

particular, the Commission finds that the proposed rule change is consistent with the requirements of Section 6(b)(5) of the Act,<sup>12</sup> which requires, among other things, that the Exchange's rules be designed 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. The Commission agrees with the Exchange that the elimination of the Validated Cross functionality will simplify CHX's order entry process, eliminate certain regulatory concerns presented by the Validated Cross functionality, and reduce the burden on the Exchange to maintain overlapping order entry functionality.<sup>13</sup>

The Commission finds good cause, pursuant to Section 19(b)(2) of the Act,<sup>14</sup> for approving the proposed rule change prior to the 30th day after publication of notice in the **Federal Register**. The Exchange represents that accelerated approval will allow the Exchange to implement these changes prior to the application of its customary end-of-the-year software change freeze, and thereby minimize the systems and operational risks it says are inherent to coding changes made late in the year. Further, accelerated approval of the proposed rule change will allow the Exchange to more quickly address certain regulatory concerns associated with the Validated Cross functionality.

## VI. Conclusion

*It is therefore ordered*, pursuant to Section 19(b)(2) of the Act,<sup>15</sup> that the proposed rule change (SR-CHX-2010-25) be, and it hereby is, approved on an accelerated basis.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>16</sup>

**Florence E. Harmon,**

*Deputy Secretary.*

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proposed rule's impact on efficiency, competition, and capital formation. See 15 U.S.C. 78c(f).

<sup>12</sup> 15 U.S.C. 78f(b)(5).

<sup>13</sup> See *supra* Section II.A.2.

<sup>14</sup> 15 U.S.C. 78s(b)(2).

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

<sup>16</sup> 17 CFR 200.30-3(a)(12).

## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-63566; File No. SR-CBOE-2010-115]

### Self-Regulatory Organizations; Chicago Board Options Exchange, Incorporated; Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Modify How Odd-Lots Are Handled on CBSX

December 16, 2010.

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 December 14, 2010, the Chicago Board Options Exchange, Incorporated ("Exchange" or "CBOE") filed with the Securities and Exchange Commission (the "Commission") the proposed rule change as described in Items I and II 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 Substance of the Proposed Rule Change

The Exchange proposes to modify how odd-lot orders are handled on the CBOE Stock Exchange ("CBSX"). The text of the proposed rule change is available on the Exchange's Web site (<http://www.cboe.org/Legal>), at the Exchange's principal office, and on the Commission's Web site at <http://www.sec.gov/rules/sro.shtml>.

#### 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 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 Exchange has prepared summaries, set forth in sections A, B, and C below, of the most significant parts of such statements.

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

###### 1. Purpose

Currently, CBSX handles and executes round lot orders differently

from the manner in which it handles and executes odd lot and mixed lot orders.<sup>3</sup> If CBSX is not displaying the NBBO and step-up is not achieved pursuant to the CBSX flash process in Rule 52.6, the round lot order is then routed to the exchange displaying the NBBO for execution. Odd lot orders, however, currently are not routed to the exchange displaying the NBBO for execution. The proposed change will ensure that odd and mixed lot orders will be handled and executed in a more consistent manner with round lot orders.

Under the proposed rule change, Odd-Lot orders will be matched by the CBSX System against interest at the best price in the CBSX Book. Odd-Lot orders (or the odd-lot portion of a mixed lot order) that are not marketable will be maintained in the System so that they may trade against later submitted orders (they will be traded using CBSX's matching rules). Marketable Odd-lot orders will be handled similar to round lot orders. If fulfilling an Odd-Lot order would result in an impermissible trade-through of another exchange, the order will be routed to other exchanges to be filled at prices better than the CBSX disseminated price. If an execution is not attained at the away exchange(s), the returned order is eligible for execution on CBSX. We note that the flash process utilized by CBSX prior to routing away orders will not be employed for Odd-lot orders.

If an incoming Odd-lot order trades against a quote in the CBSX Book, the new quantity remaining in the quote will be rounded down to the nearest lower round-lot amount (zero or multiple of 100) for display purposes, with the remaining Odd-Lot amount being cancelled. If an incoming order trades against a limit order resting on the CBSX Book and an Odd-Lot amount remains from the limit order resting on the CBSX Book, that Odd-Lot amount will remain in the system eligible for execution but will not be displayed.

