

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 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-Phlx-2012-23 and should be submitted on or before March 28, 2012.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>44</sup>

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

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-66503; File No. SR-CHX-2012-02]

### Self-Regulatory Organizations; Chicago Stock Exchange, Inc.; Order Approving a Proposed Rule Change To Add to and Amend Its Rules Regarding the Obligations of Institutional Brokers Registered With the Exchange

March 1, 2012.

#### I. Introduction

On January 6, 2012, the Chicago Stock Exchange, Inc. ("CHX" or the "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 permit broker-dealers registered as Institutional Brokers with CHX to operate a non-Institutional Broker unit within the same Participant Firm. The proposed rule change was published for comment in the **Federal Register** on January 24, 2012.<sup>3</sup> The Commission received no comment letters on the proposal. This order approves the proposed rule change.

#### II. Description of the Proposal

Institutional Brokers are an elective sub-category of Exchange Participants who are subject to the obligations of Article 17 of the CHX rules. Registration as an Institutional Broker is limited to Participant Firms, and is not available to individual persons.<sup>4</sup> Under current CHX rules, each individual person authorized to enter bids and offers and execute transactions on behalf of an Institutional Broker is considered an Institutional Broker Representative ("IBR") and must be registered with the Exchange as provided in Article 6.

Institutional Brokers are the successors to the floor brokers that operated within the Exchange's previous floor-based, auction trading model. The Exchange replaced its floor-based, auction trading model with its New Trading Model, which features an electronic limit order matching system as its core trading facility ("Matching System"), beginning in late 2006.<sup>5</sup> Under CHX's New Trading Model, Institutional Brokers were regarded as operating on the Exchange.<sup>6</sup> Recently, the Exchange amended its rules to provide that Institutional Brokers are no longer considered to be operating on the Exchange.<sup>7</sup> Given this change in the status of Institutional Brokers, the Exchange stated that the instant proposal is designed to enable Institutional Brokers to engage in business activities beyond those handled by IBRs, such as over-the-counter ("OTC") market making, while ensuring that their activities as an Institutional Broker are appropriately governed by CHX rules.

The Exchange proposed to permit Institutional Brokers to operate a non-

Institutional Broker unit within the same Participant Firm. A firm registered with the Exchange as Institutional Broker could maintain other lines of business separate and distinct from its Institutional Broker activities without subjecting those other areas to the requirements of Article 17, Rule 3 contingent upon the creation and maintenance of effective information barrier procedures as specified in proposed Rule 6 of Article 17. The Exchange stated that non-IBR activities of a Participant Firm registered as an Institutional Broker would remain subject to all other applicable provisions of the Exchange's rules.<sup>8</sup> The non-IBR personnel at an Institutional Broker could continue to send orders to the Exchange, but those orders would be regarded as standard order-sending Participant orders, not as Institutional Broker activity. The Exchange stated that it can and will distinguish between orders sent to the Matching System by IBRs and other orders sent by Institutional Brokers to the Matching System for billing and other purposes.<sup>9</sup>

CHX proposed to modify its rules correspondingly to redefine IBR<sup>10</sup> and "Participant Firm,"<sup>11</sup> and amend the obligations of Institutional Brokers and IBRs.<sup>12</sup> Certain Institutional Broker privileges and responsibilities would apply only to the activities of those individuals registered with the Exchange as IBRs (and clerks thereto).<sup>13</sup> Further, the Exchange proposed to

<sup>8</sup> See Notice, 77 FR at 3529.

<sup>9</sup> See *id.*

<sup>10</sup> See Article 1, new Rule 1(gg) (defining IBR). See also amended Interpretation and Policy .02 to Article 17, Rule 1 (redefining IBR as an individual person affiliated with an Institutional Broker who is authorized to accept orders, enter bids and offers and execute transactions on behalf of an Institutional Broker and who has registered with the Exchange as an IBR as provided in Article 6).

<sup>11</sup> See Article 17, revised Rule 2 (clarifying that only Participants Firms are eligible to register as Institutional Brokers).

<sup>12</sup> See Article 17, Rule 3(e) (the obligations owed by Institutional Brokers under Article 11 include the affirmative obligation to provide electronic information to the Exchange in certain circumstances); Interpretation and Policy .01(a) to Article 6, Rule 3 (all applicants seeking to register as IBRs must successfully complete an Institutional Broker exam).

<sup>13</sup> See amended Article 17, Rule 3 (enumerated Institutional Broker responsibilities apply to activities by or through an affiliated IRR); amended Article 17, Rule 5(a) (the ability to make clearing submissions is limited to IBRs); new Article 17, Rule 6 (creating a duty of Institutional Brokers with a non-Institutional Broker unit to establish and maintain information barriers between the Institutional Broker unit and non-Institutional Broker unit); amended Article 17, Rule 1 (only registered IBRs are permitted to use Exchange systems provided for Institutional Brokers for handling orders and reporting transactions, *i.e.*, Brokerplex®). For a description of Brokerplex®, see Notice, 77 FR at 3528, n.9.

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

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

<sup>3</sup> Securities Exchange Act Release No. 66177 (January 18, 2012), 77 FR 3527 ("Notice").

<sup>4</sup> See CHX Rules, Article 17, Rule 1, Interpretation and Policy .02.

<sup>5</sup> See Securities Exchange Act Release No. 54550 (September 29, 2006), 71 FR 59563 (October 10, 2006) (SR-CHX-2006-05).

