

2014-084 and should be submitted on or before December 9, 2014.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>12</sup>

**Kevin M. O'Neill,**

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-73574; File No. SR-NASDAQ-2014-100]

### Self-Regulatory Organizations; The NASDAQ Stock Market LLC; Notice of Filing of a Proposed Rule Change To Amend NASDAQ Rule 7015(d) To Include the IPO Indicator as a New Enhancement to the NASDAQ Workstation

November 12, 2014.

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 29, 2014 The NASDAQ Stock Market LLC (“NASDAQ” or the “Exchange”) filed with the Securities and Exchange Commission (“Commission”) a proposed rule change as described in Items I, II and III below, which Items have been prepared by the Exchange. 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 proposal to amend NASDAQ Rule 7015(d) to include the IPO Indicator as a new enhancement to a NASDAQ Workstation subscription.

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, the proposed rule change and discussed any comments it received on the proposed rule change. The text of those

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 parts 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 7015(d) to include the IPO Indicator as a new enhancement to the NASDAQ Workstation. In addition to providing order entry and quote functionality, the NASDAQ Workstation also includes several features designed to assist subscribers with managing and monitoring their trading activity.<sup>3</sup> NASDAQ is proposing to include a new feature designed to assist member firms in monitoring their orders in the NASDAQ Halt Cross process leading up to the launch of an initial public offering (“IPO”).

##### Halt Cross Process

The NASDAQ Halt Cross is designed to provide for an orderly, single-priced opening of securities subject to an intraday halt, including securities that are the subject of an IPO. Prior to the Cross execution, market participants enter quotes and orders eligible for participation in the Cross, and NASDAQ disseminates certain information regarding buying and selling interest entered and the indicative execution price information, known as the Net Order Imbalance Indicator or NOII. The NOII is disseminated every five seconds during a designated period prior to the completion of the Halt Cross, in order to provide market participants with information regarding the possible price and volume of the Cross. The information provided in the NOII message includes the Current Reference Price,<sup>4</sup> which is the price at which the Cross would occur if it executed at the time of the NOII’s dissemination, and the number of shares of Eligible Interest,<sup>5</sup> which is defined as any quotation or any order that may be entered into the system and designated with a time-in-force that would allow the order to be in force at the time of

the Halt Cross, that would be paired at that price.

NASDAQ also disseminates a Market Order Imbalance, which is defined as the number of shares of Eligible Interest entered through market orders that would not be matched with other order shares at the time of the dissemination of an NOII, if in fact there are such unexecutable market order shares. When there is a Market Order Imbalance, NASDAQ disseminates the imbalance and the buy/sell direction of the imbalance. For example, if a buy-direction Market Order Imbalance is disseminated, potential sellers in the Cross would know that buy liquidity is available at a market price, potentially encouraging them to enter additional sell orders to allow the Cross to proceed.

In addition to disseminating information about Market Order Imbalances, NASDAQ also disseminates information about the size and buy/sell direction of an Imbalance. An Imbalance is defined as the number of shares of Eligible Interest with a limit price equal to the Current Reference Price that may not be matched with other order shares at a particular price at any given time.<sup>6</sup> As noted above, Eligible Interest is defined as any quotation or any order that may be entered into the system and designated with a time-in-force that would allow the order to be in force at the time of the Halt Cross. Thus, the provided information reflects all shares eligible for participation in the Cross, regardless of time-in-force, and includes non-displayed shares and reserve size. As such, the Imbalance information indicates the degree to which available liquidity on one or the other side of the market would not be executed if the Cross were to occur at that time.

Generally, a Halt in a security is terminated when NASDAQ determines to release a security, at which time the Display Only Period begins, culminating in the Halt Cross whereby the security is released for regular hours trading at the price that maximizes the number of shares of trading interest eligible for participation in the Cross to be executed.<sup>7</sup> In the case of an IPO, underwriters to an IPO make a determination to launch an IPO during the Pre-Launch Period<sup>8</sup> when they believe the security is ready to trade. When the underwriter informs

<sup>6</sup> See Rule 4753(a)(1).

<sup>7</sup> See Rule 4753(b) for a description of the processing of the Halt Cross.

<sup>8</sup> The Pre-Launch Period is the second phase of a two-phase process that NASDAQ uses for launching IPOs. The Pre-Launch Period follows a 15-minute Display Only Period and is of no fixed duration. During both periods, the NOII is disseminated every five seconds.

<sup>12</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> For example, a Workstation subscription includes tools to assist member firms in complying with Regulation NMS short sale restrictions and compliance with the Limit Up/Limit Down process. See <http://www.nasdaqtrader.com/Trader.aspx?id=Workstation>.

<sup>4</sup> See Rule 4753(a)(3)(A).

<sup>5</sup> See Rule 4753(a)(5).

NASDAQ that it is ready to launch the IPO, the NASDAQ system will calculate the Current Reference Price at that time (the "Expected Price") and display it to the underwriter. If the underwriter then approves proceeding, the NASDAQ system will conduct two validation checks. Specifically, the NASDAQ system will determine whether all market orders will be executed in the cross, and whether the Expected Price and the price calculated by the Cross differ by an amount in excess of the price band selected by the underwriter.<sup>9</sup> If either of the validation checks fails, the security will not be released for trading and the Pre-Launch Period will continue seamlessly until all requirements are met. Alternatively, the underwriter may, with the concurrence of NASDAQ, determine to postpone and reschedule the IPO.

