

all restricted stock issued or issuable under the Restricted Stock Plan and the exercise of all outstanding options issued or issuable to the directors, officers, and employees under the Amended Director Plan, the 2006 Employee Plan and the 1996 Employee Plan would be 2,131,214 shares of Applicant's Common Stock, or approximately 9.94% of Applicant's shares of Common Stock outstanding on June 15, 2012, which is below the percentage limitations in the Act. Applicant asserts that, given the relatively small amount of Common Stock issuable to Eligible Directors upon their exercise of options under the Amended Director Plan, the exercise of such options would not, absent extraordinary circumstances, have a substantial dilutive effect on the net asset value of Applicant's Common Stock.

For the Commission, by the Division of Investment Management, pursuant to delegated authority.

Kevin M. O'Neill,  
Deputy Secretary.

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-67229; File No. SR-NASDAQ-2012-058]

### Self-Regulatory Organizations; The NASDAQ Stock Market LLC; Notice of Filing of Proposed Rule Change Relating to the Listing and Trading of Alpha Index-Linked Securities

June 21, 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 June 11, 2012, The NASDAQ Stock Market LLC ("NASDAQ" or "Exchange") filed with the Securities and Exchange Commission ("SEC" or "Commission") the proposed rule change as described in Items I and II below, which Items have been prepared by NASDAQ. 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

NASDAQ proposes to adopt Nasdaq Rule 5712, Alpha Index-Linked Securities, providing for the listing, trading and delisting of securities linked

to the performance of certain specified NASDAQ OMX Alpha Indexes as set forth below.

The text of the proposed rule change is available on the Exchange's Web site at <http://nasdaq.cchwallstreet.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 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. 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 Statutory Basis for, the Proposed Rule Change

###### 1. Purpose

The purpose of this proposed rule change is to provide for the listing and trading on NASDAQ of Equity Index-Linked Securities (as defined in Exchange Rule 5710) linked, on an unleveraged basis, to the following Alpha Indexes owned and maintained by NASDAQ OMX Group Inc.: GOOG vs. SPY (GOOSY) and AAPL vs. SPY (AVSPY) (together, the "Specified Alpha Indexes"). These Alpha Indexes are relative performance based equity indexes maintained by The NASDAQ OMX Group.<sup>3</sup>

Currently, Nasdaq Rule 5710 provides for the listing and trading of Equity Index-Linked Securities. In particular, Nasdaq Rule 5710(k)(i)(A) provides for the listing and trading pursuant to Commission Rule 19b-4(e) of Equity Index-Linked Securities with respect to

<sup>3</sup> The Commission has previously approved the listing and trading of options on certain Alpha Indexes ("Alpha Index Options") on NASDAQ OMX PHLX ("PHLX"). See Securities Exchange Act Release No. 63860 (February 7, 2011), 76 FR 7888 (February 11, 2011) (SR-Phlx-2010-176), approving options on the following Alpha Indexes: AAPL/SPY, AMZN/SPY, CSCO/SPY, F/SPY, GE/SPY, GOOG/SPY, HPQ/SPY, IBM/SPY, INTC/SPY, KO/SPY, MRK/SPY, MSFT/SPY, ORCL/SPY, PFE/SPY, RIMM/SPY, T/SPY, TGT/SPY, VZ/SPY and WMT/SPY. The Commission subsequently approved options on the following Alpha Indexes in which the Target Component, as well as the Benchmark Component, is an ETF share: DIA/SPY, EEM/SPY, EWJ/SPY, EWZ/SPY, FXI/SPY, GLD/SPY, IWM/SPY, QQQ/SPY, SLV/SPY, TLT/SPY, XLE/SPY and XLF/SPY. See Securities Exchange Act Release No. 65149 (August 17, 2011), 76 FR 52729 (August 23, 2011) (SR-Phlx-2011-89).

which the underlying indexes have at least 10 component securities and either (1) have been reviewed and approved for the trading of options or other derivatives by the Commission under Section 19(b)(2) of the Act and rules thereunder and the conditions set forth in the Commission's approval order, including comprehensive surveillance sharing agreements for non-U.S. stocks, continue to be satisfied, or (2) meet specific index criteria set forth in Rule 5710(k)(i)(A)(2). NASDAQ Alpha Indexes do not contain at least 10 component securities and therefore do not meet these requirements, even if they have been reviewed and approved for the trading of options by the Commission under Section 19(b)(2) of the Act, and therefore are ineligible for listing and trading pursuant to Rule 5710(k)(i)(A).

