

<http://www.sec.gov>. Persons needing special accommodations to take part because of a disability should notify a contact person listed below. The public is invited to submit written statements to the Committee.

The agenda for the meeting includes: (i) Consideration of a Committee recusal policy; (ii) report from the Education Subcommittee, including a presentation on the National Financial Capability Survey; (iii) report from the Investor as Purchaser Subcommittee, including a discussion of fiduciary duty and mandatory arbitration; (iv) report from the Investor as Owner Subcommittee, including recommendations for the Committee on Regulation FD and proxy voting transparency, as well as reports on a work plan for environmental, social, and governance disclosure and on financial reform legislation; and (v) discussion of next steps and closing comments.

**DATES:** Written statements should be received on or before February 16, 2010.

**ADDRESSES:** Written statements may be submitted by any of the following methods:

*Electronic Comments*

- Use the Commission's Internet submission form (<http://www.sec.gov/rules/other.shtml>); or
- Send an e-mail message to *rule-comments@sec.gov*. Please include File Number 265-25-03 on the subject line.

*Paper Comments*

- Send paper statements in triplicate to Elizabeth M. Murphy, Federal Advisory Committee Management Officer, Securities and Exchange Commission, 100 F Street, NE., Washington, DC 20549-1090.

All submissions should refer to File No. 265-25-03. This file number should be included on the subject line if e-mail is used. To help us process and review your statements more efficiently, please use only one method. The Commission will post all statements on the Advisory Committee's Web site (<http://www.sec.gov/spotlight/investoradvisorycommittee.shtml>).

Statements are 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. All statements received will be posted without change; we do not edit personal identifying information from submissions. You should submit only information that you wish to make available publicly.

**FOR FURTHER INFORMATION CONTACT:** Kayla J. Gillan, Deputy Chief of Staff, Office of the Chairman, at (202) 551-2100, or Owen Donley, Chief Counsel, Office of Investor Education and Advocacy, at (202) 551-6322, Securities and Exchange Commission, 100 F Street, NE., Washington, DC 20549-6561.

**SUPPLEMENTARY INFORMATION:** In accordance with Section 10(a) of the Federal Advisory Committee Act, 5 U.S.C. App. 1, section 10(a), Kayla J. Gillan, Designated Federal Officer of the Committee, has approved publication of this notice.

Dated: February 2, 2010.

**Elizabeth M. Murphy,**  
*Committee Management Officer.*

[FR Doc. 2010-2519 Filed 2-4-10; 8:45 am]

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**SECURITIES AND EXCHANGE COMMISSION**

**[Release No. 34-61446; File No. SR-NASDAQ-2009-077]**

**Self-Regulatory Organizations; The NASDAQ Stock Market LLC; Order Approving Proposed Rule Change To Modify the Procedures Followed When a Listed Company Falls Below Certain Listing Requirements**

January 29, 2010.

**I. Introduction**

On August 17, 2009, The NASDAQ Stock Market LLC ("Nasdaq" or "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 modify the length of certain compliance periods in Nasdaq's continued listing requirements and to modify the time available for a company to provide a plan to regain compliance with certain listing requirements.<sup>3</sup> The proposed rule change was published for comment in the **Federal Register** on September 8, 2009.<sup>4</sup> The Commission received three comment letters on the proposal.<sup>5</sup> On

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

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

<sup>3</sup> Nasdaq is also proposing to eliminate certain abbreviations that are used inconsistently and utilize defined terms, as appropriate, in Rules 5810 and 5840, and to remove authority in Rule 5810(c)(2)(C) that is duplicated in Rule 5810(c)(2)(B).

<sup>4</sup> See Securities Exchange Act Release No. 46267 (September 2, 2009), 74 FR 46267 ("Notice").

<sup>5</sup> See letter from Barbara Roper, Director of Investor Protection, Consumer Federation of America, to Elizabeth M. Murphy, Secretary,

December 28, 2009 the Exchange filed a response to the comment letter.<sup>6</sup> This order approves the proposed rule change.

**II. Description of the Proposal**

*Price Related Criteria*

Under Nasdaq's current continued listing requirements relating to market value of listed securities, a company is considered to be non-compliant after falling below the standard for 10 consecutive trading days.<sup>7</sup> Thereafter, the company is provided 90 calendar days to regain compliance with the market value of listed securities requirement. Further, Nasdaq's current continued listing rules relating to market value of publicly held shares provide that a company is deficient if it is below the standard for 30 consecutive trading days. Upon such failure, the company is provided with 90 calendar days to regain compliance.<sup>8</sup>

