value	Price Value
Russell 3000 [®]	3587.75086	1457.85247
Russell 3000 [®] Growth	2879.89383	2426.1502
Russell 3000 [®] Value	3817.44497	2589.28728
Russell 1000 [®]	3602.4988	1418.35062
Russell 1000 [®] Growth	529.47313	403.83622
Russell 1000 [®] Value	725.61762	416.2859
Russell Top 200 [®]	2939.54016	546.63736
Russell Top 200 [®] Growth	910.11636	672.12634
Russell Top 200 [®] Value	1071.03283	651.91595
Russell Midcap [®]	6401.81184	2797.43808
Russell Midcap [®] Growth	1341.84209	1065.26732
Russell Midcap [®] Value	1793.62334	1125.65007
Russell 2000 [®]	3726.27315	2064.91582
Russell 2000 [®] Growth	3201.14137	2903.97679
Russell 2000 [®] Value	5864.70724	3980.15914
Russell 2500 TM	1061.26992	772.74832
Russell 2500 TM Growth	3547.792	3254.40744

³¹ Reuters is a ThomsonReuters company.

³² RussellTickTM, developed by NASDAQ OMX Information, LLC, is a premier data feed that consolidates the distribution of the Russell Family of Indexes. NASDAQ OMX is the primary distribution source for all real-time Russell U.S. Indexes.

Russell 2500™ Value	5493.08424	3839.81694
Russell Small Cap Completeness®	2229.12739	1905.30123
Russell Small Cap Completeness® Growth	1726.03596	1624.91776
Russell Small Cap Completeness® Value	2732.41535	2105.81535
Russell 3000E® Index	1298.3572	1156.55132
Russell 3000E® Growth Index	1297.56505	1211.74568
Russell 3000E® Value Index	1066.61795	938.33245
Russell Microcap® Index	1196.56615	1116.96383
Russell Microcap® Growth Index	1119.15656	1093.12822
Russell Microcap® Value Index	953.92585	870.2775
Russell 3000® Dynamic Index™	1059.29034	1054.09067
Russell 3000® Defensive Index™	1073.79788	1063.74849
Russell 1000® Dynamic Index™	1059.42851	1053.97672
Russell 1000® Defensive Index™	1073.99375	1063.61825
Russell 2000® Dynamic Index™	1057.89868	1055.42339
Russell 2000® Defensive Index™	1071.77749	1065.42301

In recent years, the value of the Russell U.S. Indexes has increased significantly. As a result, the premium for options on the Full Russell U.S. Indexes has also increased, causing these index options to trade at a level that may be uncomfortably high for retail investors. Therefore, the Exchange also proposes to trade Reduced Value Russell U.S. Indexes. The Exchange believes that listing reduced value options would attract a greater source of customer business than if it listed only full value options on the Full Value Russell U.S. Indexes. The Exchange further believes that listing reduced value options would provide an opportunity for investors to hedge, or speculate on, the market risk associated with the stocks comprising the Russell U.S. Indexes and use this trading vehicle while extending a smaller outlay of capital. The Exchange believes that this should attract additional investors and, in turn, create a more active and liquid trading environment.³³

³³ The Exchange believes that reduced value options on Russell U.S. Indexes have generated considerable interest from investors, as measured, by their robust trading volume on CBOE and ISE.

Options on the Russell U.S. Indexes would expire on the Saturday following the third Friday of the expiration month ("Expiration Saturday"). Trading in options on the Russell U.S. Indexes would normally cease at 4:15 p.m. Eastern Standard Time ("EST")³⁴ on the Thursday preceding an Expiration Saturday. The exercise settlement value at expiration of each new index option would be calculated by Reuters on behalf of Russell, based on the opening prices of the index's component securities on the last business day prior to expiration ("Settlement Day").³⁵ The Settlement Day is normally the Friday preceding Expiration Saturday. If a component security in a Russell Index does not trade on Settlement Day, the last reported sales price in the primary market from the previous trading day would be used to calculate both full and reduced settlement values. Settlement values for the Full and Reduced Value Russell U.S. Indexes would be disseminated via RussellTick™.

The Russell U.S. Indexes are monitored and maintained by Russell, which is responsible for making all necessary adjustments to the index to reflect component deletions, share changes, stock splits, stock dividends (other than ordinary cash dividends), and stock price adjustments due to restructuring, mergers, or spin-offs involving the underlying components. Some corporate actions, such as stock splits and stock dividends, require simple changes to the available shares outstanding and the stock prices of the underlying components. Other corporate actions, such as share issuances, change the market value of an index and require the use of an index divisor to effect adjustments.

³⁴ See Exchange Rule 1001A. [sic]

³⁵ The aggregate exercise value of the option contract is calculated by multiplying the index value by the index multiplier, which is 100.

The Russell U.S. Indexes are re-constituted annually on the last Friday in June (unless the last Friday is the 27th or later of the month, in which case the reconstitution occurs on the prior Friday), based on prices and available shares outstanding as of the preceding May 31. New index components are added only as part of the annual re-constitution, after which, should a stock be removed from an index for any reason, it could not be replaced until the next re-constitution except in the case of a spin-off where the new company resulting from the spin-off meets the membership criteria of one of the existing indexes.

