generates and submits option quotes electronically in assigned options while maintaining no physical presence on the Exchange floor. An RSQT could be an Exchange member or member organization.

The Exchange proposes to add RSQTOs, which would consist of member organizations only, and reclassify SQTs as Exchange members. The Exchange would allow a maximum of three RSQTs at any time to be affiliated with an RSQT. Current Exchange member organizations operating as RSQTs would be deemed to be RSQTOs. The converted RSQTOs would have 21 days to notify the Exchange of their affiliated RSQTs.

Currently, the criteria that must be met in order to be eligible as a RSQT is the same as the criteria to be eligible as an SQT, with two exceptions: specifically, the RSQT must demonstrate the existence of order flow commitments, and the willingness to accept allocations as an RSQT in options overlying 400 or more securities. The Exchange proposes that all of the current RSQT application criteria (including the provisions described above) will become the application criteria for RSQTOs. In addition, all of the current SQT application criteria will apply equally to SQTs and RSQTs.

As proposed by the Exchange, an RSQTO must submit its application in writing in a form and format prescribed by the Exchange. The application must include, at a minimum, the name of the application, the Exchange account number, and the name of each affiliated RSQT. The Exchange proposes to amend the current SQT application process by including RSQTs and adding a requirement that they be affiliated with an RSQTO.

The Exchange also proposes to amend the application and assignment in options for RSQTOs, RSQTs, and SQTs. The Exchange would require the name of the RSQTO with whom the RSQT is affiliated, and the member organization with whom the SQT is affiliated.

Lastly, the Exchange would allow more than one RSQT to submit a quote in assigned options. Currently, Exchange Rule 1014(b)(ii)(B) prohibits a person who is directly or indirectly affiliated with an RSQT to submit quotes as a specialist, SQT, RSQT or non-SQT ROT in options in which the affiliated RSQT is assigned.

III. Discussion and Commission Findings

After careful review, the Commission finds that the proposed rule change is consistent with the requirements of the Act and the rules and regulations thereunder applicable to national securities exchanges. In particular, the Commission finds that the proposed rule change is consistent with Section 6(b)(5) of the Act, which requires that the rules of an exchange be designed, among other things, 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 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.

The Commission believes that the proposal is consistent with the requirements of the Act and would foster cooperation and coordination with persons engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in securities. The proposal would also convert current Exchange member organizations operating as RSQTs into the proposed RSQTOs, and allow an application process for future RSQTOs. The Commission believes that the proposal is consistent with the requirements of the Act and should promote just and equitable principles of trade. Finally, the Commission believes that the proposal to allow more than one RSQT to submit a quote in assigned options is consistent with the requirements of the Act. The Exchange represented that the proposal is in response to customers’ requests and that the Exchange has adequate surveillance programs in place to monitor the impact of this proposal.

For the reasons stated above, the Commission believes that the proposal is consistent with the requirements of the Act and is designed to promote just and equitable principles of trade, 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.

IV. Conclusion

It is therefore ordered, pursuant to Section 19(b)(2) of the Act, that the proposed rule change, as modified by Amendment No. 1 (SR–Phlx–2013–03), be, and it hereby is, approved.

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

Elizabeth M. Murphy,
Secretary.

[FR Doc. 2013–09681 Filed 4–23–13; 8:45 am]

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SECURITIES AND EXCHANGE COMMISSION


Self-Regulatory Organizations; The NASDAQ Stock Market LLC; Notice of Designation of a Longer Period for Commission Action on Proposed Rule Change To Require That Listed Companies Have an Internal Audit Function

April 18, 2013.

On February 20, 2013, The NASDAQ Stock Market LLC (“Nasdaq”) filed with the Securities and Exchange Commission ("Commission"), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act") and Rule 19b–4 thereunder, a proposed rule change to require that listed companies have an internal audit function. The proposed rule change was published for comment in the Federal Register on March 8, 2013. The Commission received 38 comments on the proposal.