This proposed rule change would therefore add new Exchange Rule 5712 which provides that NASDAQ will consider for listing and trading Equity Index-Linked Securities that are linked to the Specified Alpha Indexes and that meet the criteria specified therein (the "Alpha Index-Linked Securities").

##### Alpha Index Calculation

The Alpha Indexes measure relative total returns of one stock or one exchange-traded fund ("ETF") share versus another ETF share (each such combination of two components is referred to as an "Alpha Pair").<sup>4</sup> The first component identified in an Alpha Pair (the "Target Component") is measured against the second component identified in the Alpha Pair (the "Benchmark Component").

In order to calculate an Alpha Index, NASDAQ measures the total return performance of the Target Component relative to the total return performance of the Benchmark Component, based upon prices of transactions on the primary listing exchange of the Benchmark Component and the Target Component. The value of each Alpha Index was initially set at 100.00.<sup>5</sup>

To calculate any Alpha Index, NASDAQ first calculates a daily total return for both the Target Component

<sup>4</sup> As noted above, the Commission has previously approved 31 Alpha Indexes for options trading. The NASDAQ OMX Group currently maintains and calculates three additional Alpha Indexes, for a total of 34, and may develop additional Alpha Indexes in the future. At this time, the Exchange proposes to list and trade only those Alpha Index-Linked Securities that are linked to the Specified Alpha Indexes identified herein. The Exchange may in the future request Commission approval to list and trade Alpha Index-Linked Securities based upon other Alpha Indexes.

<sup>5</sup> The total return measures performance (rate of return) of price appreciation plus dividends over any given evaluation period.

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

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

and the Benchmark Component of the Alpha Pair. To calculate the daily total return today of a Target Component or a Benchmark Component, respectively, the previous trading day's closing market price for the Target Component or Benchmark Component, respectively, would be subtracted from today's closing market price for the Target Component or Benchmark Component, respectively, to determine a price difference (the "Price Difference"). The Price Difference would be added to any declared dividend, if today were an "ex-dividend" date, to yield the Price Plus Dividend Difference for the Target Component or the Benchmark Component, respectively.

The Price Plus Dividend Difference for the Target Component or Benchmark Component is then divided by the previous trading day's closing market price for the Target Component or Benchmark Component, and the result is rounded to four decimal places to yield the daily total return.

To calculate all Alpha Indexes, the daily total return for the Target Component and for the Benchmark Component is then added to the whole number one. This figure for the Target Component is then divided by the comparable figure for the Benchmark Component, and then multiplied by the previous trading day's closing Alpha Index value. The resulting level depicts the Target Component's total return performance for that day compared to the Benchmark Component's total return performance for that day.

The following example illustrates the Alpha Index calculation for ABC stock as against SPY.<sup>6</sup>

(Step 1.) For both ABC and SPY, the previous trading day's closing market price is subtracted from today's closing market price with the result added to any dividend declared today as the "ex-dividend" date. For example, today's closing price for ABC (214.01) minus the previous day's closing price (210.73) equals 3.28. Today is not an ex-dividend date for ABC; therefore, nothing is added to 3.28. Similarly, today's closing price for SPY (113.33) minus the previous trading day's closing price (111.44) equals 1.89. Today is not an ex-dividend date for SPY; therefore, nothing is added to 1.89.

(Step 2.) The step one result is divided by the previous trading day's closing market price and the new result is rounded, using simple rounding, to four decimal places to yield the daily

total return. For ABC, 3.28 would be divided by 210.73 to yield a daily total return of 0.0156. Similarly, for SPY, 1.89 would be divided by 111.44 and yield a daily total return of 0.0170.

(Step 3.) The step two results above are added to the whole number one. For ABC, the daily total return of 0.0156 would be added to 1 for a result of 1.0156. For SPY the daily total return of 0.0170 would be added to 1 for a result of 1.0170.

