

registration costs for those products.<sup>3</sup> The Exchange now intends to commence trading of XSP, and set a registration cost for Market-Makers to quote in XSP of .001 (the same registration cost as all other options traded on C2 (except SPXPM)<sup>4</sup>). As such, the Exchange proposes to amend Rule 8.2(d) to delete the language that excludes SPX, VIX, OEX, DJX and XSP from having a registration cost of .001. Going forward, the registration cost for XSP will be .001 (like every other option traded on C2 except for SPXPM). Currently, the Exchange has no plans to list any of the other Excluded Products, but if that were to change, the registration cost for those products would also be set at .001. If the Exchange were to permit trading of any of the Excluded Products and did not desire for the registration cost for one of those products to be .001, the Exchange would file a proposed rule change to adopt a different registration cost for such product (as would also be necessary under the current rules).

## 2. Statutory Basis

The Exchange believes the proposed rule change is consistent with the Act and the rules and regulations thereunder applicable to the Exchange and, in particular, the requirements of Section 6(b) of the Act.<sup>5</sup> Specifically, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)<sup>6</sup> requirements that the rules of an exchange be designed to promote just and equitable principles of trade, 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. Establishing a registration cost of .001 for XSP as well as the other Excluded Products is reasonable because it is equal to the registration cost of all other products traded on C2 (except SPXPM).

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

C2 does not believe that the proposed rule change will impose any burden on competition that is 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

The Exchange neither solicited nor received comments on the proposed rule change.

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

Because the foregoing proposed rule change does not: (i) Significantly affect the protection of investors or the public interest; (ii) impose any significant burden on competition; and (iii) become operative for 30 days after the date of the filing, or such shorter time as the Commission may designate, it has become effective pursuant to Section 19(b)(3)(A) of the Act<sup>7</sup> and Rule 19b-4(f)(6) thereunder.<sup>8</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.

## 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-C2-2012-019 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-C2-2012-019. 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 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 Number SR-C2-2012-019 and should be submitted on or before June 26, 2012.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>9</sup>

Kevin M. O'Neill,  
Deputy Secretary.

[FR Doc. 2012-16375 Filed 7-3-12; 8:45 am]

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-67295; File No. SR-NASDAQ-2012-061]

## Self-Regulatory Organizations; The NASDAQ Stock Market LLC.; Order Approving a Proposed Rule Change for the NASDAQ Options Market To Accept Inbound Orders From NASDAQ OMX BX's New Options Market

June 28, 2012.

### I. Introduction

On May 15, 2012, The NASDAQ Stock Market LLC ("Exchange" or "NASDAQ") 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

<sup>9</sup> 17 CFR 200.30-3(a)(12).

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

<sup>3</sup> See Securities Exchange Act Release No. 63021 (September 30, 2010), 75 FR 62159 (October 7, 2010) (SR-C2-2010-004).

<sup>4</sup> See C2 Rule 8.2(d) and Securities Exchange Act Release No. 65452 (September 30, 2011), 76 FR 62123 (October 6, 2011) (SR-C2-2011-023).

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

<sup>6</sup> 15 U.S.C. 78f(b)(5).

<sup>7</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>8</sup> 17 CFR 240.19b-4(f)(6). In addition, Rule 19b-4(f)(6) requires a self-regulatory organization to give the Commission written notice of its intent to file the proposed rule change at least five business days prior to the date of filing of the proposed rule change, or such shorter time as designated by the Commission. The Exchange has satisfied this requirement.

thereunder,<sup>2</sup> a proposed rule change for the NASDAQ Options Market (“NOM”)<sup>3</sup> to accept inbound options orders routed by NASDAQ Options Services LLC (“NOS”) from NASDAQ OMX BX (“BX”) on a one year pilot basis in connection with the establishment of a new options market by BX. The proposed rule change was published for comment in the **Federal Register** on May 24, 2012.<sup>4</sup> The Commission received no comment letters regarding the proposed rule change. This order approves the proposed rule change.

## II. Background

NASDAQ Rule 2160(a) prohibits the Exchange or any entity with which it is affiliated from, directly or indirectly, acquiring or maintaining an ownership interest in, or engaging in a business venture with, a NASDAQ member or an affiliate of a NASDAQ member in the absence of an effective filing under Section 19(b) of the Act.<sup>5</sup> NOS is a registered broker-dealer that is a member of the Exchange, and currently provides to members of the Exchange optional routing services to other markets.<sup>6</sup> NOS is owned by NASDAQ OMX Group, Inc. (“NASDAQ OMX”), which also owns three registered securities exchanges—the Exchange, BX, and NASDAQ OMX PHLX LLC (“PHLX”).<sup>7</sup> Thus, NOS is an affiliate of these exchanges.<sup>8</sup> Absent an effective filing, NASDAQ Rule 2160(a) would prohibit NOS from being a member of the Exchange. The Commission initially approved NOS’s affiliation with NASDAQ and its affiliated exchanges in connection with the establishment of NOM and NASDAQ OMX’s acquisition of BX and PHLX,<sup>9</sup> and NOS currently

performs certain limited activities for each.<sup>10</sup> With the current proposed rule change, the Exchange seeks approval to permit NOS to perform a new function.