The Exchange represents that it would monitor the Russell U.S. Indexes on a quarterly basis, and would not list any additional series for trading and would limit all transactions in such options to closing transactions only for the purpose of maintaining a fair and orderly market and protecting investors if: (i) the number of securities in the Index drops by one-third or more; (ii) 10% or more of the weight of the Index is represented by component securities having a market value of less than \$75 million; (iii) less than 80% of the weight of the Index is represented by component securities that are eligible for options trading pursuant to Exchange Rules 1000A *et seq.*; (iv) 10% or more of the weight of the Index is represented by component securities trading less than 20,000 shares per day; or (v) the largest component security accounts for more than 25% of the weight of the Index or the largest five components in the aggregate account for more than 50% of the weight of the Index. The Exchange represents that, if the Index ceases to be maintained or calculated, or if the Index values are not disseminated every 15 seconds by a widely available source, it would not list any additional series for trading and would limit all transactions in such options to closing transactions only for the purpose of maintaining a fair and orderly market and protecting investors.

Contract Specifications

The proposed contract specifications for the options on the Russell U.S. Indexes are based on the contract specifications of similar options currently listed on CBOE, NYSE Amex and ISE.³⁶ The Russell U.S. Indexes are broad-based indexes, as defined in Exchange Rule 1101A(a). Options on the Russell U.S. Indexes would be European-style and a.m. cash-settled. The Exchange's standard trading hours for index options (9:30 a.m. to 4:15 p.m. E.S.T.), as set forth in Exchange Rule 1101A at Commentary .01, would apply to options on the Russell U.S. Indexes. Exchange Rules that apply to the trading of options on broad-based indexes also would apply to options on both the Full and Reduced Value Russell Indexes.³⁷ The trading of these options also would be subject to, among others, Exchange Rules governing margin requirements³⁸ and trading halt procedures³⁹ for index options.

For options on the Full Value Russell U.S. Indexes, the Exchange proposes to establish an aggregate position limit of 50,000 contracts on the same side of the market, provided that no more than 30,000 of such contracts are in the nearest expiration month series. Full Value Russell Index contracts would be aggregated with Reduced Value Russell Index contracts, where ten Reduced Value Russell Index contracts would equal one Full Value Russell Index contract.⁴⁰ These limits are identical to the limits applicable to options based on the Russell U.S. Indexes that currently trade on ISE.⁴¹

³⁶ See note 27.

³⁷ See generally Exchange Rules 1001A through 1107A (Rules Applicable to Trading Options on Indices) and Exchange Rules 1000 through 1094 (Rules Applicable to Trading of Options on Stocks, Exchange-Traded Fund Shares and Foreign Currencies).

³⁸ See Exchange Rule 721 (Proper and Adequate Margin).

³⁹ See Exchange Rule 1047A (Trading Rotations, Halts or Reopenings).

⁴⁰ See Exchange Rule 1001A(e). The same limits that apply to position limits would apply to exercise limits for these products. See Exchange Rule 1002A.

⁴¹ See ISE Rule 2004.

Additionally, Commentary .01 to Exchange Rule 1001A provides that under certain circumstances index options positions may be exempted from established position limits for each contract “hedged” by an equivalent dollar amount of the underlying component securities. Furthermore, Commentary .02 to that same Rule provides that member organizations may receive exemptions of up to two times the applicable position limit where the index options positions are in proprietary accounts used for the purpose of facilitating orders for customers of those member organizations.⁴² The Exchange proposes to apply existing index margin requirements for the purchase and sale of options on the Russell U.S. Indexes.⁴³ Exchange Rule 1003 describes a member or member organizations obligations to file with the Exchange a report of that member or member organization’s positions.⁴⁴

The Exchange proposes to set strike price intervals for these index options at \$2.50 when the strike price of Full or Reduced Value Options Russell U.S. Indexes is below \$200, and at least \$5.00 strike price intervals otherwise.⁴⁵ The minimum tick size for series trading below \$3 would be \$0.05 and for series trading at or above \$3 would be \$0.10.⁴⁶

Exchange Rule 1101A provides that after a particular class of stock index options has been approved for listing and trading on the Exchange, the Exchange shall from time to time open for trading series of options therein. Within each approved class of stock index options, the Exchange may open for trading series of options expiring in consecutive calendar months ("consecutive month series"), series of options expiring at three-month intervals ("cycle month

⁴² See Exchange Rule 1001A (Position Limits).

⁴³ See Exchange Rule 721 (Proper and Adequate Margin).

⁴⁴ See Exchange Rule 1003 (Reporting of Options Positions).

⁴⁵ See proposed Exchange Rule 1101A.

