

clearinghouse and clearing members and improve margin efficiency (as margin requirements will no longer need to take into account the additional risk from a T+3 as opposed to a T+1 settlement rule). ICE Clear Europe's CDS Risk Committee approved the proposed rule changes.

The other proposed changes in the ICE Clear Europe Rules reflect updates to cross-references and defined terms and similar drafting clarifications, and do not affect the substance of the ICE Clear Europe Rules or cleared products.

*(B) Self-Regulatory Organization's Statement on Burden on Competition*

ICE Clear Europe does not believe the proposed rule and procedural changes would have any impact, or impose any burden, on competition.

*(C) Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received From Members, Participants or Others*

Written comments relating to the proposed rule change have not been solicited or received. ICE Clear Europe will notify the Commission of any written comments received by ICE Clear Europe.

**III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action**

Within 45 days of the date of publication of this notice in the **Federal Register** or within such longer period up to 90 days (i) as the Commission may designate if it finds such longer period to be appropriate and publishes its reasons for so finding or (ii) as to which the self-regulatory organization consents, the Commission will: (A) by order approve or disapprove the proposed rule change or (B) institute proceedings to determine whether the proposed rule change should be disapproved.

**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 email to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include File Number SR-ICEEU-2012-04 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 Number SR-ICEEU-2012-04. This file number should be included on the subject line if email 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 Web site (<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 Web site viewing and printing in the Commission's Public Reference Section, 100 F Street NE., Washington, DC 20549, on official business days between the hours of 10 a.m. and 3 p.m. Copies of such filings will also be available for inspection and copying at the principal office of ICE Clear Europe and on ICE Clear Europe's Web site at [https://www.theice.com/publicdocs/regulatory\\_filings/ICE\\_Clear\\_Europe\\_T+1\\_Settlement.pdf](https://www.theice.com/publicdocs/regulatory_filings/ICE_Clear_Europe_T+1_Settlement.pdf).

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 Number SR-ICEEU-2012-04 and should be submitted on or before April 9, 2012.

For the Commission by the Division of Trading and Markets, pursuant to delegated authority.<sup>5</sup>

**Kevin O'Neill,**

*Deputy Secretary.*

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**SECURITIES AND EXCHANGE COMMISSION**

[Release No. 34-66582; File No. SR-ISE-2012-16]

**Self-Regulatory Organizations; International Securities Exchange, LLC; Notice of Filing of Proposed Rule Change To Amend ISE Rule 722 (Complex Orders) To Provide Its Members With a Choice in Executing Broker-Dealers for the Stock Leg(s) of Stock-Option Orders**

March 13, 2012.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the "Act"),<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on February 29, 2012, the International Securities Exchange, LLC (the "Exchange" or the "ISE") filed with the Securities and Exchange Commission ("Commission") the proposed rule change as described in Items I and II below, which items have been prepared by the self-regulatory organization. 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 proposes to amend Rule 722 (Complex Orders) to allow Members to execute the stock legs of stock-option orders through a broker-dealer of their choosing.

The text of the proposed rule change is available on the Exchange's Internet Web site at <http://www.ise.com>, 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 the Statutory Basis for, the Proposed Rule Change**

In its filing with the Commission, the self-regulatory organization 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 self-regulatory organization has prepared summaries, set forth in sections A, B and C below, of the most significant aspects of such statements.

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

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

<sup>5</sup> 17 CFR 200.30-3(a)(12).

*A. Self-Regulatory Organization's Statement of the Purpose of, and the Statutory Basis for, the Proposed Rule Change*

**Purpose**—Under the ISE's current procedure for executing stock-option orders, ISE Members may elect to have the ISE electronically communicate the stock leg(s) of a stock-option order to a designated broker-dealer for execution. To participate in the automated process, the ISE Member must have entered into a customer agreement with the designated broker-dealer. The ISE Member is responsible for fees and other charges the designated broker-dealer imposes from executing the trades, and the ISE receives no fees related to the stock portion of the stock-option trade.