On May 1, 2012, BX filed a proposed rule change to establish a new BX options market (“BX Options”), which will be an electronic trading system that trades options.<sup>11</sup> As part of its proposal, BX proposed that NOS provide BX with outbound options routing services to other markets, including its affiliate NASDAQ. On May 15, 2012, the Exchange filed the instant proposal to allow the Exchange to accept such options orders routed inbound by NOS from BX, on a one year pilot basis, subject to certain limitations and conditions.<sup>12</sup>

## 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 a national securities exchange.<sup>13</sup> Specifically, the Commission finds that the proposed rule change is consistent with Section 6(b)(1) of the Act,<sup>14</sup> which requires, among other things, that a national securities exchange be so organized and have the capacity to carry out the purposes of the Act, and to comply and enforce compliance by its members and persons associated with its members, with the provisions of the Act, the rules and regulation thereunder, and the rules of the Exchange. Further, the Commission finds that the proposed rule change is consistent with Section 6(b)(5) of the Act,<sup>15</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 foster cooperation and coordination with persons engaged in regulating, clearing, settling, and 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. Section 6(b)(5) also requires that the rules of an exchange not be designed to permit unfair discrimination among customers, issuers, brokers, or dealers.

NOS will operate as a facility of BX that provides outbound options routing from BX Options to other market centers, subject to certain conditions.<sup>16</sup> The operation of NOS as a facility of BX providing outbound routing services from BX Options will be subject to BX oversight, as well as Commission oversight. BX will be responsible for ensuring that NOS’s outbound options routing service is operated consistent with Section 6 of the Act and BX rules. In addition, BX must file with the Commission rule changes and fees relating to BX’s outbound options routing services.

Recognizing that the Commission has previously expressed concern regarding the potential for conflicts of interest in instances where a member firm is affiliated with an exchange of which it is a member, the Exchange previously proposed, and the Commission approved, limitations and conditions on NOS’s affiliation with the Exchange.<sup>17</sup> Also recognizing that the Commission has previously expressed concern regarding the potential for conflicts of interest in instances where a member firm is affiliated with an exchange to which it is routing orders, the Exchange proposed the following limitations and conditions to NOS’s affiliation with the Exchange to permit the Exchange to accept inbound options orders that NOS routes in its capacity as a facility of BX:<sup>18</sup>

- First, the Exchange and the Financial Industry Regulatory Authority (“FINRA”) will maintain a Regulatory Contract, as well as an agreement pursuant to Rule 17d-2 under the Act

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

<sup>3</sup> NOM is the Exchange’s options trading facility.

<sup>4</sup> See Securities Exchange Act Release No. 67027 (May 18, 2012), 77 FR 31057 (“Notice”).

<sup>5</sup> 15 U.S.C. 78s(b). NASDAQ Rule 2160 also prohibits a NASDAQ member from being or becoming an affiliate of NASDAQ, or an affiliate of an entity affiliated with NASDAQ, in the absence of an effective filing under Section 19(b). See NASDAQ Rule 2160(b).

<sup>6</sup> See Notice, *supra* note 4, at 31057 n.4 and accompanying text.

<sup>7</sup> See Securities Exchange Act Release No. 58324 (August 7, 2008), 73 FR 46936 (August 12, 2008) (SR-BSE-2008-02; SR-BSE-2008-23; SR-BSE-2008-25; SR-BSECC-2008-01) (order approving NASDAQ OMX’s acquisition of BX) (“BX Acquisition Order”); Securities Exchange Act Release No. 58179 (July 17, 2008), 73 FR 42874 (July 23, 2008) (SR-PHLX-2008-31) (order approving NASDAQ OMX’s acquisition of PHLX) (“PHLX Acquisition Order”).

<sup>8</sup> See *id.* See also Notice, *supra* note 4, at 31058.

<sup>9</sup> See Securities Exchange Act Release No. 57478 (March 12, 2008), 73 FR 14521, 14532-14533 (March 18, 2008) (SR-NASDAQ-2007-004 and SR-NASDAQ-2007-080) (“NOM Approval Order”);

BX Acquisition Order, *supra* note 7, at 46944; and PHLX Acquisition Order, *supra* note 7, at 42877.

