

SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34-65389; File No. SR-Phlx-2011-101)

September 23, 2011

Self-Regulatory Organizations; NASDAQ OMX PHLX LLC; Order Approving Proposed Rule Change Regarding Streaming Quote Traders and Remote Streaming Quote Traders Entering Certain Option Day Limit Orders

I. Introduction

On July 17, 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")<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> a proposed rule change to allow Streaming Quote Traders ("SQTs") and Remote Streaming Quote Traders ("RSQTs") to enter day limit orders. The proposed rule change was published for comment in the Federal Register on August 11, 2011.<sup>3</sup> The Commission received no comments on the proposal. This order approves the proposal.

II. Description of the Proposal

The purpose of the proposal is to amend two subsections of Exchange Rule 1080 to allow entry of day limit orders for the proprietary accounts of SQTs and RSQTs.

Current Rule 1080 (Phlx XL and XL II) discusses the Exchange's enhanced electronic order, trading, and execution system (the "electronic interface"). The current iteration of the Exchange's electronic interface is known as Phlx XL II.<sup>4</sup> Rule 1080

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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. 65050 (August 5, 2011), 76 FR 49816.

<sup>4</sup> See Securities Exchange Act Release No. 59995 (May 28, 2009), 74 FR 26750 (June 3, 2009) (SR-Phlx-2009-32)(order approving Phlx XL II). Phlx XL II is the Exchange's electronic order delivery and reporting system, which provides for the automatic entry and routing of Exchange-listed equity options, index options and

states that it governs the orders, execution reports and administrative order messages transmitted between the offices of member organizations and the trading floors of the Exchange. Rule 1080 also discusses what agency and proprietary orders are eligible for entry into the Exchange's electronic interface.

Subsection (b)(i)(B)(2) states that the following types of orders for the proprietary account(s) of SQTs and RSQTs are eligible for entry via electronic interface: limit on opening, IOC, and ISO. Currently, there is no ability for SQTs and RSQTs to enter day limit orders in their proprietary accounts. The proposal allows day limit orders for the proprietary account(s) of SQTs and RSQTs to be entered pursuant to subsection (b)(i)(B)(2). The proposed change will promote consistency among ROTs by allowing SQTs and RSQTs to do what Rule 1080 and Commentary .04 now allow non-SQT ROTs to do: enter certain day limit orders (10 or more contracts) in their proprietary accounts.<sup>5</sup>

Commentary .04 of Rule 1080 states that orders for the proprietary accounts of SQTs, RSQTs and non-SQT ROTs may be entered for delivery via electronic interface through the use of Exchange approved proprietary systems of members that interface with the Exchange's electronic interface.<sup>6</sup> Currently, proprietary non-SQT ROT orders with a size of less than 10 contracts have to be submitted as IOC and larger orders may be submitted as day limit and other order types; while proprietary SQT and RSQT orders may only be submitted as IOC.

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U.S. dollar-settled foreign currency options orders to the Exchange trading floor. Rule 1080(a).

<sup>5</sup> For example, subsection (b)(i)(B)(1) allows non-SQTs and specialists to enter certain day limit orders (10 or more contracts) in their proprietary accounts.

<sup>6</sup> Such orders have to be for a minimum of one (1) contract.

The Exchange is proposing to put all the ROTs (SQTs, RSQTs and non- SQT ROTs) on an equal footing. Specifically, the Exchange proposes to state in Commentary .04 that orders for the proprietary account(s) of SQTs, RSQTs, and non-SQT ROTs with a size of less than 10 contracts shall be submitted as IOC only. Thus, where SQT and RSQT orders under the current rule could only be submitted as IOC, the proposed change to Commentary .04 would allow these SQTs and RSQTs to enter non IOC orders (e.g. day orders) in proprietary accounts if they are for 10 or more contracts.

### III. Discussion

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>7</sup> and, in particular, the requirements of Section 6 of the Act.<sup>8</sup> Specifically, the Commission finds that the proposal is consistent with Section 6(b)(5) of the Act,<sup>9</sup> in that the proposal has been designed to promote just and equitable principles of trade, and to protect investors and the public interest. The Commission believes that it is consistent with the Act for SQTs and RSQTs to enter non IOC orders (e.g. day orders) in proprietary accounts if they are for 10 or more contracts. The Commission believes that allowing these order types should help to enhance liquidity on the Exchange. The Commission notes that SQTs and RSQTs would still be required to comply with their electronic quoting obligations.

### IV. Conclusion

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

<sup>8</sup> 15 U.S.C. 78f.

<sup>9</sup> 15 U.S.C. 78f(b)(5).

IT IS THEREFORE ORDERED, pursuant to Section 19(b)(2) of the Act,<sup>10</sup> that the proposed rule change (SR-PHLX-20011-101) is approved.

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

Elizabeth M. Murphy  
Secretary

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<sup>10</sup> 15 U.S.C. 78s(b)(2).

<sup>11</sup> 17 CFR 200.30-3(a)(12).