Nasdaq proposes to modify the length of time required to trigger non-compliance with the market value of listed securities requirement and to modify the compliance periods associated with the Exchange's market value of listed securities and market value of publicly held shares continued listing requirements. Nasdaq notes that, under its bid price continued listing standard, if a company's security has a closing bid price below \$1.00 for 30 consecutive trading days, it no longer meets the bid price requirement and is automatically provided 180 calendar days to regain compliance.<sup>9</sup> Nasdaq asserts that because compliance with each of these rules is directly related to the price of an issuer's security, the length of time to trigger non-compliance, and the amount of time afforded as a compliance period, should be consistent. As such, Nasdaq proposes to lengthen the period that a company would need to be below the market

Commission, dated September 28, 2009 ("CFA Comment Letter"); letter from Alan F. Eisenberg, Executive Vice President, Biotechnology Industry Organization ("BIO") to Elizabeth M. Murphy, Secretary, Commission, dated September 29, 2009 ("BIO Comment Letter"); and letter from Jason S. Frankl, Senior Managing Director, FTI Consulting ("FTI"), to Elizabeth M. Murphy, Secretary, Commission, dated October 5, 2009 ("FTI Comment Letter").

<sup>6</sup> See letter from Arnold Golub, Vice President and Associate General Counsel, Nasdaq, to Elizabeth Murphy, Secretary, Commission, dated December 28, 2009 ("Nasdaq Response Letter").

<sup>7</sup> Nasdaq Rule 5810(b)(3)(C). NASDAQ changed the period to regain compliance with the market value of listed securities requirement from 30 to 90 days in January of last year. Securities Exchange Act Release No. 59291 (January 23, 2009), 74 FR 5197 (January 29, 2009) (SR-NASDAQ-2009-002).

<sup>8</sup> Nasdaq Rule 5810(b)(3)(D).

<sup>9</sup> Nasdaq Rule 5810(b)(3)(A).

value of listed securities requirement before being considered non-compliant from 10 to 30 consecutive trading days. Nasdaq also proposes to extend from 90 to 180 days the compliance period in which companies that are non-compliant with the market value of listed securities and market value of publicly held shares requirements can regain compliance.<sup>10</sup> Nasdaq notes that it believes that the existing 90-day time frames do not provide sufficient time for a company to regain compliance.

As revised, the maximum amount of time that could be afforded to a company that failed to meet the market value of listed securities or market value of publicly held shares requirements would be 18 months.<sup>11</sup>

#### Requirements With Respect to Compliance Plans

Nasdaq also proposes to modify the periods applicable in cases where a company can provide Nasdaq staff with a plan to regain compliance, such as when a company fails to meet the minimum requirements for stockholders' equity, the number of publicly held shares, or the number of shareholders.<sup>12</sup> Currently, companies are provided 15 calendar days to submit a plan to regain compliance. Following a review of the plan, staff can grant the company a period of up to 105 calendar days from the initial notification of non-compliance for the company to regain compliance. Nasdaq proposes to increase the number of calendar days a company has to present its plan from 15 to 45, and to permit staff to grant up to a 5-day extension of this period upon good cause shown.<sup>13</sup> Nasdaq asserts that

<sup>10</sup> In its filing, Nasdaq noted that it could apply its authority described in Nasdaq Rule 5100 to delist a security during a compliance period if the market value of listed securities or market value of publicly held shares was so low that delisting is necessary to maintain the quality of and public confidence in the market, to prevent fraudulent and manipulative acts and practices, and to protect investors and the public interest.

<sup>11</sup> A company could only receive an extension up to this 18-month maximum length if: (i) It failed to comply during the automatic 180-day compliance period; (ii) the company appealed to a Hearings Panel; and (iii) the Nasdaq Listing and Hearing Review Council ("Listing Council") determined to call the matter for review, stay the company's delisting, and, after reviewing the company's compliance plan, provide the company with the maximum 360-day period from the date of the Staff Delisting Determination to regain compliance.

<sup>12</sup> Nasdaq Rule 5810(c)(2) and IM-5810-2 provide the procedures governing deficiencies for which a company may submit a plan of compliance to Nasdaq staff. Nasdaq has posted frequently asked questions at <http://www.nasdaq.com/about/faqs-listing-information-questions.stm#continued>, which discuss the information a company should consider in preparing its plan of compliance.

<sup>13</sup> Nasdaq anticipates that this authority would be used to address cases where the company could not

15 days is often insufficient for a company to formulate a meaningful plan, particularly in the current market and economic conditions. Further, Nasdaq proposes to increase from 105 to 180 the number of calendar days for which staff can grant an extension of time to regain compliance from its initial notification of non-compliance.<sup>14</sup> Nasdaq states that this additional time will better allow companies to implement a plan to regain compliance.