<sup>10</sup> See, e.g., NASDAQ Options Rule Chapter VI, Section 11(e) (governing order routing on NOM); and Securities Exchange Act Release No. 59948 (May 20, 2009), 74 FR 25784 (May 29, 2009) (SR-NASDAQ-2009-047) (relating to the routing of orders by NOS inbound to NOM from PHLX) (“PHLX Inbound Release”).

<sup>11</sup> See Securities Exchange Act Release No. 66983 (May 14, 2012), 77 FR 29730 (May 18, 2012) (SR-BX-2012-030) (notice of propose rule change to adopt rules for the new BX options market) (“BX Options Proposal”).

On June 26, 2012, the Commission approved the BX Options Proposal. See Securities Exchange Act Release No. 67256 (June 26, 2012) (“BX Options Approval”).

<sup>12</sup> See Notice, *supra* note 4.

<sup>13</sup> In approving this proposed rule change, the Commission has considered the proposed rule’s impact on efficiency, competition and capital formation. 15 U.S.C. 78c(f).

<sup>14</sup> 15 U.S.C. 78f(b)(1).

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

<sup>16</sup> See BX Options Approval, *supra* note 7, at Section II.D.

<sup>17</sup> See NOM Approval Order, *supra* note 9, at 14521. See also Notice, *supra* note 4, at 31058 n.9 and accompanying text. In addition, the Exchange has authority to accept inbound orders that NOS routes in its capacity as a facility of PHLX, subject to certain limitations and conditions. See PHLX Inbound Release, *supra* note 10, at 25784. See also Notice, *supra* note 4, at 31058 n.10 and accompanying text.

<sup>18</sup> See Notice, *supra* note 4, at 31058.

("17d-2 Agreement").<sup>19</sup> Pursuant to the Regulatory Contract and the 17d-2 Agreement, FINRA will be allocated regulatory responsibilities to review NOS's compliance with certain Exchange rules.<sup>20</sup> Pursuant to the Regulatory Contract, however, the Exchange retains ultimate responsibility for enforcing its rules with respect to NOS.

- Second, FINRA will monitor NOS for compliance with the Exchange's trading rules, and will collect and maintain certain related information.<sup>21</sup>

- Third, FINRA will provide a report to the Exchange's chief regulatory officer ("CRO"), on a quarterly basis, that: (i) Quantifies all alerts (of which the Exchange or FINRA is aware) that identify NOS as a participant that has potentially violated Commission or Exchange rules, and (ii) lists all investigations that identify NOS as a participant that has potentially violated Commission or Exchange rules.

- Fourth, the Exchange is amending NASDAQ Rule 2160(c) to require NASDAQ OMX, as the holding company owning both the Exchange and NOS, to establish and maintain procedures and internal controls reasonably designed to ensure that NOS does not develop or implement changes to its system, based on non-public information obtained regarding planned changes to the Exchange's systems as a result of its affiliation with the Exchange, until such information is available generally to similarly situated Exchange members, in connection with the provision of inbound options order routing to the Exchange.<sup>22</sup>

- Fifth, the Exchange proposes that the routing of options orders from NOS to the Exchange, in NOS's capacity as a facility of BX, be authorized for a pilot period of one year.

<sup>19</sup> 17 CFR 240.17d-2.

<sup>20</sup> NOS is also subject to independent oversight by FINRA, its designated examining authority, for compliance with financial responsibility requirements.

<sup>21</sup> Pursuant to the Regulatory Contract, both FINRA and the Exchange will collect and maintain all alerts, complaints, investigations and enforcement actions in which NOS (in its capacity as a facility of BX routing orders to the Exchange) is identified as a participant that has potentially violated applicable Commission or Exchange rules. The Exchange and FINRA will retain these records in an easily accessible manner in order to facilitate any potential review conducted by the Commission's Office of Compliance Inspections and Examinations. See Notice, *supra* note 4, at 31058 n.14.

<sup>22</sup> The Commission notes that prior to this proposed rule change, NASDAQ Rule 2160(c) only applied with respect to the Exchange's equity order routing facility, NASDAQ Execution Services LLC. As a result of this proposed rule change, NASDAQ Rule 2160(c) will be applicable to NOS.