(Step 4.) In order to calculate the Alpha Index, the 1.0156 ABC figure is divided by the 1.0170 SPY figure and then multiplied by the previous trading day's closing Alpha Index value. Thus, assuming in the example that the previous trading day's closing Alpha Index value was 100.00, today's closing Alpha Index value would be 99.86 ( $1.0156/1.0170 \times 100.00 = 99.86$ ). The 99.86 index level reflects that ABC's total return performance today versus yesterday was  $-.14\%$  relative to SPY.

In the case of a corporate event which eliminates one of the underlying components of an Alpha Pair, NASDAQ will cease calculation of the Alpha Index for that Alpha Pair in which case NASDAQ will commence delisting or removal proceedings pursuant to Rule 5712(c). In the case of a corporate event such as a two-for-one stock split that affects the price of one of the underlying components, NASDAQ will make an appropriate one-time adjustment to the price of the underlying component used in the calculation to ensure that the Alpha Index continues to reflect the daily total return of the component. For example, on the effective date of the two-for-one stock split, NASDAQ will multiply the resulting stock price by two in order to reconstitute the economic value of the stock on the day before the effective date. On the day following the effective date, the Alpha Index formula will revert to the base formula to compare daily returns.

To be eligible for listing, values of all Alpha Indexes underlying Alpha Index-Linked Securities must be disseminated at least once every second over the NASDAQ OMX Global Index Data Service ("GIDS").<sup>7</sup>

#### Requirements With Respect to the Security

Alpha Index-Linked Securities listed and traded under proposed Rule 5712 would be required to meet the requirements of Exchange Rule 5710(a)-(j). Effectively, the only provision of Rule 5710 which would not apply to

Alpha Index-Linked Securities is subsection (k), which specifies the index criteria for eligibility for listing and trading under Commission Rule 19b-4(e) as well as certain continued listing and delisting criteria. Pursuant to Rule 5712(a), all other provisions of Rule 5710 applicable to Equity Index-Linked Securities eligible for listing and trading pursuant to Rule 19b-4(e) shall apply to Alpha Index-Linked Securities.

#### Alpha Index Components

Proposed Nasdaq Rule 5712 would permit the listing and trading of Alpha Index-Linked Securities only on the Specified Alpha Indexes with respect to which the Target Component and Benchmark Component meet certain criteria. Specifically, at the initial listing of the Alpha Index-Linked Security, options on the Target Component and the Benchmark Component of the Alpha Index must also be listed and traded on the NASDAQ Options Market and must meet the requirements of Chapter IV, Section 3, Criteria for Underlying Securities, of the NASDAQ Options Market rules. Additionally, both the Target Component's and the Benchmark Component's trading volume (in all markets in which the Target Component or the Benchmark Component is traded) must have averaged at least 2,250,000 shares per day in the preceding twelve months.<sup>8</sup> No Alpha Index-Linked Security will be listed unless and until options overlying each of the Alpha Index component securities have been listed and traded on a national securities exchange with an average daily options trading volume during the three previous months of at least 10,000 contracts.<sup>9</sup>

Following the initial listing of the Alpha Index-Linked Security, options on both the Target Component and the Benchmark Component of the Alpha Index must continue to meet the continued listing standards set forth by Chapter IV, Section 4, Withdrawal of Approval of Underlying Securities, of the NASDAQ Options Market rules. Additionally, both the Target Component's and the Benchmark Component's trading volume (in all markets in which the Target Component or Benchmark Component is traded) must have averaged at least 2,000,000 shares per day in the preceding twelve months.<sup>10</sup> Following the listing of an

<sup>8</sup> The 2,250,000 shares per day volume requirement is the same volume requirement applicable to Target Components and Benchmark Components of Alpha Index Options listed on PHLX.

<sup>9</sup> See Rule 5712(a).

<sup>10</sup> The 2,000,000 shares per day continued listing volume requirement is the same continued listing

<sup>6</sup> Daily total return values and Alpha Index values will be updated based upon prices of each reported transaction in the primary listing market. In the example below, today's closing prices are used simply for purposes of illustration.