<sup>6</sup> See *id.*

<sup>7</sup> See Securities Exchange Act Release No. 65633 (October 26, 2011), 76 FR 67509 (November 1, 2011) (SR-CHX-2011-29).

<sup>44</sup> 17 CFR 200.30-3(a)(12).

correct typographical mistakes and to make clarifying changes.

### III. Discussion

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>14</sup> Specifically, the Commission finds that the proposal is consistent with Section 6(b)(5) of the Act,<sup>15</sup> in that it is designed to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in facilitating transaction in securities, to remove impediments and perfect the mechanisms of a free and open market, and, in general, to protect investors and the public interest.

As noted above, the Exchange recently amended its rules to provide that Institutional Brokers are no longer deemed to be operating on the Exchange.<sup>16</sup> Accordingly, Institutional Brokers are now permitted to handle and execute orders otherwise than on the Exchange.<sup>17</sup> Given this change, the Commission believes that it is appropriate and consistent with the Act for the Exchange to alter the privileges and responsibilities of Institutional Brokers to apply only to the activities of IBRs (and their clerks). The proposed changes would allow Institutional Brokers to carry out business strategies similar to those of other participants on the Exchange, while still ensuring that persons acting as IBRs are subject to the appropriate regulatory obligations. Further, the proposed rules regarding information barrier procedures should help ensure that there are adequate safeguards to prevent IBR units and non-IBR units from sharing non-public market information. As it gains experience overseeing the new multi-unit Institutional Brokers, the Commission expects the Exchange to assess whether any other informational barriers are necessary to prevent the flow of market information between IBR units and non-IBR units.

### IV. Conclusion

It is therefore ordered, pursuant to Section 19(b)(2) of the Act,<sup>18</sup> that the proposed rule change (SR-CHX-2012-02) be, and it hereby is, approved.

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

<sup>16</sup> See *supra* note 7.

<sup>17</sup> See *id.*

<sup>18</sup> 15 U.S.C. 78s(b)(2).

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>19</sup>

Kevin M. O'Neill,

Deputy Secretary.

[FR Doc. 2012-5474 Filed 3-6-12; 8:45 am]

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-66501; File No. SR-BX-2012-014]

### Self-Regulatory Organizations; NASDAQ OMX BX, Inc.; Notice of Filing and Immediate Effectiveness of Proposed Rule To Amend the BOX LLC Agreement

March 1, 2012.

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 February 22, 2012, NASDAQ OMX BX, Inc. (the "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 self-regulatory organization. The Exchange filed the proposed rule change pursuant to Section 19(b)(3)(A) of the Act,<sup>3</sup> and Rule 19b-4(f)(6) thereunder,<sup>4</sup> which renders the proposal effective upon filing with the Commission. 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 the Sixth Amended and Restated Operating Agreement ("BOX LLC Agreement") of the Boston Options Exchange Group LLC ("BOX LLC"), in connection with the proposed acquisition of TMX Group Inc., a company incorporated in Ontario, Canada ("TMX Group") by Maple Group Acquisition Corporation, a company incorporated in Ontario, Canada ("Maple"). The text of the proposed rule change is available from the principal office of the Exchange, at the Commission's Public Reference Room and also on the Exchange's Internet Web site at <http://nasdaqomxbx.cchwallstreet.com/NASDAQOMXBX/Filings/>.

<sup>19</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).

## 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 self-regulatory organization 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

On January 13, 2004, the Commission approved four Exchange proposals that together established, through an operating agreement among its owners, BOX LLC, a Delaware limited liability company, to operate BOX as an options trading facility of the Exchange.<sup>5</sup>

Currently, the Montreal Exchange Inc., a company incorporated in Quebec, Canada ("MX"), is a direct subsidiary of TMX Group. MX US 2, Inc., a Delaware corporation and indirect, wholly owned subsidiary of MX ("MX US"), holds a 53.83% ownership interest in BOX LLC.

The Exchange is submitting the proposed rule change to the Commission to amend the BOX LLC Agreement pursuant to the proposed Instrument of Accession in connection with the Acquisition (as defined below).

Maple's investors comprise Alberta Investment Management Corporation, Caisse de dépôt et placement du Québec, Canada Pension Plan Investment Board, CIBC World Markets Inc., Desjardins Financial Corporation, Dundee Capital Markets Inc., Fonds de solidarité des travailleurs du Québec (F.T.Q.), GMP Capital Inc., The Manufacturers Life Insurance Company, National Bank Financial & Co. Inc., Ontario Teachers' Pension Plan Board, Scotia Capital Inc. and TD Securities

<sup>5</sup> See Securities Exchange Act Release No. 49066 (January 13, 2004), 69 FR 2773 (January 20, 2004) (establishing a fee schedule for the proposed BOX facility); Securities Exchange Act Release No. 49065 (January 13, 2004), 69 FR 2768 (January 20, 2004) (creating Boston Options Exchange Regulation LLC to which the Exchange would delegate its self-regulatory functions with respect to the BOX facility); Securities Exchange Act Release No. 49068 (January 13, 2004), 69 FR 2775 (January 20, 2004) (approving trading rules for the BOX facility); Securities Exchange Act Release No. 49067 (January 13, 2004), 69 FR 2761 (January 20, 2004) (approving certain regulatory provisions of the operating agreement of BOX LLC).