In the past, the Commission has expressed concern that the affiliation of an exchange with one of its members raises potential conflicts of interest, and the potential for unfair competitive advantage.<sup>23</sup> Although the Commission continues to be concerned about potential unfair competition and conflicts of interest between an exchange's self-regulatory obligations and its commercial interest when the exchange is affiliated with one of its members, for the reasons discussed below, the Commission believes that it is consistent with the Act to permit NOS, in its capacity as a facility of BX, to route options orders inbound to the Exchange on a pilot basis, subject to the limitations and conditions described above.<sup>24</sup>

The Commission believes that these limitations and conditions enumerated above will mitigate its concerns about potential conflicts of interest and unfair competitive advantage. In particular, the Commission believes that a non-affiliated SRO's oversight of NOS,<sup>25</sup> combined with a non-affiliated SRO's monitoring of NOS's compliance with the Exchange's rules and quarterly reporting to the Exchange, will help to protect the independence of the Exchange's regulatory responsibilities with respect to NOS. The Commission also believes that the Exchange's proposed amendments to NASDAQ Rule 2160(c) are designed to ensure that

<sup>23</sup> See, e.g., Securities Exchange Act Release Nos. 54170 (July 18, 2006), 71 FR 42149 (July 25, 2006) (SR-NASDAQ-2006-006) (order approving NASDAQ's proposal to adopt NASDAQ Rule 2140, restricting affiliations between NASDAQ and its members); 53382 (February 27, 2006), 71 FR 11251 (March 6, 2006) (SR-NYSE-2005-77) (order approving the combination of the New York Stock Exchange, Inc. and Archipelago Holdings, Inc.); 58673 (September 29, 2008), 73 FR 57707 (October 3, 2008) (SR-Amex-2008-62 and SR-NYSE-2008-60) (order approving the combination of NYSE Euronext and the American Stock Exchange LLC); 59135 (December 22, 2008), 73 FR 79954 (December 30, 2008) (SR-ISE-2009-85) (order approving the purchase by ISE Holdings of an ownership interest in Direct Edge Holdings LLC); 59281 (January 22, 2009), 74 FR 5014 (January 28, 2009) (SR-NYSE-2008-120) (order approving a joint venture between NYSE and BIDS Holdings L.P.); 58375 (August 18, 2008), 73 FR 49498 (August 21, 2008) (File No. 10-182) (order granting the exchange registration of BATS Exchange, Inc.); 61698 (March 12, 2010), 75 FR 13151 (March 18, 2010) (File Nos. 10-194 and 10-196) (order granting the exchange registration of EDGX Exchange, Inc. and EDGA Exchange, Inc.); and 62716 (August 13, 2010), 75 FR 51295 (August 19, 2010) (File No. 10-198) (order granting the exchange registration of BATS-Y Exchange, Inc.).

<sup>24</sup> The Commission notes that these limitations and conditions are consistent with those previously approved by the Commission for other exchanges. See, e.g., BX Options Approval, *supra* note 11, at II.D.2.

<sup>25</sup> This oversight will be accomplished through the 17d-2 Agreement between FINRA and the Exchange and the Regulatory Contract. See Notice, *supra* note 4, at 31058 n.12 and accompanying text.

NOS cannot use any information advantage it may have because of its affiliation with the Exchange. Furthermore, the Commission believes that the Exchange's proposal to allow NOS to route options orders inbound to the Exchange from BX, on a pilot basis, will provide the Exchange and the Commission an opportunity to assess the impact of any conflicts of interest of allowing an affiliated member of the Exchange to route orders inbound to the Exchange and whether such affiliation provides an unfair competitive advantage.

#### IV. Conclusion

*It is therefore ordered*, pursuant to Section 19(b)(2) of the Act,<sup>26</sup> that the proposed rule change (SR-NASDAQ-2012-061) be, and hereby is, approved.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>27</sup>

Kevin M. O'Neill,

Deputy Secretary.

[FR Doc. 2012-16374 Filed 7-3-12; 8:45 am]

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-67289; File No. SR-ICC-2012-04]

### Self-Regulatory Organizations; ICE Clear Credit LLC; Order Approving Proposed Rule Change To Add Rules Related to the Clearing of Emerging Markets Sovereign Index CDS

June 28, 2012.

#### I. Introduction

On April 3, 2012, ICE Clear Credit LLC ("ICC") filed with the Securities and Exchange Commission ("Commission") the proposed rule change (SR-ICC-2012-04) 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> The proposed rule change was published for comment in the **Federal Register** on April 16, 2012.<sup>3</sup> On May 29, 2012, the Commission extended the time within which to take action of the proposed rule change to July 13, 2012.<sup>4</sup> The Commission received no comment letters regarding the proposal. For the reasons discussed

<sup>26</sup> 15 U.S.C. 78s(b)(2).

<sup>27</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> Securities Exchange Act Release No. 66777 (April 10, 2012), 77 FR 22623 (April 16, 2012).

<sup>4</sup> Securities Exchange Act Release No. 67070 (May 29, 2012), 77 FR 33013 (June 4, 2012).