As revised, the maximum amount of time that could be afforded to a company that failed to meet a listing requirement that allows the submission of a plan to regain compliance would be 18 months.<sup>15</sup>

#### Implementation

Nasdaq states that any company that had not yet been notified that it was non-compliant with the market value of listed securities requirement upon Commission approval of the proposed rule change will not be notified until they are below the requirement for 30 consecutive trading days.<sup>16</sup> Any company that has already been notified that it was non-compliant with either the market value of listed securities requirement or the market value of publicly held shares requirement and that is still in the 90 calendar day compliance period for such failure will have their compliance period extended until 180 calendar days from the date they were originally notified of the deficiency.<sup>17</sup> No additional time will be

timely submit its plan due to events outside the control of the company, such as when severe weather interferes with the company's ability to provide the necessary information before the deadline.

<sup>14</sup> Nasdaq states that staff will determine whether to allow the company additional time, and if so how much time to allow, based on a review of the company's plan of compliance.

<sup>15</sup> A company could only receive an extension up to this 18-month maximum length if: (i) After reviewing the company's compliance plan, Nasdaq staff granted the company the maximum 180-day period to regain compliance; (ii) the company failed to comply within the time allowed by staff and appealed to a Hearings Panel; and (iii) the Nasdaq Listing Council determined to call the matter for review, stay the company's delisting, and, after reviewing the company's compliance plan, provide the company with the maximum 360-day period from the date of the Staff Delisting Determination to regain compliance.

<sup>16</sup> For example, if a security is below the market value of listed securities requirement for 7 consecutive trading days when the proposed rule is approved, the company would not be notified that it is deficient unless and until the security remains below the requirement for another 23 consecutive trading days, such that it remained below for a total of 30 consecutive trading days.

<sup>17</sup> For example, if a company had been notified that its security was below either the market value of listed securities or market value of publicly held shares requirement 30 days before the proposed rule is approved, such that it had 60 days remaining

provided to a company that has received a Staff Delisting Determination for failure to meet either of those requirements before the proposed rule change is approved.<sup>18</sup>

With respect to the proposed changes to the compliance plan process, if a company has not yet submitted its plan of compliance when the proposed rule change is approved, the deadline to submit that plan will be extended until 45 days from the date of staff's notification of the deficiency. If the company has submitted its plan of compliance when the proposed rule change is approved, but staff has not yet made a determination with respect to whether to grant additional time, staff will be permitted to grant the company up to 180 days from staff's notification of the deficiency to regain compliance. If the company has already received an extension of time to regain compliance from staff when the proposed rule change is approved,<sup>19</sup> at the end of that exception staff could, based on a review of the company at the time, grant additional time for the company to regain compliance, up to 180 days from staff's original notification of the deficiency.<sup>20</sup> No additional time will be provided to a company that has already received a Staff Delisting Determination at the time the proposed rule change is approved.<sup>21</sup>

#### III. Comment Summary

In its comment letter, CFA raises several concerns regarding the Exchange's proposal.<sup>22</sup> First, CFA argues that the Exchange's proposal will lead to a proliferation of lengthy automatic compliance periods for companies that fall below listing standards, potentially allowing large numbers of non-compliant companies to

in its compliance period, that compliance period would be extended by 90 days so that the company would have 150 days remaining in the compliance period.

<sup>18</sup> For example, if a company had been notified that its security was below either the market value of listed securities or market value of publicly held shares requirement 95 days before the proposed rule is approved, the company would not receive any additional time as a result of the proposed rule change. Such companies would continue through the Hearings and Appeals process, however, and could receive additional time as provided for in Nasdaq Rules 5815(c)(1)(A) and 5820(d)(1).

<sup>19</sup> Nasdaq Rule 5810(c)(2)(B)(i).

<sup>20</sup> The proposal to allow a company additional time at the end of its extension based on staff's further review of the company is consistent with Nasdaq's current practice of potentially allowing a company additional time if it was not initially granted the full 105 days allowed by current Nasdaq Rule 5810(c)(2)(B)(i).

<sup>21</sup> Such companies would continue through the Hearings and Appeals process, however, and could receive additional time as provided for in Nasdaq Rules 5815(c)(1)(A) and 5820(d)(1).

<sup>22</sup> See CFA Comment Letter, *supra* note 5.

remain listed for extended periods of time with little or no oversight.<sup>23</sup> In response, the Exchange states that it continuously monitors each listed company for compliance with the listing rules and determines whether any public interest concerns exist that may make continued listing inappropriate.<sup>24</sup> In particular, the Exchange notes that notwithstanding the automatic compliance periods, Nasdaq staff has the authority to apply additional and more stringent criteria to shorten a compliance period or delist a company before the end of the compliance period if it believes that the continued listing of a company would be contrary to the public interest.<sup>25</sup>

