

perfect the mechanism for a free and open market and a national market system, and, in general, to protect investors and the public interest.

In particular, the proposed rule change helps remove impediments to and perfect the mechanism for a free and open market and a national market system because it still provides customer order protection and facilitates trading at away exchanges so that customer orders trade at the best market prices. Additionally, customer orders still trade in compliance with the Exchange's routing instructions in accordance with the Options Order Protection and Locked/Crossed Market Plan. The proposed rule change also protects investors and the public interest because it clarifies in the rules an existing practice of the Exchange's routing brokers, which the Exchange believes other exchanges allow their routing brokers to do as well. Finally, codifying this practice in the Rules provides additional transparency to Trading Permit Holders regarding routing of their orders to away exchanges.

#### *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:

A. significantly affect the protection of investors or the public interest;

B. impose any significant burden on competition; and

C. become operative for 30 days from the date on which it was filed, or such shorter time as the Commission may designate, it has become effective pursuant to Section 19(b)(3)(A)<sup>6</sup> of the Act and Rule 19b-4(f)(6)<sup>7</sup> thereunder.<sup>8</sup>

<sup>6</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>7</sup> 17 CFR 240.19b-4(f)(6).

<sup>8</sup> In addition, Rule 19b-4(f)(6)(iii) requires a self-regulatory organization to provide the Commission with written notice of its intent to file the proposed rule change, along with a brief description and text of the proposed rule change, at least five business days prior to the date of filing of the proposed rule

At any time within 60 days of the filing of this 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-C2-2012-035 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-C2-2012-035. This file number should be included on the subject line if email is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet Web site (<http://www.sec.gov/rules/sro.shtml>). Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for Web site viewing and printing in the Commission's Public Reference Room, 100 F Street NE., Washington, DC 20549 on official business days between the hours of 10:00 a.m. and 3:00 p.m. Copies of 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;

change, or such shorter time as designated by the Commission. The Exchange has satisfied this requirement.

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-C2-2012-035 and should be submitted on or before November 6, 2012.

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

**Kevin M. O'Neill,**

*Deputy Secretary.*

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**BILLING CODE 8011-01-P**

## **SECURITIES AND EXCHANGE COMMISSION**

[Release No. 34-68015; File No. SR-NASDAQ-2012-111]

### **Self-Regulatory Organizations; The NASDAQ Stock Market LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Provide for Automatic Cancellation of Midpoint Peg Post-Only Orders at Market Close**

October 9, 2012.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on September 28, 2012, 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 and II below, which Items have been prepared by NASDAQ. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

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

NASDAQ proposes a rule change to provide for automatic cancellation of Midpoint Peg Post-Only Orders at market close. The text of the proposed rule change is available at <http://nasdaq.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

<sup>9</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.

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 Statutory Basis for, the Proposed Rule Change*

**1. Purpose**

A Midpoint Peg Post-Only Order is a non-displayed order that is priced at the midpoint between the national best bid and best offer ("NBBO") (as determined using the consolidated tape). However, like a Post-Only Order, the Midpoint Peg Post-Only Order does not remove liquidity from the System upon entry if it would lock a non-displayed order on the NASDAQ Market Center system (the "System"). Rather, the Midpoint Peg Post-Only Order will post and lock the pre-existing order, but will remain undisplayed.<sup>3</sup>

Midpoint Peg Post-Only Orders that post to the book and lock a pre-existing non-displayed order will execute against an incoming order only if the price of the incoming buy (sell) order is higher (lower) than the price of the pre-existing order. If a Midpoint Peg Order and a Midpoint Peg Post-Only Order are locked, and a Midpoint Peg Order is entered on the same side of the market as the Midpoint Peg Post-Only Order, the new order will execute against the original Midpoint Peg Order. This is the case because the market participant entering the Midpoint Peg Post-Only Order has expressed its intention not to execute against posted liquidity, and therefore cedes execution priority to the new order.

NASDAQ believes that demand for the use of Midpoint Peg Post-Only Orders is limited to regular market hours, since the wider spreads generally prevailing during pre-market and post-market trading sessions would result in execution prices more at variance from the NBBO than would be the case during regular market hours. To this end, Midpoint Peg Post-Only Orders are accepted only during regular market hours. The proposed rule change clarifies this restriction by adding it to the rule text. At present, however, a Midpoint Peg Post-Only Order that is accepted during regular market hours

but not executed and/or cancelled during regular market hours will continue to rest on the book until it is removed by another order, cancelled by the user or its Time-in-Force expires. To assist market participants in managing the use of these orders, NASDAQ is proposing to cancel all Midpoint Peg Post-Only Orders on the NASDAQ book at 4:00 p.m. In addition, the change provides that Midpoint Peg Post-Only Orders may execute during regular market hours only. This change will help ensure that market participants entering these orders are not subject to executions at prices that deviate from the NBBO by a greater extent that [sic] would be the case during regular market hours. Moreover, because such orders may execute during regular market hours only, they are not eligible for participation in the NASDAQ Opening Cross or the NASDAQ Closing Cross.

**2. Basis**

NASDAQ believes that the proposed rule change is consistent with the provisions of Section 6 of the Act,<sup>4</sup> in general, and with Section 6(b)(5) of the Act,<sup>5</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. Specifically, NASDAQ believes that the proposed change will help promote efficient market operations by providing for automatic cancellation of resting Midpoint Peg Post-Only Orders at 4:00 p.m. This change will assist market participants in managing the use of these orders and help ensure that they are not subject to executions at prices that deviate from the NBBO by a greater extent that [sic] would be the case during regular market hours.

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

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. Specifically, NASDAQ does not believe that the proposed change will affect competition in any respect.