The Exchange is now proposing to amend its Rule 722 to expand the service offered to ISE Members by accommodating multiple potential execution brokers. Under the proposal, the Exchange will connect to multiple broker-dealers for the execution of the stock component of stock-option orders. The Exchange will route orders to the broker-dealers using routing logic that takes into consideration objective factors, such as execution cost, speed of execution and fill rates, and ISE Members will have the ability to indicate preferred execution venues. The Exchange will have no financial arrangements with the executing broker-dealers with respect to routing the stock leg(s) of stock-option orders.

As is currently required, after the stock leg(s) of the orders are routed to a broker-dealer for execution, that broker-dealer will be responsible for determining whether the order may be executed in accordance with the applicable rules, such as the Regulation NMS trade-through rules. As with the current procedure, the stock-option order will not be executed on the ISE if the broker-dealer cannot execute the equity orders at the designated price.

ISE Members will continue to be required to enter into an agreement with the broker-dealer(s) to which their orders can be routed, and the Exchange's routing logic will only route orders to the broker-dealers with whom they have agreements. In this respect, ISE Members will continue to be required to enter into an agreement with the designated broker-dealer that the Exchange currently routes the stock-leg(s) to so that a [sic] there is at least one common available broker-dealer through which the matched stock-leg(s) may be executed.<sup>3</sup>

The Exchange also proposes to remove from its rules provisions related to the non-automatic execution of stock-option orders. Members have found the automatic execution of stock-option orders to be preferable and no longer enter stock-option orders for non-automatic execution.

**Basis**—The Exchange believes that the proposed rule change is consistent with the provisions of Section 6 of the Act,<sup>4</sup> in general, and with Section 6(b)(5) of the Act,<sup>5</sup> in particular, in that the proposal is 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 regulating, clearing, settling, processing information with respect to, and facilitating transactions in securities, 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. Specifically, providing the ISE Members with multiple broker-dealers through which they may choose to have the stock leg(s) of their stock-option order routed will enable Members to avail themselves of pricing discounts. The Exchange believes that this will encourage members to route stock-option orders to the ISE, thus increasing the liquidity for stock-option orders executed on the ISE. Additionally, the Exchange believes it is fair and reasonable and not discriminatory to remove from the rules the ability for Members to execute stock-option orders in a non-automated manner, as there is no demand from Members for this execution alternative.

*B. Self-Regulatory Organization's Statement on Burden on Competition*

The proposed rule change does not 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*

The Exchange has not solicited, and does not intend to solicit, comments on this proposed rule change. The Exchange has not received any unsolicited written comments from members or other interested parties.

stock legs of such a transaction unless both Members have an agreement with the broker-dealer to which the stock legs are routed.

<sup>4</sup> 15 U.S.C. 78f.

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

**III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action**

Within 45 days of the date of publication of this notice in the **Federal Register** or within such longer period (i) as the Commission may designate up to 90 days of such date if it finds such longer period to be appropriate and publishes its reasons for so finding or (ii) as to which the self-regulatory organization consents, the Commission will:

(A) By order approve or disapprove such proposed rule change, or

(B) Institute proceedings to determine whether the proposed rule change should be disapproved.

**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 email to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include File Number SR-ISE-2012-16 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 Number SR-ISE-2012-16. This file number should be included on the subject line if email 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 Web site (<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 Web site 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

<sup>3</sup> In many cases, stock-option orders that are matched on the ISE have two different Members on the trade. The Exchange is not able to execute the

a.m. and 3 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 Number SR-ISE-2012-16 and should be submitted on or before April 9, 2012.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>6</sup>

**Kevin M. O'Neill,**  
Deputy Secretary.

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-66583; File No. SR-Phlx-2012-32]

### Self-Regulatory Organizations; NASDAQ OMX PHLX LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change Relating to Price Improvement XL (“PIXL<sup>SM</sup>”)

March 13, 2012.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”),<sup>1</sup> and Rule 19b-4<sup>2</sup> thereunder, notice is hereby given that on March 9, 2012, 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 proposes to amend Rule 1080(n), Price Improvement XL (“PIXL<sup>SM</sup>”), to correct Rule 1080(n)(i)(A)(2) pertaining to PIXL Orders (described below) for the account of a public customer with a size of less than 50 contracts. The amended rule would reflect the correct price at which an Initiating Member (described below) must guarantee the execution of a PIXL Order (described below) that the Initiating Member submits into a PIXL Auction (described below).