⁴⁶ See Exchange Rule 1034 (Minimum Increments) and proposed 1101A (Position Limits).

series"), and/or series of options having up to thirty-six months to expiration ("long-term options series"). Prior to the opening of trading in any series of stock index options, the Exchange shall fix the expiration month and exercise price of option contracts included in each such series.⁴⁷

The Exchange therefore, proposes to list options on the Full and Reduced Value Russell U.S. Indexes in the three consecutive near-term expiration months, plus up to three successive expiration months in the March cycle. For example, consecutive expirations of June, July and August, plus September, December and March expirations would be listed.⁴⁸ The trading of long-term options on the Russell U.S. Indexes would be subject to the same rules that govern all the Exchange's index options, including sales practice rules, margin requirements, and trading rules.

All of the specifications and calculations for options on the Reduced Value Russell U.S. Indexes would be the same as those used for the Full Value Russell U.S. Indexes with position limits adjusted accordingly for the Reduced Value Russell Options. The reduced-value options would trade independently of, and in addition to, the full-value options. Options on all the Russell U.S. Indexes would be subject to the same rules that presently govern all Exchange index options, including sales practice rules, margin requirements, trading rules, and position and exercise limits.

Exchange Rules are designed to protect public customer trading. Specifically, Rule 1024 prohibits members and member organizations from accepting a customer order to purchase or write an option unless such customer's account has been approved in writing by a designated

⁴⁷ See Exchange Rule 1101A(b) as it currently exists.

⁴⁸ See Exchange Rule 1101A.

Options Principal of the Member.⁴⁹ Additionally, Exchange Rule 1026, regarding suitability, is designed to ensure that options are only sold to customers capable of evaluating and bearing the risks associated with trading in this instrument.⁵⁰ Further, Exchange Rule 1027 permits members and employees of member organizations to exercise discretionary power with respect to trading options in a customer's account only if the member or employee of a member organization has received prior written authorization from the customer and the account had been accepted in writing by a designated Options Principal.⁵¹ Finally, Exchange Rule 1025, Supervision of Accounts, Rule 1028, Confirmations, and Rule 1029, Delivery of Options Disclosure Documents, will also apply to trading in of options on the Russell Indexes.

Surveillance and Capacity

The Exchange represents that it has an adequate surveillance program in place for options on the Russell U.S. Indexes and intends to apply those same procedures that it applies to the Exchange's 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. The members of the ISG include all of the national securities exchanges. These members work together to coordinate surveillance and share information regarding the stock and options markets. 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.

⁴⁹ See Exchange Rule 1024 (Conduct of Accounts for Options Trading).

⁵⁰ See Exchange Rule 1026 (Suitability).

⁵¹ See Exchange Rule 1027 (Discretionary Accounts). Further, this Rule states that discretionary accounts shall receive frequent review by a Registered Options Principal qualified person specifically delegated such responsibilities under Rule 1025, who is not exercising the discretionary authority.

The Exchange also represents that it has the necessary systems capacity to support the new options series that would result from the introduction of options on the Full and Reduced Value Russell U.S. Indexes, including LEAPS on the Full Value Russell U.S. Indexes.

2. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act⁵² in general, and furthers the objectives of Section 6(b)(5) of the Act⁵³ in particular, in that it will permit trading in options on Full and Reduced Value Russell U.S. Indexes pursuant to the rules designed to prevent fraudulent and manipulative acts and practices to protect investor and the public interest, promote just equitable principles of trade. The Exchange also represents that it has the necessary systems capacity to support the new options series. As stated in the filing, the Exchange has rules in place designed to protect public customer trading.

The Exchange believes that the Russell U.S. Indexes would provide investors additional trading opportunities. The Exchange believes that listing reduced value options would attract a greater source of customer business than if it listed only full value options on the Full Value Russell U.S. Indexes. The Exchange further believes that listing reduced value options would provide an opportunity for investors to hedge, or speculate on, the market risk associated with the stocks comprising the Russell U.S. Indexes and use this trading vehicle while extending a smaller outlay of capital.

⁵² 15 U.S.C. 78f(b). See Exchange Rules 1101A and 1012 (Series of Options Open for Trading).

⁵³ 15 U.S.C. 78f(b)(5).

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 that is 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

Because the foregoing proposed rule change 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 after the date of the filing, or such shorter time as the Commission may designate, it has become effective pursuant to 19(b)(3)(A) of the Act⁵⁴ and Rule 19b-4(f)(6)⁵⁵ thereunder.

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. If the Commission takes such action, the Commission shall institute proceedings to determine whether the proposed rule should be approved or disapproved.

⁵⁴ 15 U.S.C. 78s(b)(3)(A).

⁵⁵ 17 CFR 240.19b-4(f)(6). In addition, Rule 19b-4(f)(6) requires a self-regulatory organization to give the Commission written notice of its intent to file 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 has satisfied this requirement.

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 No. SR-Phlx-2011-87 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.

All submissions should refer to File No. SR-Phlx-2011-87. 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, 100 F Street, NE, Washington, DC 20549, 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 No. SR-Phlx-2011-87 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.⁵⁶

Cathy H. Ahn
Deputy Secretary

⁵⁶ 17 CFR 200.30-3(a)(12).