22 See letters to Elizabeth M. Murphy, Secretary, Commission from William F. Drabshury, dated March 5, 2013; Rainer Lenz, Ph.D., dated March 9, 2013; Raymond A. Link, Chief Financial Officer, FRI Company, dated March 11, 2013; Ann Marie Kim, dated March 12, 2013; Jeff A. Killian, Chief Financial Officer, Cascade Microtech, Inc., dated March 14, 2013; Matthew Hogan, dated March 18, 2013; and Daniel P. Zogenix, dated March 18, 2013; Daniel P. Zogenix.
Section 19(b)(2) of the Act provides that, within 45 days of the publication of notice of the filing of a proposed rule change, or within such longer period up to 90 days as the Commission may designate if it finds such longer period to be appropriate and publishes its reasons for so finding or as to which the self-regulatory organization consents, the Commission shall either approve the proposed rule change, disapprove the proposed rule change, or institute proceedings to determine whether the proposed rule change should be disapproved. The 45th day for this filing is April 22, 2013.

The Commission is extending the 45-day time period for Commission action on the proposed rule change. The Commission finds that it is appropriate to designate a longer period within which to take action on the proposed rule change so that it has sufficient time to consider the Exchange’s proposal, as described above, and the comments received.

Accordingly, pursuant to Section 19(b)(2) of the Act, the Commission designates June 6, 2013, as the date by which the Commission should either approve or disapprove or institute proceedings to determine whether to disapprove the proposed rule change (File No. SR–NASDAQ–2013–032).

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.8

Kevin M. O’Neill,
Deputy Secretary.

[FR Doc. 2013–09630 Filed 4–23–13; 8:45 a.m.]

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SECURITIES AND EXCHANGE COMMISSION


Self-Regulatory Organizations; the NASDAQ Stock Market LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change Relating to Routing Fees

April 18, 2013.

Pursuant to Section 19(b)(1) of the Exchange Act of 1934 (“Act”),1 and Rule 19b–4 thereunder,2 notice is hereby given that on April 9, 2013, 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, II, and III, below, which Items have been prepared by NASDAQ. The Commission is publishing this notice to consider the Exchange’s proposal, as described above, and the comments received.

Accordingly, pursuant to Section 19(b)(2) of the Act,6 the Commission received.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.7

Kevin M. O’Neill,
Deputy Secretary.

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

NASDAQ proposes to amend Chapter XV, entitled “Options Pricing,” at Section 2 governing pricing for NASDAQ members using the NASDAQ Options Market (“NOM”), NASDAQ’s facility for executing and routing standardized equity and index options. Specifically, NOM proposes to amend its Routing Fees.

While these amendments are effective upon filing, the Exchange has designated the proposed amendments to be operative on May 1, 2013.


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

NASDAQ proposes to amend its Routing Fees at Chapter XV, Section 2(3) of the Exchange Rules in order to recoup costs that the Exchange incurs for routing and executing orders in equity options to various away markets.

Today, the Exchange assesses Non-Customers a flat rate of $0.95 per contract on all Non-Customer orders routed to any away market and the Exchange assesses Customer orders a fixed fee plus the actual transaction fee dependent on the away market.

Specifically, the Exchange assesses Customer orders routed to NASDAQ OMX PHXL LLC (“PHLX”) a fixed fee of $0.05 per contract in addition to the actual transaction fee assessed by the away market. With respect to Customer orders that are routed to NASDAQ OMX BX, Inc. (“BX Options”), the Exchange does not assess a Routing Fee and does not pass rebates paid by the away market. The Exchange does not assess a Routing Fee when routing orders to BX Options because that exchange pays a rebate. Instead of netting the customer rebate paid by BX Options against the

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BX Options pays a Customer Rebate to Remove Liquidity as follows: Customers are paid $0.12 per contract in IWM, SPY and QQQ, $0.32 per contract in All Other Penny Pilot Options and $0.70 per contract in Non-Penny Pilot Options. See BX Options Rules at Chapter XV, Section 2(1).