In addition, CFA notes that while Nasdaq has stated that the proposed rule change is intended to harmonize and ensure consistency in the compliance periods across its continued listing rules, Nasdaq has chosen to apply its least restrictive compliance period (*i.e.*, its longest compliance period of 180 days).<sup>26</sup> The CFA asserts that if harmonization is needed, Nasdaq should instead “harmonize up, not down” and apply its shorter compliance periods consistently across its rules.<sup>27</sup> In the Nasdaq Response Letter, the Exchange asserts that its experience has shown that many of the current compliance periods are too short, particularly given the extraordinary volatility in the securities markets over the past decade.<sup>28</sup> Specifically, the Exchange notes that in its experience, and as also noted in the BIO Comment Letter, the existing time periods do not sufficiently account for daily market fluctuations, and given the changes that have taken place in the financial markets, the existing time periods are unreasonably short.<sup>29</sup> Further, the Exchange notes that the proposed longer compliance periods are in line with the compliance periods afforded by other exchanges.<sup>30</sup> For example, Nasdaq states that the NYSE Amex rules provide that staff can grant a company up to 18 months to regain compliance with its market value of publicly held shares

<sup>23</sup> *Id.*

<sup>24</sup> The Exchange notes that such monitoring includes staff review of virtually every SEC filing made by listing companies, including proxies and annual and quarterly financial reports. *See Nasdaq Response Letter, supra* note 6, at 3.

<sup>25</sup> *See Nasdaq Response Letter, supra* note 6, at 1–2.

<sup>26</sup> *See CFA Comment Letter, supra* note 5.

<sup>27</sup> *Id.*

<sup>28</sup> *See Nasdaq Response Letter, supra* note 6, at 1 and 3.

<sup>29</sup> *See Nasdaq Response Letter, supra* note 6, at 3.

<sup>30</sup> *See Nasdaq Response Letter, supra* note 6, at 3.

requirement, and the NYSE rules allow staff to provide a company with up to 18 months to regain compliance with its market capitalization requirement.<sup>31</sup>

CFA also argues that the proposal to allow an automatic 180-day grace period for the market value of publicly held shares and market value of listed securities requirements raises particular concerns.<sup>32</sup> Specifically, CFA states that the market value standard is an alternative to the stockholders’ equity requirement, and thus companies listing under this standard are companies that fail to meet the minimum stockholders’ equity requirement.<sup>33</sup> Further, CFA notes that Nasdaq recently extended the period to regain compliance with the market value of listed securities requirement from 30 to 90 days, and that this proposed rule change would now allow a company a total of 210 days of non-compliance before a hearing.<sup>34</sup> CFA also questions why the 180-day automatic grace period is preferable to a case-by-case review.<sup>35</sup>

The Exchange responds that these revised time periods are consistent with the Exchange’s current bid price rule.<sup>36</sup> Specifically, like the bid price rule, a company would be found to be non-compliant only after it falls below the current threshold for 30 days and would thereafter be afforded 180 days to regain compliance.<sup>37</sup> Nasdaq also notes that the maximum total time period that a company that failed to meet the market value of listed securities or market value of publicly held shares requirements could remain listed would be 18 months, which is consistent with the compliance periods available at other markets.<sup>38</sup> With regard to CFA’s

<sup>31</sup> *See Nasdaq Response Letter, supra* note 6, at 3.

<sup>32</sup> *See CFA Comment Letter, supra* note 5.

<sup>33</sup> *Id.*

<sup>34</sup> In arriving at this figure, CFA is including in its calculation the 30-day period required to trigger non-compliance.

<sup>35</sup> *See CFA Comment Letter, supra* note 5.

<sup>36</sup> *See Nasdaq Response Letter, supra* note 6, at 2.

<sup>37</sup> *See Nasdaq Response Letter, supra* note 6, at 2.

<sup>38</sup> *See Nasdaq Response Letter, supra* note 6, at 2 (citing Section 802.02 of the NYSE Listed Company Manual). Nasdaq notes that, as described in the notice of the proposed rule change, a company that receives a delisting letter after the 180-day compliance period may appeal the delisting decision to the Hearings Panel, which can grant up to an additional 180 day to regain compliance. Thereafter, the company could remain listed for an additional 180 days if the Nasdaq Listing Council were to call the matter for review, stay the company’s delisting, and determine to grant additional time. In the Nasdaq Response Letter, the Exchange states that it would be highly unusual for the Listing Council to take such action and noted that it does not believe that the Listing Council has ever exercised its discretion to stay a delisting to allow a company additional time to

suggestion that Nasdaq should consider a case-by-case review of companies below the requirements rather than granting an automatic 180-day compliance period, Nasdaq states that for price-related listing requirements, automatic periods provide a transparent, objective process, which is more appropriate than subjective reviews.<sup>39</sup> Further, it notes that such a process provides clear guidance to companies and their investors.<sup>40</sup>