The text of the proposed rule change is available on the Exchange’s Web site 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 the 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 the Statutory Basis for, the Proposed Rule Change

###### 1. Purpose

The purpose of the proposed rule change is to correct Exchange Rule 1080(n), which governs the Exchange’s price improvement auction mechanism, PIXL.<sup>3</sup> In the PIXL mechanism, a member (an “Initiating Member”) must guarantee the execution of (*i.e.*, “stop”) an order it represents as agent (“PIXL Order”) against principal interest or against any other order it represents as agent (an “Initiating Order”) in the PIXL Auction (“Auction”), in which other participants may compete with the Initiating Member’s order to execute against the PIXL Order. The correction concerns rule text respecting public customer PIXL Orders for less than 50 contracts that are entered into the Auction.

Exchange Rule 1080(n)(i) describes the circumstances under which an Initiating Member may initiate an Auction. Rule 1080(n)(i)(A)(1) states that if the PIXL Order is for the account of a public customer and is for a size of 50 contracts or more, the Initiating Member must stop the entire PIXL Order at a price that is equal to or better than the National Best Bid/Offer (“NBBO”) on the opposite side of the market from the PIXL Order, provided that such price must be at least one minimum price improvement increment (as determined by the Exchange but not

smaller than one cent) better than any limit order on the limit order book on the same side of the market as the PIXL Order. The purpose of this provision is to ensure that public customer PIXL Orders for 50 contracts or more are guaranteed at least the NBBO but do not trade ahead of other limit orders already on the Exchange’s limit order book at the existing limit price.

Currently, Exchange Rule 1080(n)(i)(A)(2) states that if the PIXL Order is for the account of a public customer and is for a size of less than 50 contracts, the Initiating Member must stop the entire PIXL Order at a price that is the better of: (i) the PHLX Best Bid/Offer (“PBBO”) price on the opposite side of the market from the PIXL Order improved by at least one minimum price improvement increment, or (ii) the PIXL Order’s limit price (if the order is a limit order), provided in either case that such price is *better than the NBBO* (emphasis added), and at least one minimum price improvement increment better than any limit order on the book on the same side of the market as the PIXL Order.

In its filing to adopt the rules governing PIXL, and in the Notice of Filing of Proposed Rule Change published in the **Federal Register**,<sup>4</sup> the Exchange described its intent concerning the price at which an Initiating Member must stop a PIXL Order for the account of a public customer for a size of less than 50 contracts:

“[i]f the PIXL Order is for the account of a public customer and is for a size of less than 50 contracts, the Initiating Member must stop the entire PIXL Order at a price that is the better of: (i) The PBBO price on the opposite side of the market from the PIXL Order improved by at least one minimum price improvement increment, or (ii) the PIXL Order’s limit price (if the order is a limit order), provided in either case that such price is *at or better than the NBBO*.” (emphasis added).<sup>5</sup>

Despite this representation in the Notice of Filing, current Rule 1080(n)(i)(A)(2) states, in relevant part, “[p]rovided in either case that such price is *better than the NBBO*” (emphasis added). By way of the omission of the words “at or” from Rule 1080(n)(i)(A)(2), the current rule does not accurately describe the operation of PIXL, and does not reflect Exchange’s intent to permit Initiating Members to

<sup>4</sup> See Securities Exchange Act Release No. 62678 (August 10, 2010), 75 FR 50021 (August 16, 2010) (SR-Phlx-2010-108) (Notice of Filing of Proposed Rule Change by NASDAQ OMX PHLX, Inc. Relating to a Proposed Price Improvement System, Price Improvement XL (PIXL<sup>SM</sup>)).

<sup>5</sup> *Id.* at p. 50021.

<sup>6</sup> 17 CFR 200.30-3(a)(12).

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

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

<sup>3</sup> For a complete description of PIXL, see Securities Exchange Act Release No. 63027 (October 1, 2010), 75 FR 62160 (October 7, 2010) (SR-Phlx-2010-108).