###### 2. Statutory Basis

The Exchange believes the proposed rule change is consistent with the Securities Exchange Act of 1934 (the "Act")<sup>4</sup> and the rules and regulations thereunder and, in particular, the requirements of Section 6(b) of the Act.<sup>5</sup> Specifically, the Exchange believes the

<sup>3</sup> A "round lot" order is an order for a quantity that is a multiple of 100 (100, 200, 300, etc.). An "odd lot" order is an order for a quantity that is less than 100. A "mixed lot" order is an order for a quantity that is greater than 100 but not a multiple of 100 (135, 372, 1126, etc.).

<sup>4</sup> 15 U.S.C. 78s(b)(1).

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

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

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

proposed rule change is consistent with the Section 6(b)(5)<sup>6</sup> requirements that the rules of an exchange be designed to promote just and equitable principles of trade, to prevent fraudulent and manipulative acts, to remove impediments to and to perfect the mechanism for a free and open market and a national market system, and, in general, to protect investors and the public interest. Handling odd and mixed lot orders in the same manner as round lot orders allows CBSX to simplify the handling of odd-lot orders to the benefit of investors.

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

CBOE does not believe that the proposed rule change will impose any burden on competition 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 neither solicited nor received comments on the proposal.

### **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 from the date on which it was filed, or such shorter time as the Commission may designate, it has become effective pursuant to Section 19(b)(3)(A) of the Act<sup>7</sup> and Rule 19b-4(f)(6) thereunder.<sup>8</sup>

The Exchange has requested that the Commission waive the 30-day operative delay. Waiver of the 30-day operative delay would allow CBSX to immediately begin processing odd-lot orders and mixed-lot orders in a manner similar to its processing of round-lot orders. The Commission believes that waiving the 30-day operative delay is consistent with the protection of investors and the public interest and

designates the proposal operative upon filing.<sup>9</sup>

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.

### **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](mailto:rule-comments@sec.gov). Please include File Number SR-CBOE-2010-115 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-CBOE-2010-115. 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 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, on official business days between the hours of 10 a.m. and 3 p.m. Copies of the 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-CBOE-2010-115 and should be submitted on or before January 13, 2011.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>10</sup>

**Florence E. Harmon,**

*Deputy Secretary.*

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### **SECURITIES AND EXCHANGE COMMISSION**

**[Release No. 34-63572; File No. SR-EDGA-2010-18]**

#### **Self-Regulatory Organizations; EDGA Exchange, Inc.; Notice of Filing of Amendment No. 2 to Proposed Rule Change To Amend EDGA Rules 11.9(b)(1)(C) and 11.5(c)(7) Regarding Step-Up Orders**

December 17, 2010.

On November 8, 2010, EDGA Exchange, Inc. (the "Exchange" or "EDGA") 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 regarding Step-Up Orders. The proposed rule change was published for comment in the **Federal Register** on November 24, 2010.<sup>3</sup> On November 23, 2010, the Exchange submitted Amendment No. 1 to the proposed rule change.<sup>4</sup> On December 14, 2010, the Exchange submitted Amendment No. 2 to the proposed rule change, as described in Items I and II below, which items have been prepared by the Exchange.<sup>5</sup> The Commission is publishing this notice of Amendment No. 2 to solicit comments on the

<sup>10</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> See Securities Exchange Act Release No. 63335 (November 18, 2010), 75 FR 71783.

<sup>4</sup> In Amendment No. 1, the Exchange corrected an error in the purpose section of the original filing purpose section changing the current duration of the Step-Up Display Period from 25 milliseconds to 10 milliseconds.

<sup>5</sup> Amendment No. 2 replaces in its entirety the original filing and Amendment No. 1. In Amendment No. 2, the Exchange proposes to: (a) change the Step-Up Display Period (as defined below) from 25 milliseconds to 10 milliseconds, and (b) eliminate the discretion in the rule to vary the Step-Up Display Period without a rule filing.

<sup>6</sup> 15 U.S.C. 78f(b)(5).

<sup>7</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>8</sup> 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, along with a brief description and text of 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.

<sup>9</sup> For purposes only of waiving the 30-day operative delay, the Commission has considered the proposed rule's impact on efficiency, competition, and capital formation. See 15 U.S.C. 78c(f).