CFA also asserts that Nasdaq should be required to provide a variety of additional information to support its proposal.<sup>41</sup> For example, CFA suggests that Nasdaq should provide further data regarding its discretionary authority to delist a security during a compliance period;<sup>42</sup> supplementary information regarding compliance plans and compliance periods granted by staff; and statistics on the 180-day plan process that was adopted last fall for companies that are late in filing their periodic reports.<sup>43</sup> The FTI Comment Letter expressed support for this portion of CTA’s comment letter asserting that Nasdaq should be required to provide additional information and rationale in support of its proposal.<sup>44</sup> In response, the Exchange states that the request for additional information is not appropriate or necessary for consideration of the proposed rule change. Rather, Nasdaq asserts that the proposed rule change satisfies the relevant statutory standards, and data concerning Nasdaq’s historic enforcement of listing standards is already disclosed in Nasdaq OMX’s public filings with the Commission and is not necessary for consideration of this proposal.<sup>45</sup>

Finally, the CFA Comment Letter suggests that the Commission should review the economic impact of the proposed rule change on the exchange and should require greater independence in Nasdaq’s delisting process if such rule changes are found to benefit Nasdaq’s financial position.<sup>46</sup>

regain compliance with a price-based listing requirement.

<sup>39</sup> *See Nasdaq Response Letter, supra* note 6, at 4.

<sup>40</sup> *Id.*

<sup>41</sup> *See CFA Comment Letter, supra* note 5.

<sup>42</sup> *See supra* note 10.

<sup>43</sup> *See CFA Comment Letter, supra* note 5.

<sup>44</sup> *See FTI Comment letter, supra* note 5.

<sup>45</sup> *See Nasdaq Response Letter, supra* note 6, at 5.

<sup>46</sup> *See CFA Comment Letter, supra* note 5. The CFA Comment Letter also provides an additional recommendation that is not aimed at this particular rule proposal. Specifically, CFA argues that more should be done to require exchanges to identify and alert investors of noncompliant companies. Nasdaq responded to this assertion in its Response Letter

FTI also expressed support for this portion of the CFA Comment Letter.<sup>47</sup> In its response, Nasdaq states that it has a transparent, independent enforcement process in place to support its listing standards.<sup>48</sup> Specifically, Nasdaq notes that its staff has very limited discretion to grant an extension to a company that does not comply with a listing requirement, and many rules provide for automatic compliance periods rather than compliance periods determined by Nasdaq staff.<sup>49</sup> The Nasdaq Response Letter also describes the independence of the delisting process with regard to price-based listing requirements.<sup>50</sup> In particular, Nasdaq notes that after the 180-day automatic compliance periods runs, Nasdaq staff has no discretion to allow the company to continue trading and must issue a delisting letter.<sup>51</sup> A company may appeal that delisting letter to a Hearings Panel, which is independent of Nasdaq and includes no Nasdaq employees.<sup>52</sup> Thereafter, another independent body, the Nasdaq Listing and Hearing Review Council (“Listing Council”), would be the only body with the ability to call the matter for review and determine to grant additional time to the company.<sup>53</sup> Nasdaq also states that its Listing Qualifications Department is housed in a regulation group that is organizationally and institutionally separate than its business lines and is directly accountable to the Regulatory Oversight Committee of the Nasdaq Board.<sup>54</sup>

The BIO Comment Letter generally supported the Exchange’s proposal.<sup>55</sup> In particular, the BIO Comment Letter stated that extending the number of days from 10 to 30 to trigger non-compliance with the market value of listed securities requirement would

by noting that companies are required to make public disclosure that they are non-compliant with listing standards, and Nasdaq includes the company on the list of non-compliant companies on its Web site and displays such information to investors viewing the company’s quotation. Further, Nasdaq has a display requirement for vendors that display Nasdaq’s data feed, which requires them to show the company’s noncompliance. Nasdaq did acknowledge that vendors that do not obtain quotation information from Nasdaq may not display this information. *See* Nasdaq Response Letter, *supra* note 6, at footnote 4.

<sup>47</sup> See FTI Comment Letter, *supra* note 5, at 1.

<sup>48</sup> See Nasdaq Response Letter, *supra* note 6, at 1.

<sup>49</sup> See Nasdaq Response Letter, *supra* note 6, at 1.

<sup>50</sup> See *id.* at 2.

<sup>51</sup> See *id.*

<sup>52</sup> See *id.*

<sup>53</sup> See *id.* Nasdaq notes, however, that it would be highly unusual for the Listing Council to take such action.