<sup>7</sup> See <http://www.nasdaqtrader.com/Trader.aspx?id=globalindexDS> for a description of the NASDAQ OMX Global Index Data Service.

Alpha Index-Linked Security, options on each of the component securities of the Alpha Index must continue to meet the options average daily volume standard set forth in Rule 5712(a)(ii).<sup>11</sup>

#### Delisting of Alpha Index-Linked Securities

Rule 5712(c) provides for delisting of Alpha Index-Linked Securities. Delisting or removal proceedings will be commenced (unless the Commission has approved the continued trading) with respect to any Alpha Index-Linked Security that was listed pursuant to Rule 5712 if any of the standards set forth in Rule 5712(b) with respect to the underlying Alpha Index are not continuously maintained. Additionally, NASDAQ will commence delisting or removal proceedings (unless the Commission has approved the continued trading of the subject Alpha Index-Linked Security) under any of the following circumstances: (i) If the aggregate market value or principal amount of the Alpha Index-Linked Securities publicly held is less than \$400,000; (ii) if the value of the underlying Alpha Index is no longer calculated or widely disseminated on at least a one second basis, provided, however, that if the official index value does not change during some or all of the period when trading is occurring on NASDAQ then the last calculated official index value must remain available throughout NASDAQ trading hours; or (iii) if such other event shall occur or condition exists which in the opinion of NASDAQ makes further dealings on NASDAQ inadvisable. These provisions proposed with respect to delisting track, to the extent applicable, the Rule 5710(k)(i)(B) delisting provisions applicable to Equity Index-Linked Securities listed pursuant to Commission Rule 19b-4(e). Section (c)(iv) of Rule 5712 would provide for the commencement of delisting or removal proceedings if an underlying Alpha Index fails to satisfy the maintenance standards or conditions for such index as set forth by the Commission in its order under Section 19(b)(2) of the Act approving the index for the trading of options or other derivatives.

#### Trading Rules and Procedures

Trading in Alpha Index-Linked Securities will be governed by the same trading rules and procedures that apply to other Equity Index-Linked Securities

listed pursuant to Nasdaq Rule 5710. Moreover, pursuant to Nasdaq Rule 5710(i), FINRA will implement on behalf of NASDAQ written surveillance procedures for Alpha Index-Linked Securities. Surveillance will be in place for the launch of Alpha Index-Linked Securities. Pursuant to Nasdaq Rule 5710(j), Alpha Index-Linked Securities will be treated as equity instruments and for purposes of fee determination shall be deemed and treated as Other Securities. Pursuant to Nasdaq Rule 5710(h), if the value of an Alpha Index is not being disseminated as required, the Exchange may halt trading during the day on which such interruption occurs and will halt trading no later than the beginning of trading following the trading day when the interruption commenced if such interruption persists at this time.

#### 2. Statutory Basis

The proposed rule change is consistent with section 6(b) of the Act,<sup>12</sup> in general, and furthers the objectives of section 6(b)(5),<sup>13</sup> in particular, in that it is designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, and 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, NASDAQ believes that the proposed rule change would expand the investment choices available to market participants. NASDAQ's listing requirements as proposed herein are generally the same as those previously approved for listing Equity Index-Linked Securities on NASDAQ pursuant to Rule 19b-4(e), supplemented by listing standards tailored specifically to Equity Index-Linked Securities based upon Alpha Indexes, and, consequently, the proposed rule change is consistent with the protection of investors and the public interest. Additionally, the proposal is designed to prevent fraudulent and manipulative acts and practices, as the proposed Alpha Index-Linked Securities are subject to existing, previously-approved NASDAQ rules governing trading in Equity Index-Linked Securities. The proposal also furthers the objectives of Section 6(b)(5) in that Nasdaq Rule 2310, which imposes suitability obligations on NASDAQ members with respect to recommending transactions to customers, will apply to Alpha Index-Linked Securities. Finally, NASDAQ represents that FINRA, on behalf of

NASDAQ, will have in place surveillance procedures that are adequate to properly monitor trading in the Alpha Index-Linked Securities and to deter and detect violations of Exchange rules and applicable federal securities laws. The Exchange may obtain information via the Intermarket Surveillance Group, "ISG", from other exchanges that are members of ISG or with which the Exchange has entered into a comprehensive surveillance sharing agreement. The Target Component and the Benchmark Component, as well as options on the Target Component and on the Benchmark Component, are traded on exchanges which are ISG members.

