SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-60840; File No. SR-Phlx-2009-77)

October 20, 2009

Self-Regulatory Organizations; Order Approving Proposed Rule Change by NASDAQ OMX PHLX, Inc. Regarding Listing Certain Options at $1 Strike Price Intervals Below $200 and Listing Certain Options at $2.50 Strike Price Intervals Below $200

On September 4, 2009, NASDAQ OMX PHLX, Inc. ("Phlx" or "Exchange") filed with the Securities and Exchange Commission ("Commission"), pursuant to Section 19(b)(1)[1] of the Securities Exchange Act of 1934 (the "Act")[2] and Rule 19b-4 thereunder,[3] a proposed rule change to permit the listing of certain option series at $1 and $2.50 strike price intervals for strike prices below $200. The proposed rule change was published for comment in the Federal Register on September 16, 2009.[4] There were no comments on the proposed rule change. This order approves the proposed rule change.

The Exchange proposes to amend Phlx Rules 1012 and 1101A to permit the Exchange to list eight index options (the "$1 Indexes") at $1 strike price intervals below $200.[5] The Exchange believes that $1 strike price intervals in these option series will provide investors with greater flexibility by allowing them to establish positions that are better tailored to meet their investment objectives. The Exchange also proposes to amend

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1 15 U.S.C.78s(b)(1).

2 15 U.S.C. 78a.

3 17 CFR 240.19b-4.

4 See Securities Exchange Act Release No. 60637 (September 9, 2009), 74 FR 47634 ("Notice").

5 The Exchange is proposing $1 strike price intervals for the following sector indexes: PHLX Gold/Silver Index (XAU), PHLX Housing Index (HGX), PHLX Oil Service Index (OSX), SIG Oil Exploration & Production Index™ (EPX℠), PHLX Semiconductor Index (SOX), KBW Bank Index (BKX),[5] SIG Energy MLP Index℠ (SVO™), and Reduced Value Russell 2000® Index (RMN).

Rule 1101A to permit the Exchange to list options on two indexes at $2.50 strike price intervals below $200.[6]

For initial series in options on the $1 Indexes, the Exchange will list at least two strike prices above and two strike prices below the current value of the $1 Index at or about the time a series is opened for trading on the Exchange. Series listed at the time of initial listing must be within five (5) points of the closing value of the $1 Index on the preceding day. The Exchange will be permitted to list up to sixty (60) additional series, subject to certain guidelines,[7] when the Exchange deems it necessary to maintain an orderly market, to meet customer demand, or when the underlying $1 Index moves substantially from the initial exercise price or prices. In all cases, however, $1 strike price intervals may be listed on $1 Index options only where the strike price is less than $200. The Exchange is also proposing to set forth a delisting policy with respect to $1 Index options.[8]

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[6] The Exchange is proposing $2.50 strike price intervals for the following sector indexes: the NASDAQ China Index[SM] (CNZ) and the Reduced Value Russell 2000® Index (RMN).

[7] Additional strike prices shall be within thirty percent (30%) above or below the closing value of the $1 Index; however, the Exchange will be permitted to open additional strike prices that are more than 30% above or below the current $1 Index value provided that demonstrated customer interest exists for such series, as expressed by institutional, corporate or individual customers or their brokers. Market-Makers trading for their own account will not be considered when determining customer interest. <u>See</u> Proposed Rule 1101A Commentary .03(b).

[8] For each $1 Index the Exchange will regularly review series that are outside a range of five (5) strikes above and five (5) strikes below the current value of the $1 Index and may delist series with no open interest in both the put and the call series having a: (i) strike higher than the highest strike price with open interest in the put and/or call series for a given expiration month; and (ii) strike lower than the lowest strike price with open interest in the put and/or call series for a given expiration month. However, customer requests to add strikes and/or maintain strikes in $1 Index options in series eligible for delisting may be granted.

After careful review, the Commission finds that the proposed rule change is consistent with the Act and the rules and regulations thereunder applicable to a national securities exchange.[9] In particular, the Commission believes that the proposed rule change is consistent with Section 6(b)(5) of the Act,[10] which requires, among other things, that the rules of a national securities exchange be 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 Exchange stated in its proposal that it has received numerous requests from traders of the $1 Index options for series listed in $1 strike price increments. The Exchange believes that allowing the listing of these options at $1 increments as proposed, particularly given the recent decline in values of the $1 Indexes, should provide investors with added flexibility in the trading of options and further the public interest by allowing investors to establish positions that are better tailored to meet their investment objectives.

The Commission notes that the Exchange has analyzed its capacity and represented its belief that it and the Options Price Reporting Authority have the necessary systems capacity to handle the additional traffic associated with listing and trading $1 strike intervals options series on the $1 Indexes.

In light of the foregoing, the Commission believes that the proposal strikes a reasonable balance between the Exchange's desire to accommodate market participants by offering a wider array of investment opportunities and the need to avoid unnecessary

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9 In approving this proposed rule change, the Commission has considered the proposed rule's impact on efficiency, competition, and capital formation. 15 U.S.C. 78c(f).

10 15 U.S.C. 78f(b).

proliferation of options series and the corresponding increase in quotes. The Commission expects that the Exchange will monitor the trading volume associated with the additional options series listed as a result of this proposal and the effect of these additional series on market fragmentation and on the capacity of the Exchange's, OPRA's and vendors' automated systems.

IT IS THEREFORE ORDERED, pursuant to Section 19(b)(2) of the Act,[11] that the proposed rule change (SR-Phlx-2009-77) be, and it hereby is, approved.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.[12]

Florence E. Harmon
Deputy Secretary

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11 15 U.S.C. 78s(b)(2).

12 17 CFR 200.30-3(a)(12).