<sup>54</sup> See *id.*

<sup>55</sup> See BIO Comment Letter, *supra* note 5.

allow biotechnology companies to regain some stability during daily market fluctuations that persist for emerging biotechnology companies.<sup>56</sup> The BIO Comment Letter also expressed support for the portion of the proposal providing companies 45 days to submit a plan to regain compliance, noting that this increase will provide companies the necessary time to work with their investors to secure a long-term plan that will bring them back into compliance with listing standards.<sup>57</sup>

#### IV. Discussion

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 a national securities exchange and, in particular, with Section 6(b)(5) of the Act,<sup>58</sup> which requires, among other things, that the rules of a national securities exchange be designed to prevent fraudulent and manipulative acts and practices, 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.<sup>59</sup>

The Commission notes that the development and enforcement of adequate standards governing the initial and continued listing of securities on an exchange is an activity of critical importance to financial markets and the investing public. The Commission continues to believe that enforcement of continued listing standards are important to ensure that only companies suitable for listing remain trading on national securities exchanges. While the Commission would be concerned about any national securities exchange’s proposal that would allow companies falling below continued listing standards to remain listed for an extended period of time, the Commission has determined to approve the Nasdaq’s proposal for the reasons discussed below.

The Commission believes that the Exchange’s proposal to extend from 90 to 180 days the period in which companies, that are non-compliant with

<sup>56</sup> *Id.*

<sup>57</sup> *Id.* In addition, the BIO Comment Letter provided requests for Nasdaq to further modify certain of its continued listing standards and compliance periods. Because those requests do not relate to the current proposed rule change before the Commission, they will not be discussed in this Order.

<sup>58</sup> 15 U.S.C. 78f(b)(5).

<sup>59</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).

the market value of listed securities and market value of publicly held shares requirements, can regain compliance, will better align the compliance period for these continued listing standards with the automatic 180 day compliance period already provided in Nasdaq’s rules for noncompliance with the bid price requirement, as well as the rules of other markets. As such, the Commission believes that the proposal should reduce investor confusion over the compliance periods available under Nasdaq’s price-related continued listing requirements.<sup>60</sup> Further, the change should provide companies with additional time to take actions that may be necessary to regain compliance, such as obtaining shareholder approval and registering shares.

The CFA Comment Letter takes issue with the extension of the automatic compliance period for these continued listing standards to 180 days, expressing concern about non-compliant companies remaining listed on the Exchange for extended periods of time. However, as the Exchange has represented in the Notice and in the Nasdaq Response Letter, the maximum amount of time that could be afforded to a company that falls out of compliance with the market value of listed securities or market value of publicly held shares requirements would be 18 months.<sup>61</sup> The Exchange further stated in its Response Letter that it is highly unusual for the Listing Council to stay a company’s delisting and grant additional time to regain compliance and that it does not believe that the Listing Council has ever exercised its discretion to take such action for a price-based delisting decision.<sup>62</sup> The Commission also notes that this maximum length of time of 18 months<sup>63</sup> is consistent with the maximum amount of time that the NYSE and NYSE Amex can provide for a listed company to regain compliance with its similar continued listing standards.<sup>64</sup> Further, the Exchange has represented that it has the authority under Nasdaq Rule 5100 to delist a

<sup>60</sup> Under Nasdaq’s current rules, if a company’s security has a closing bid price below \$1 for 30 consecutive trading days, it is deemed to be non-compliant with the bid price requirement and is automatically provided 180 calendar days to regain compliance. *See* Nasdaq Rule 5810(b)(3)(A).

<sup>61</sup> As noted, this maximum 18 month compliance time only exists assuming every maximum compliance period is granted and an appeal was called for review by Nasdaq’s Listing Council. *See* *supra* note 11.

<sup>62</sup> *See* *supra* note 38.

<sup>63</sup> *See* *supra* note 11.

<sup>64</sup> *See* Section 802.02 of the NYSE Listed Company Manual and Section 1009 of the NYSE Amex Company Guide.

security during a compliance period if the market value of listed securities or market value of publicly held shares was so low that delisting is necessary to maintain the quality of and public confidence in the market, to prevent fraudulent and manipulative acts and practices, and to protect investors and the public interest. Notwithstanding the lengthened automatic compliance periods afforded to issuers under the proposed rule change, the Commission expects Nasdaq to use its authority to delist issuers in a prompt, efficient and fair manner where necessary and appropriate in accordance with Nasdaq Rule 5100, especially in those situations where the market value of a company's stock is so low as to make continued trading unwarranted.

