

received no comments on the proposal. This order approves the proposed rule change.

## II. Description of the Proposal

Currently, Phlx Rule 909 requires member organizations and applicants for registration to provide and maintain a security deposit, unless the member organization maintains excess net capital of at least the amount established by the Exchange. The Exchange proposes to eliminate the requirement to provide and maintain a security deposit and would instead require member organizations and applicants to provide a clearing account number for an account at NSCC in order to permit the Exchange to debit undisputed or final fees, fines, charges and/or other monetary sanctions or monies owed to the Exchange or other charges related to Rule 924.<sup>5</sup> Additionally, the Exchange proposes to amend the title of Rule 909 from "Security for Exchange Fees and Other Claims" to "Collection of Exchange Fees and Other Claims" in order to more accurately describe the proposed rule.

Under the proposal, the Exchange would send a monthly invoice to each member organization on approximately the fourth through sixth business day of the month following the month in which the charges were incurred.<sup>6</sup> In addition, the Exchange would send a file to the member's clearing firm which will indicate the amounts to be debited from each member. If a member is self-clearing, no such file would be sent, since the member would receive the invoice indicating the amount to be debited. If a member disputes an invoice in writing to the Exchange's designated staff by the fifteenth of the month, and the amount in dispute is at least \$10,000 or greater, the Exchange would not include the disputed amount in the debit.<sup>7</sup>

The Exchange then would send a file to NSCC on approximately the twenty-third of the month following the month in which the charges were incurred to initiate the debit of the appropriate amount. Once NSCC receives the file from the Exchange, NSCC would debit

the amount indicated from the clearing members' account.<sup>8</sup>

The Exchange would provide members with a thirty-day period, upon Commission approval of this proposal, to provide an NSCC number to the Phlx Membership Department if the member has not already provided one in the past.<sup>9</sup>

## III. Discussion and Commission Findings

The Commission has carefully reviewed the proposed rule change and finds that it is consistent with the requirements of the Act and the rules and regulations thereunder applicable to a national securities exchange.<sup>10</sup> In particular, the Commission finds that the proposed rule change is consistent with Section 6(b)(5) of the Act,<sup>11</sup> in that it is designed to promote just and equitable principles of trade, 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 notes that Phlx would only initiate a debit for an *undisputed* or *final* fee, fine, charge, or other monetary sanction or money owed to the Exchange. In addition, because members would receive invoices approximately two weeks before any funds are debited, members would have a means to monitor the accuracy of their invoices and, if necessary, would have time to contact the Exchange staff prior to amounts being debited.

Further, the Exchange has informed the Commission that the vast majority of the Exchange's members already voluntarily participate in the automatic-debit program, which the proposed rule would make mandatory. Those members that do not currently participate will have thirty days from approval of this proposal to provide the NSCC number to the Exchange. Finally, the Commission notes that no comments were received regarding the proposal.

<sup>8</sup> If the member clears through an Exchange clearing member, the estimated transactions fees owed to the Exchange are typically debited by the clearing member on a daily basis using daily transaction detail reports provided by the Exchange to the clearing member in order to ensure adequate funds have been escrowed.

<sup>9</sup> The Exchange noted that many of its members have already provided voluntarily the Exchange with an NSCC clearing account number, and those members' accounts are currently being debited on a monthly basis. See Notice, *supra* note 4, at note 10.

<sup>10</sup> 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).

<sup>11</sup> 15 U.S.C. 78f(b)(5).

## IV. Conclusion

*It is therefore ordered*, pursuant to Section 19(b)(2) of the Act,<sup>12</sup> that the proposed rule change, (SR-Phlx-2009-101), be, and hereby is, approved.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>13</sup>

**Florence E. Harmon,**

*Deputy Secretary.*

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-61409; File No. SR-NYSE-2010-04]

### Self-Regulatory Organizations; New York Stock Exchange LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Extend for 12 Months the Pilot Program Permitting the Exchange's Ownership Interest in BIDS Holdings L.P. (BIDS) and the Affiliation of BIDS With the New York Block Exchange LLC

January 22, 2010.

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> notice is hereby given that, on January 11, 2010, New York Stock Exchange LLC ("NYSE" or "Exchange") 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 Exchange. The Exchange filed this proposal pursuant to Rule 19b-4(f)(6) under the Act<sup>3</sup> and requested that the Commission waive the 30-day pre-operative waiting period contained in Rule 19b-4(f)(6)(iii).<sup>4</sup> 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 extend for an additional 12 months the January 22, 2010 expiration date of the pilot program that provides an exception to NYSE Rule 2B by permitting the Exchange's equity ownership interest in BIDS Holdings L.P. ("BIDS"), which is the parent company of a member of the Exchange, and BIDS's affiliation with

<sup>12</sup> 15 U.S.C. 78s(b)(2).

<sup>13</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> 17 CFR 240.19b-4(f)(6).

