

and coordination with persons engaged in facilitating transactions in securities, 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's proposal to relieve market makers from the obligation to continuously quote in adjusted series would not affect market makers' other obligations. For example, the Commission notes that the proposal does not excuse a market maker from the obligations to respond with a two-sided, legal width market to a call for a market by a floor broker.<sup>15</sup> The Commission also notes that the proposal does not excuse a market maker from the obligation to submit a single quote or maintain continuous quotes in one or more series of an option issue within the market maker's appointment whenever, in the judgment of such Trading Official, it is necessary to do so in the interest of maintaining fair and orderly markets.<sup>16</sup> Accordingly, the Exchange's proposal concerning adjusted series is narrowly tailored to, among other things, 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. To the extent such series, shortly after the adjustment, become inactive as a result of a lack of interest in the series by market participants who have instead focused their trading in the new standard contracts, the Exchange's proposal would reduce the burden on market makers to submit continuous quotes that the Exchange may not submit to OPR. In so doing, the proposal may incentivize market makers to continue appointments in classes that have adjusted option series, and thereby should help maintain liquidity in these classes to the benefit of the Exchange, its OTP Holders, and investors. In addition, the obligation to continuously quote in such illiquid series, for which there may be little or no trading interest, is a minor part of a market maker's overall obligations and thus requiring a continuous quote may not justify the system resources necessary to accommodate them.

Further, the proposed new Commentary .01 to Rule 6.37B (the rule applicable to market maker quotations) to reflect the exception for LEAPS provided for in Rule 6.4(e)(i) to the continuous quoting obligations

contained in Rule 6.37B, is not a new substantive provision, but rather references the exception currently provided for in Rule 6.4(e)(i). In so doing, the proposed change clarifies the exception by referencing it in the rule applicable to market maker quoting obligations generally.

#### IV. Conclusion

*It Is Therefore Ordered*, pursuant to Section 19(b)(2) of the Act,<sup>17</sup> that the proposed rule change (SR-NYSEArca-2011-59) be, and hereby is, approved.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>18</sup>

**Elizabeth M. Murphy**,  
*Secretary*.

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### SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-65575; File No. SR-NASDAQ-2011-141]

#### Self-Regulatory Organizations; The NASDAQ Stock Market LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Modify Interpretation of Rule 4120(a)(11)

October 14, 2011.

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 October 6, 2011, the NASDAQ Stock Market, LLC ("NASDAQ" or "Exchange") filed with the Securities and Exchange Commission ("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 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 modify its interpretation of Rule 4120(a)(11) regarding at what price level to initiate a subsequent trading halts for any security that has been previously halted. NASDAQ will implement the proposed change immediately upon filing. There is no new proposed rule text, and a copy of the proposed rule change is available at <http://nasdaqomx.cchwallstreet.com>, at NASDAQ'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, NASDAQ 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. NASDAQ has prepared summaries, set forth in Sections A, B, and C below, of the most significant aspects of such statements.

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

###### 1. Purpose

NASDAQ is modifying its interpretation and practices related to certain language contained in Rule 4120(a)(11) which generally allows for the pausing of trading in individual securities should that security experience a significant percentage price increase or decline. Once a stock is halted pursuant to the rule, a five-minute halt period commences, after which trading is re-commenced using prices determined by NASDAQ's halt-cross process.

Currently, NASDAQ interprets language in Rule 4120(a) that states "[p]rice moves under this paragraph will be calculated by changes in each consolidated last-sale price disseminated by a network processor over a five minute rolling period measured continuously[.]" as requiring a continuous look back of five minutes—even when a stock is currently halted for a previous triggering price increase or decline. In this situation, trade reports for transactions taking place immediately before, or contemporaneous with, the halt can be submitted and disseminated, and thus set a new "within five minutes" comparison price level with any subsequent opening price coming out of the halt-cross process. Should a resulting price decline differential between the late intra-halt disseminated price and any new opening price coming out of the cross halt be great enough, another disruptive halt can be triggered.

In response, NASDAQ proposes to modify its interpretation of what price its systems will for [sic] consider for evaluating the need for any subsequent

<sup>15</sup> See NYSE Arca Rule 6.37B.

<sup>16</sup> See NYSE Arca Rule 6.37(b)(5) and Commentary .05.

<sup>17</sup> 15 U.S.C. 78s(b)(2).

<sup>18</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.

halt during the initial time period when a stock is coming out of a halt commenced pursuant to Rule 4120(a)(11). Under the proposed change, NASDAQ systems will not look back for any prices disseminated during a halt and instead will use the opening price determined by its halt-cross process as the initial price level against which subsequent price increases or declines will be measured. As before, any subsequent triggering price increases or declines within any continuous five-minute period, even one immediately triggering a halt in comparison to the halt-cross process, will initiate a halt in conformity with Rule 4120(a)(11).

NASDAQ believes that the above interpretation will ensure that prices determined and submitted at a period of time around the start of a trading halt do not carry over and inappropriately impact attempts to re-start trading after that halt. NASDAQ also understands that this approach to initial pricing coming out of a halt is already in effect at other listing markets likewise subject to uniform percentage increase or decline stock halt rules.

## 2. Statutory Basis

NASDAQ believes that the proposed rule change is consistent with the provisions of Section 6 of the Act,<sup>3</sup> in general, and with Section 6(b)(5) of the Act<sup>4</sup> in particular, in that the proposal is designed to prevent fraudulent and manipulative acts and practices, 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 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. NASDAQ believes that the change will result in the adoption of a clear policy with respect to the meaning, administration, and enforcement of Rule 4120(a)(11), thereby promoting members' understanding of the parameters of the rule and the efficiency of its administration.

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

As all listing markets are subject to uniform halt rules, and it is NASDAQ's understanding that its proposed approach to evaluating prices coming out of a halt is similar to that already being used by other listing markets,

NASDAQ does not believe that the proposed rule change will result in any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act, as amended.

### *C. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received From Members, Participants, or Others*

Written comments were neither solicited nor received.

### **III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action**

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A)(ii) of the Act.<sup>5</sup> At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act. If the Commission takes such action, the Commission shall institute proceedings to determine whether the proposed rule should be approved or 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 e-mail to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include File No. SR-NASDAQ-2011-141 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 No. SR-NASDAQ-2011-141. This file number should be included on the subject line if e-mail is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet Web site (<http://www.sec.gov/rules/sro.shtml>). Copies of the

submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for Web site viewing and printing in the Commission's Public Reference Room, 100 F Street, NE., Washington, DC 20549, on official business days between the hours of 10 a.m. and 3 p.m. Copies of such 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 No. SR-NASDAQ-2011-141 and should be submitted on or before November 10, 2011.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>6</sup>

**Elizabeth M. Murphy,**

*Secretary.*

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## **SECURITIES AND EXCHANGE COMMISSION**

[Release No. 34-65568; File No. SR-FINRA-2011-058]

### **Self-Regulatory Organizations; Financial Industry Regulatory Authority, Inc.; Notice of Filing of Proposed Rule Change To Amend FINRA Rule 6433 (Minimum Quotation Size Requirements for OTC Equity Securities)**

October 14, 2011.

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 October 6, 2011, the Financial Industry Regulatory Authority, Inc. ("FINRA") 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 FINRA. The Commission is publishing this notice to

<sup>6</sup> 17 CFR 200.30-3(a)(12).

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

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

<sup>3</sup> 15 U.S.C. 78f.

<sup>4</sup> 15 U.S.C. 78f(b)(5).

<sup>5</sup> 15 U.S.C. 78s(b)(3)(A)(ii).