*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**

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 from the date on which it was filed, or such shorter time as the Commission may designate, it has become effective pursuant to Section 19(b)(3)(A) of the Act<sup>6</sup> and subparagraph (f)(6) of Rule 19b-4 thereunder.<sup>7</sup>

The Exchange has requested that the Commission waive the 30-day operative delay provided for in Rule 19b-4(f)(6)(iii).<sup>8</sup> NASDAQ believes that the proposed rule change will advance the protection of investors by ensuring that market participants entering Midpoint Peg Post-Only Orders will not be subject to executions at prices that deviate from the NBBO by a greater extent than would be the case during regular market hours. NASDAQ also believes that the proposed rule change will thereby minimize the likelihood of executions during post-market hours that do not reflect the intentions of market participants. The Commission believes that minimizing the likelihood of unintended executions after hours should benefit investors. The Commission believes that waiver of the operative delay is consistent with investor protection and the public interest. As a result, the Commission is hereby waiving the 30-day operative delay.

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.

<sup>3</sup> SEC Rule 610(d) under Regulation NMS, 17 CFR 242.610(d), restricts displayed quotations that lock protected quotations in NMS Stocks, but does not apply to non-displayed trading interest.

<sup>4</sup> 15 U.S.C. 78f.

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

<sup>6</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>7</sup> 17 CFR 240.19b-4(f)(6).

<sup>8</sup> 17 CFR 240.19b-4(f)(6)(iii).

Comments may be submitted by any of the following methods:

*Electronic Comments*

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>); or
- Send an email to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include File Number SR-NASDAQ-2012-111 on the subject line.

*Paper Comments*

- Send paper comments in triplicate to Elizabeth M. Murphy, Secretary, Securities and Exchange Commission, 100 F Street, NE., Washington, DC 20549-1090.

All submissions should refer to File Number SR-NASDAQ-2012-111. 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 on official business days between the hours of 10:00 a.m. and 3:00 p.m. Copies of such filing also will be available for inspection and copying at the principal offices of the Exchange. All comments received will be posted without change; the Commission does not edit personal identifying information from submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR-NASDAQ-2012-111, and should be submitted on or before November 6, 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. 2012-25334 Filed 10-15-12; 8:45 am]

**BILLING CODE 8011-01-P**

## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-68033; File No. SR-CHX-2012-13]

### Self-Regulatory Organizations; Chicago Stock Exchange, Inc.; Notice of Filing of Proposed Rule Change, as Modified by Amendments Nos. 1 and 2, To Establish Listing Standards for Issuers' Compensation Committees

October 10, 2012.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act")<sup>1</sup>, and Rule 19b-4<sup>2</sup> thereunder, notice is hereby given that on September 26, 2012, the Chicago Stock Exchange, Inc. ("CHX" or the "Exchange") filed with the Securities and Exchange Commission ("Commission") the proposed rule change as described in Items I, II, and III below, which filing was amended and replaced in its entirety by Amendment No. 2 thereto on October 10, 2012, which Items have been prepared by the Exchange.<sup>3</sup> 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 the Substance of the Proposed Rule Change

The Exchange proposes to amend Article 22, Rule 2 (Admittance to Listing), Rule 4 (Removal of Securities) and Rule 19 (Corporate Governance) to comport with Section 10(C) of the Exchange Act<sup>4</sup> and Rule 10C-1<sup>5</sup> thereunder that directs the Exchange to establish listing standards, among other things, that require each member of a listed issuer's compensation committee to be an independent member of its board of directors and relating to compensation committees and their use of compensation consultants, independent legal counsel and other advisers (collectively, "compensation advisers"). The text of this proposed rule change is available on the Exchange's Web site at ([www.chx.com](http://www.chx.com)) and in the Commission's Public Reference Room.

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

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

<sup>3</sup> The Commission notes that Amendment No. 1 was submitted on October 2, 2012 to indicate that the Board of Directors had approved the proposal.

<sup>4</sup> 15 U.S.C. 78j-3.

<sup>5</sup> 17 CFR 240.10C-1.

#### 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 CHX included statements concerning the purpose of and basis for the proposed rule changes and discussed any comments it received regarding the proposal. The text of these statements may be examined at the places specified in Item IV below. The CHX 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

This Amendment No. 2 to SR-CHX-2012-13 (the "filing") amends and replaces in its entirety the Filing as originally submitted on September 26, 2012. Amendment No. 2 corrects several technical errors under this Rule 19b-4 form, Exhibit 1 and Exhibit 5. Moreover, substantive amendments were made to the Exhibit 5 and corresponding amendments were also made to this Exhibit 1 and 19b-4 form. Item 2 of this 19b-4 filing has been amended to indicate that this proposal was approved by the Exchange's Board of Directors on September 27, 2012.<sup>6</sup> Proposed Rule 19(d)(1) was amended to require issuers to have a compensation committee composed entirely of independent directors, subject to the general independence requirements of proposed Rule 19(p)(3)(A) and additional specific requirements for compensation committees under proposed Rule 19(p)(3)(B). Moreover, proposed Rule 19(d)(1) was amended to define "compensation committee" as independent directors functioning within either formal committees of the board of directors or a non-committee group. Proposed Rule 19(d)(2) was amended to include a charter requirement for compensation committees and removes the definition of "compensation committee" and "functional equivalent," which has been restated under proposed Rule 19(d)(1)(A)-(C). The exceptions under proposed Rule 19(d)(5)(B) were amended to be numerically consistent with proposed paragraph .03 of the Interpretations and Policies of Rule 19. Proposed Rule 19(d)(5)(B)(iii) was amended to narrow the scope of the passive business organizations

<sup>6</sup> The Commission notes that this change was filed as Amendment No. 1. See *supra* note 3.

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