<sup>4</sup> 17 CFR 240.19b-4(f)(6)(iii).

<sup>5</sup> Phlx Rule 924 (Obligations of Members and Member Organizations to the Exchange) states, among other things, that members and member organizations shall be liable for such fees, fines, dues, penalties and other amounts imposed by the Exchange.

<sup>6</sup> For example, invoices for the month of October might be sent on November 5.

<sup>7</sup> If the fifteenth day is not a business day, then the member would have until the following business day.

the New York Block Exchange LLC, an affiliate of the Exchange. There is no proposed rule text.

## 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 those 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

On January 22, 2009, the Commission approved the governance structure proposed by the Exchange with respect to the New York Block Exchange ("NYBX"), a new electronic trading facility of the Exchange for NYSE-listed securities that was established by means of a joint venture between the Exchange and BIDS.<sup>5</sup> The governance structure that was approved is reflected in the Limited Liability Company Agreement of New York Block Exchange LLC (the "Company"), the entity that owns and operates NYBX. Under the governance structure approved by the Commission, the Exchange and BIDS each own a 50% economic interest in the Company. In addition, the Exchange, through its wholly-owned subsidiary NYSE Market, Inc., owns less than 10% of the aggregate limited partnership interest in BIDS. BIDS is the parent company of BIDS Trading, L.P. ("BIDS Trading"), which became a member of the Exchange in connection with the establishment of NYBX.

The foregoing ownership arrangements would violate NYSE Rule 2B without an exception from the Commission.<sup>6</sup> First, the Exchange's

indirect ownership interest in BIDS Trading violates the prohibition in Rule 2B against the Exchange maintaining an ownership interest in a member organization. Second, BIDS Trading is an affiliate of an affiliate of the Exchange,<sup>7</sup> which violates the prohibition in Rule 2B against a member of the Exchange having such status. Consequently, in the Approval Order, the Commission permitted an exception to these two potential violations of NYSE Rule 2B, subject to a number of limitations and conditions. One of the conditions for Commission approval was that the proposed exception from NYSE Rule 2B to permit NYSE's indirect ownership/interest in BIDS Trading and BIDS Trading's affiliation with the Company (which is an affiliate of NYSE) would be for a pilot period of 12 months.<sup>8</sup>

In discussing the pilot basis of the exception to NYSE Rule 2B, the Approval Order noted that the pilot period "will provide NYSE and the Commission an opportunity to assess whether there might be any adverse consequences of the exception and whether a permanent exception is warranted."<sup>9</sup> The 12-month pilot period is due to expire on January 22, 2010. While the Exchange believes that the experience to date operating under the exception to Rule 2B fully justifies making the exception permanent, the Exchange now seeks to extend the ending date for the pilot program for another 12 months to January 22, 2011 to allow additional time, if necessary, for the Commission to obtain and review the information it needs in order to make its determination regarding any adverse consequences of the exception and whether a permanent exception is warranted. During the proposed extension of the pilot program period, the Exchange's current indirect ownership interest in BIDS Trading<sup>10</sup> and BIDS Trading's affiliation with the

Company would continue to be permitted.

If the Commission should determine prior to the end of the extended pilot period that a permanent exception to NYSE Rule 2B is warranted, the Exchange would have the option of submitting a proposed rule change to accomplish this and simultaneously terminate the pilot program.

#### 2. Statutory Basis

The proposed rule change is consistent with Section 6(b)<sup>11</sup> of the Act,<sup>12</sup> in general, and furthers the objectives of Section 6(b)(1)<sup>13</sup> of the Act, which requires a national securities exchange to be so organized and have the capacity to carry out the purposes of the Act and to comply, and to enforce compliance by its members and persons associated with its members, with the provisions of the Act. The proposed rule change is also consistent with, and furthers the objectives of Section 6(b)(5)<sup>14</sup> of the Act, in that it 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 facilitating transactions in securities, to remove impediments to and perfect the mechanisms of a free and open market and a national market system and, in general, to protect investors and the public interest.

In the Approval Order, the Commission determined that the proposed exception from NYSE Rule 2B to permit NYSE's indirect ownership interest in BIDS Trading and BIDS Trading's affiliation with the Company was consistent with the Act, including Section 6(b)(5) thereof.<sup>15</sup> As the basis for its determination, the Commission cited the specific limitations and conditions listed in the Approval Order to which its approval of the exception to NYSE Rule 2B was subject,<sup>16</sup> stating: "These conditions appear reasonably designed to mitigate concerns about potential conflicts of interest and unfair competitive advantage. \* \* \* These conditions appear reasonably designed to promote robust and independent regulation of BIDS. \* \* \* The Commission believes that, taken together, these conditions are reasonably designed to mitigate potential conflicts between the Exchange's commercial interest in BIDS

<sup>5</sup> See Securities Exchange Act Release No. 59281 (January 22, 2009), 74 FR 5014 (January 28, 2009) (order approving SR-NYSE-2008-120) ("Approval Order").