The Commission also believes that Nasdaq's proposal to extend the period that a company would need to be below the minimum market value of listed securities requirement before being deemed non-compliant from 10 to 30 consecutive trading days is appropriate and consistent with the Act. The Commission notes that this change will further harmonize Nasdaq's price-related continued listing requirements, as the bid price and market value of publicly held shares requirements currently provide that a company is not deficient until it falls below the respective standard for 30 consecutive trading days. Further, as noted in the Nasdaq Response Letter, this time period is consistent with, and in some cases more stringent than, the threshold time periods on other exchanges. Specifically, on NYSE Amex, a company is deemed to be non-compliant with the market value of publicly held shares requirement only after it has been below the standard for 90 consecutive days.<sup>65</sup> In addition, a company is considered non-compliant with the NYSE's market capitalization requirement after the company falls below the standard for 30 consecutive trading days.<sup>66</sup>

With regard to deficiencies for which a company can provide staff with a plan to regain compliance,<sup>67</sup> the Commission believes that increasing from 105 to 180 the maximum number of calendar days for which staff can grant an extension of time from its initial notification of non-compliance will provide companies with additional time that may be necessary to implement a plan to regain compliance where appropriate. The

<sup>65</sup> See Nasdaq Response Letter, *supra* note 6, at 3.

<sup>66</sup> See Nasdaq Response Letter, *supra* note 6, at 3.

<sup>67</sup> See Nasdaq Rule 5810(c)(2) and IM-5812.

Commission notes that the maximum time period of 180 days is not an automatic grace period, but rather each company's compliance period will be determined by Nasdaq staff after review of the company's compliance plan.

Accordingly, the Commission expects Nasdaq staff to conduct a thorough case-by-case review of each company's plan of compliance, and make an individualized determination as to the extension of time that is appropriate for a particular company. In addition, even with this change, the Commission notes that the total maximum amount of time that could be afforded to a company that failed to meet a listing requirement that allows for the submission of a plan to regain compliance would be 18 months, and this maximum 18 months assumes all compliance periods are extended to the permissible maximum during the appeal process by the Hearings Panel and Listing Council.<sup>68</sup> As discussed above, this time period is consistent with the maximum amount of time a company is permitted to regain compliance with similar continued listing standards under NYSE's rules.<sup>69</sup>

The Commission believes that Nasdaq's proposal to increase from 15 to 45 days the length of time a company has to submit a plan to regain compliance should provide companies with additional time to devise a meaningful and workable plan to regain compliance. Further, the Commission notes that this revised time period is consistent with the NYSE's rules, which generally provide a company with 45 days from receipt of a letter of non-compliance to submit a plan to regain compliance.<sup>70</sup> We further note that the 45 days does not extend the maximum time period the staff can allow for compliance.<sup>71</sup>

Finally, the Commission notes that while the additional, specific information that the CFA argued should be provided by Nasdaq on issues such as the historic enforcement of Nasdaq's listing standards might be useful for many purposes, it agrees with Nasdaq that such data and information is not required in order for the Commission to find that the current proposed rule change is consistent with the Act.<sup>72</sup> In addition, the Commission believes that

<sup>68</sup> See *supra* note 15.

<sup>69</sup> See *supra* note 64.

<sup>70</sup> Section 802.02 of the NYSE Listed Company Manual.

<sup>71</sup> For example, if the plan is submitted 45 days after notification of non-compliance, staff could only grant an additional 135 days to regain compliance.

<sup>72</sup> The Commission notes that as a registered national securities exchange, the Commission has oversight over Nasdaq's enforcement of its rules, including the delisting rules and process.

the CFA's call for greater independence in Nasdaq's delisting process is not an issue that is directly before the Commission in this proposed rule change. The rules governing and outlining the current delisting process of the Exchange have been reviewed by the Commission and approved as being consistent with the Act. As noted above, many of the changes proposed in the current rule filing involve the lengthening of automatic threshold or compliance periods that are not subject to the discretion of Nasdaq staff. While Nasdaq is lengthening from 105 to 180 the maximum number of calendar days for which staff can grant an extension of time for compliance with regard to those deficiencies for which a company can provide staff with a plan to regain compliance, the Commission does not believe that this changes the independence of the Hearings Panel and Listing Council. Although we recognize that the staff will have more discretion in setting the initial length of the compliance period for certain deficiencies, upon appeal, any delisting for non-compliance will continue to be reviewed by independent panels. In addition, as noted, the maximum length of time permitted under the proposed rule change is consistent with other markets' rules.<sup>73</sup>

In summary, as noted above, the Commission believes that enforcement of continued listing standards is of critical importance to our financial markets and investing public and, among other things helps to ensure that exchange traded securities have adequate depth and liquidity necessary to promote fair and orderly markets. While the Nasdaq's rule proposal does extend the time frames a company can continue to trade while out of compliance with certain continued listing standards, the changes are consistent with that of other national securities exchanges and do provide transparency to the delisting process. We also continue to expect Nasdaq, as they have represented, to monitor companies that are out of compliance and delist them promptly should there be public interest or other concerns that make continued trading unwarranted.

For the reasons noted above, the Commission believes that the proposed rule change is reasonable and consistent with the Act.