The proposal is also designed to promote just and equitable principles of trade by way of initial and continued listing standards which, if not maintained, will result in the discontinuation of trading in the affected products. These requirements, together with the applicable NASDAQ equity trading rules (which apply to the proposed Alpha Index-Linked Securities), ensure that no investor would have an unfair advantage over another respecting the trading of the products. On the contrary, all investors will have the same access to, and use of, information concerning the products and trading in the products, all to the benefit of public customers and the marketplace as a whole.

#### 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 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 either solicited or received.

#### 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

volume requirement applicable to Target Components and Benchmark Components of Alpha Index Options listed on PHLX.

<sup>11</sup> See Rule 5712(b).

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

<sup>13</sup> 15 U.S.C. 78f(b)(5).

(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-NASDAQ-2012-058 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-NASDAQ-2012-058*. 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 10:00 a.m. and 3:00 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-NASDAQ-2012-058 and should be submitted on or before July 18, 2012.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>14</sup>

**Kevin M. O'Neill,**

*Deputy Secretary.*

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-67232; File No. SR-CME-2012-24]

### Self-Regulatory Organizations; Chicago Mercantile Exchange Inc.; Notice of Filing and Order Granting Accelerated Approval of Proposed Rule Change To Amend CME Rule 802 Regarding CME's Capital Contribution to the Base Guaranty Fund

June 21, 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 June 9, 2012, Chicago Mercantile Exchange Inc. ("CME") filed with the Securities and Exchange Commission ("Commission") the proposed rule change described in Items I and II below, which items have been prepared primarily by CME. The Commission is publishing this Notice and Order to solicit comments on the proposed rule change from interested persons and to approve the proposed rule change on an accelerated basis.

#### I. Self-Regulatory Organization's Statement of the Terms of Substance of the Proposed Rule Change

CME proposes to amend CME Rule 802 regarding CME's capital contribution to the financial safeguards package that includes its Base Guaranty Fund (that is, for products other than credit default swaps and interest rate swaps). The text of the proposed rule change is available at the CME's Web site at [http://www.cmegroup.com/market-regulation/files/SEC\\_19b-4\\_12-24.pdf](http://www.cmegroup.com/market-regulation/files/SEC_19b-4_12-24.pdf), at the principal office of CME, and at the Commission's Public Reference Room.

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

In its filing with the Commission, CME included statements concerning the purpose 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 III below. CME has prepared summaries, set forth in sections A, B, and C below, of the most significant aspects of such statements.<sup>3</sup>

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

CME proposes to adopt revisions to CME Rule 802 that relate to CME's capital contribution to the financial safeguards package that includes its Base Guaranty Fund (that is, for products other than credit default swaps and interest rate swaps). More specifically, CME proposes to amend CME Rule 802.B (Satisfaction of Clearing House Obligations) to make CME's capital contribution \$100 million to the Base Guaranty Fund financial safeguards package. CME notes that it has already certified the proposed changes that are the subject of this filing to the CFTC, in Submission 12-184.

CME believes the proposed change is consistent with the requirements of the Act including Section 17A of the Act because it helps to assure the safeguarding of securities and funds which are in its custody or control or for which it is responsible and it protects investors and the public interest. According to CME, the proposed rule change accomplishes the objectives of the Act by offering enhancements to the financial safeguards package that applies to CME's Base Guaranty Fund.

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

CME does not believe that the proposed rule change will 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.

CME has not solicited and does not intend to solicit comments regarding this proposed rule change. CME has not received any unsolicited written comments from interested parties.

#### III. 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 may be submitted by using the Commission's

<sup>14</sup> 17 CFR 200.30-3(a)(12).

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

<sup>27</sup> 17 CFR 240.19b-4.

<sup>3</sup> The Commission has modified the text of the summaries prepared by CME.