<sup>6</sup> NYSE Rule 2B provides, in relevant part, that: "[w]ithout prior SEC approval, the Exchange or any entity with which it is affiliated shall not, directly or indirectly, acquire or maintain an ownership interest in a member organization. In addition, a member organization shall not be or become an affiliate of the Exchange, or an affiliate of any affiliate of the Exchange. \* \* \* The term affiliate shall have the meaning specified in Rule 12b-2 under the Act."

<sup>7</sup> Specifically, the Company is an affiliate of the Exchange, and BIDS Trading is an affiliate of the Company based on their common control by BIDS. The affiliation in each case is the result of the 50% ownership interest in the Company by each of the Exchange and BIDS.

<sup>8</sup> See Approval Order, 74 FR at 5018.

<sup>9</sup> *Id.* at 5019.

<sup>10</sup> Another condition for the exception to NYSE Rule 2B specified in the Approval Order was that the Exchange's equity interest in BIDS must remain less than 9%, absent prior Commission approval of any increase. See *id.* at 5018. Subsequently, the Commission approved a proposal by the Exchange to slightly increase the ceiling on its equity ownership in BIDS to less than 10%, and that will be the applicable limitation during the extension of the pilot period. See Securities Exchange Act Release No. 61257 (December 30, 2009), 75 FR 500 (January 5, 2010) (order approving SR-NYSE-2009-116).

<sup>11</sup> 15 U.S.C. 78f(b).

<sup>12</sup> 15 U.S.C. 78.

<sup>13</sup> 15 U.S.C. 78f(b)(1).

<sup>14</sup> 15 U.S.C. 78f(b)(5).

<sup>15</sup> See Approval Order, 74 FR at 5018-5019.

<sup>16</sup> *Id.* at 5018.

and its regulatory responsibilities with respect to BIDS.”<sup>17</sup> Because these same limitations and conditions will continue to be applicable during the extension of the pilot period, other than the ending date of the pilot period and the recently approved small increase in the ceiling on the Exchange’s equity interest in BIDS, the Exchange believes that the exception from NYSE Rule 2B described above will continue to be consistent with the Act during that extension.

#### *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 solicited or received with respect to the proposed rule change.

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

The foregoing proposal has become effective pursuant to Section 19(b)(3)(A) of the Act and Rule 19b-4(f)(6) thereunder because it 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 if consistent with the protection of investors and the public interest.<sup>18</sup>

The Exchange has asked the Commission to waive the 30-day operative delay so that the proposal may become operative immediately upon filing. The Commission believes that waiving the 30-day operative delay is consistent with the protection of investors and the public interest, because the proposal would preserve the benefits of the Exchange’s pilot program without interruption as the Exchange and the Commission monitor and assess whether any adverse consequences have resulted from the exceptions to NYSE Rule 2B and if the exceptions continue to be appropriate.

Therefore, the Commission hereby grants the Exchange’s request and designates the proposal as operative upon filing.<sup>19</sup>

At any time within 60 days of the filing of the proposed rule change, the Commission may summarily abrogate 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-NYSE-2010-04 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-NYSE-2010-04. 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 inspection and copying in the Commission’s Public Reference Room, 100 F Street, NE., Washington, DC 20549, on official business days between the hours of 10 a.m. and 3 p.m.

Copies of the filing will also 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-NYSE-2010-04 and should be submitted on or before February 19, 2010.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>20</sup>

**Florence E. Harmon,**  
*Deputy Secretary.*

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## **SECURITIES AND EXCHANGE COMMISSION**

[Release No. 34-61411; File No. SR-ISE-2010-05]

### **Self-Regulatory Organizations; International Securities Exchange, LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change Regarding Market Maker Trading Licenses for Foreign Currency Options**

January 22, 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 January 14, 2010, 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, II, and III below, which items have been prepared by the Exchange. The Exchange has filed the proposal as a “non-controversial” proposed rule change pursuant to Section 19(b)(3)(A)(iii) of the Act<sup>3</sup> and Rule 19b-4(f)(6) thereunder.<sup>4</sup> 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 amend its Rule 2213 regarding market maker trading licenses for the Exchange’s foreign currency options. The text of the

<sup>17</sup> *Id.* at 5019.

<sup>18</sup> In addition, Rule 19b-4(f)(6) requires the Exchange 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 satisfied this requirement.

<sup>19</sup> For purposes only of waiving the 30-day operative delay of this proposal, the Commission has considered the proposed rule’s impact on efficiency, competition, and capital formation. *See* 15 U.S.C. 78c(f).

<sup>20</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> 15 U.S.C. 78s(b)(3)(A).

<sup>4</sup> 17 CFR 240.19b-4(f)(6).