## V. Conclusion

*It is therefore ordered*, pursuant to Section 19(b)(2) of the Act,<sup>74</sup> that the

<sup>73</sup> See *supra* note 64.

<sup>74</sup> 15 U.S.C. 78s(b)(2).

proposed rule change (SR-NASDAQ-2009-077) be, and hereby is, approved.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>75</sup>

**Florence E. Harmon,**

*Deputy Secretary.*

[FR Doc. 2010-2500 Filed 2-4-10; 8:45 am]

**BILLING CODE 8011-01-P**

## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-61460; File No. SR-NASDAQ-2010-018]

### Self-Regulatory Organizations; The NASDAQ Stock Market LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Modify NASDAQ's Order Routing Rule

February 1, 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 29, 2010, The NASDAQ Stock Market LLC ("Nasdaq" or 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 Nasdaq. Nasdaq has designated the proposed rule change as constituting a rule change under Rule 19b-4(f)(6) under the Act,<sup>3</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 Substance of the Proposed Rule Change

The Exchange is filing this proposed rule change to amend Rule 4758 to describe available routing options in greater detail, to modify an existing routing option, and to add a new routing option. NASDAQ proposes to implement the rule change on February 1, 2010. The text of the proposed rule change is available at <http://nasdaq.cchwallstreet.com/>, at the Exchange's principal office, 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 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 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 is amending Rule 4758, which describes its order routing processes, to describe existing order routing options with greater specificity, to modify an existing routing option, and to add a new routing option. Currently, routing options available through NASDAQ are all variations of three main routing options, known as DOT, STGY, and SCAN. Although the rule language for these routing options describes the available variations of the main options in general terms, NASDAQ believes that understanding of these options would be enhanced by describing the different versions as separately named routing options. NASDAQ is also amending Rule 4758 to include a definition of "System routing table," defined as the proprietary process for determining the specific trading venues to which the NASDAQ System routes orders and the order in which it routes them. The definition reflects the fact that NASDAQ, like other trading venues, maintains different routing tables for different routing options and modifies them on a regular basis to reflect assessments about the destination markets. Such assessments consider factors such as a destination's latency, fill rates, reliability, and cost. Accordingly, the definition specifies that NASDAQ reserves the right to maintain a different routing table for different routing options and to modify routing tables at any time without notice.<sup>4</sup> All routing

complies with the requirements of Rule 611 of Regulation NMS.

- DOT is a routing option for orders that the entering firm wishes to designate for participation in the NYSE or NYSE Amex opening or closing processes. DOT orders do not check the NASDAQ book prior to routing directly to NYSE or NYSE Amex. After attempting to execute at NYSE or NYSE Amex, DOT orders thereafter check the NASDAQ book for available shares and are then converted into SCAN or STGY orders, depending on the designation of the entering firm. If a DOT order designated to participate in the opening process is entered after 9:30 a.m., moreover, it will be converted into a SCAN or STGY order, depending on the designation of the entering firm.

- DOTI is a routing option under which orders check the NASDAQ book and destinations on the DOTI System routing table and then are sent to NYSE or NYSE Amex. Such orders do not return to the NASDAQ book if they are not executed, but rather remain on the NYSE or NYSE Amex book until executed, cancelled, or expired.

- STGY is a routing option under which orders check the NASDAQ book, check destinations on the STGY System routing table, and then return to the NASDAQ book. After returning to the NASDAQ book, a STGY order will subsequently route out to another market center if it posts a bid or offer that locks or crosses the STGY order.

- SKNY is a form of STGY in which the entering party instructs the System to bypass any market centers included in the STGY System routing table that are not posting Protected Quotations within the meaning of Regulation NMS.

- SCAN is a routing option under which orders check the NASDAQ book, check destinations on the SCAN System routing table, and then return to the NASDAQ book. After returning to the NASDAQ book, a SCAN order will not subsequently route out to another market center if it posts a bid or offer that locks or crosses the SCAN order.

- SKIP is a form of SCAN in which the entering party instructs the System to bypass any market centers included in the SCAN System routing table that are not posting Protected Quotations within the meaning of Regulation NMS.

- TFTY is a routing option that was formerly comprised within the definition of SCAN. TFTY orders currently do not check the NASDAQ book for available shares prior to routing to destinations on the TFTY System routing table. Thereafter, they return to the NASDAQ book and, like SCAN orders, do not route out again. TFTY is being modified by this proposed rule

<sup>75</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> At present, all System routing tables include NASDAQ's affiliate, NASDAQ OMX BX ("BX"). Thus, all routed orders have the opportunity to route to this venue, with the exception of DOT orders routed directly to the NYSE or NYSE Amex opening or closing processes and directed orders that are directed to route to venues other than BX.