#### New IPO Indicator

NASDAQ is proposing the new IPO Indicator to provide member firms with more information about interest in an IPO security. Specifically, NASDAQ is proposing to provide information about the number and price at which shares of a member firm's orders entered for execution in an IPO Halt Cross ("IPO shares") would execute in an IPO if it were to price at the present time. The IPO Indicator will be offered through the NASDAQ Workstation and will use the NOII information already currently available through a Workstation subscription together with the information about the member firm's orders on NASDAQ.<sup>10</sup> Member firms will access the IPO Indicator from the main Workstation screen, which will allow the subscriber to select an IPO security by ticker and see the Current Reference Price,<sup>11</sup> the number of paired shares, and the number of imbalance shares during the Display Only and Pre-Launch Periods. The screen will also provide the total number of IPO shares the member firm has entered for execution in the IPO Halt Cross, the nature of such shares (buy or sell), and the number of IPO shares that would be executed in the Halt Cross at that time for each of those categories. Member firms will also be able to access further detail on its IPO shares presented by individual order or order block, which will include the number of IPO shares

in a particular order or order block, the number and percentage of IPO shares of the order or order block that would be executed in the Halt Cross if it occurred at any given time in the process, based on the NOII disseminated every five seconds, and the price at which the order or order block was submitted. As such, the IPO Indicator will provide member firms with information consistent with what NASDAQ currently disseminates during the IPO launch process, but as it relates to a member firm's orders and in greater detail.

NASDAQ notes that the IPO Indicator will provide member firms with more information on their orders for participation in an IPO Halt Cross, which will, in turn, allow them to make better informed investment decisions. Although, NASDAQ believes the functionality provided by the IPO Indicator will be useful to all member firms seeking to participate in the IPO Halt Cross process, underwriters to an IPO may find the functionality particularly useful as they will have current and ongoing information on the nature of their order book in the IPO shares relative to the orders that would be executed at any given time, thus allowing them to make better informed decisions on the timing of the IPO's launch. In this regard, the IPO Indicator may help an underwriter to make a determination to launch an IPO at a time when the IPO security would likely pass the validation checks, thus increasing the likelihood of a fair and orderly launch of the IPO when the underwriter informs NASDAQ that it is prepared to launch the IPO security.

#### 2. Statutory Basis

The Exchange believes the proposed rule change is consistent with Section 6(b) of the Act,<sup>12</sup> in general, and furthers the objectives of Sections 6(b)(4) and 6(b)(5) of the Act,<sup>13</sup> in particular, in that it provides for the equitable allocation of reasonable dues, fees and other charges among members and issuers and other persons using any facility or system which NASDAQ operates or controls and is designed to promote just and equitable principles of trade, remove impediments to and perfect the mechanisms of a free and open market and a national market system and, in general, to protect investors and the public interest. The proposal is consistent with these requirements because it will expand the information made available to market participants about their orders and the interplay of

supply and demand of buy and sell orders leading up to the completion of an IPO Halt Cross. The information provided by the proposed IPO Indicator is particularly useful to underwriters of IPOs, who ultimately make the decision to launch an IPO or to postpone it. In this regard, the IPO Indicator will provide underwriters with a near real time assessment of the number and price at which their IPO shares will execute at any given time, consequently allowing them to make better informed decisions with regard to the timing of an IPO's launch. The change will thereby perfect the mechanisms of a free and open market by helping ensure the security price is reasonably stable at the time the underwriter determines to launch the IPO. Moreover, the change will protect investors and the public interest by providing additional transparency regarding the IPO Halt Cross, helping market participants to understand the degree of supply and demand for the security that is the subject of the IPO Halt Cross and the nature of the execution of IPO orders that they would receive at any given time in the IPO launch process.

The Exchange is not proposing to increase the fee assessed for the Workstation under Rule 7015(d). The Exchange notes that it enhances the Workstation from time to time, offering new functionality it believes useful to subscribers, but does not necessarily adjust the charge for subscription with each enhancement. The Exchange believes that keeping the current fee is reasonable because the proposed enhancement to the Workstation will not result in an increase in the cost of a subscription. The Exchange believes that not increasing the Workstation fee is an equitable allocation as the fee remains unchanged for all subscribers.

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

The Exchange 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. Specifically, the proposed change serves merely to increase the information provided by NASDAQ regarding the nature of the execution they would receive in an IPO at any given time in the process, thereby assisting market participants in making informed investment decisions regarding their participation in the IPO Halt Cross. Moreover, the proposed change may enhance competition among exchanges by making the NASDAQ IPO process more appealing to market participants, thereby prompting other exchanges to improve

<sup>9</sup> See Rules 4120(c)(8)(A)(ii) and 4120(c)(8)(B).

<sup>10</sup> The information provided by the IPO Indicator is limited to the subscribing member firm's orders.

<sup>11</sup> The Exchange notes that, in situations where there is a Market Order Imbalance, the NOII does not provide a Current Reference Price, since not all market orders could be executed in the cross and therefore there is no price at which the IPO cross could occur.

<sup>12</sup> 15 U.S.C. 78f (b).

<sup>13</sup> 15 U.S.C. 78f(b)(4) and (5).

their processes and the information provided during the launch of an IPO. Lastly, the change does not restrict the ability of market participants to participate in the IPO Halt Cross in any respect, and therefore does [sic] impose any burden on competition among market participants.

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

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

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

Within 45 days of the date of publication of this notice in the **Federal Register** or within such longer period (i) as the Commission may designate up to 90 days of such date if it finds such longer period to be appropriate and publishes its reasons for so finding or (ii) as to which the Exchange consents, the Commission shall: (a) By order approve or disapprove such proposed rule change, or (b) institute proceedings to determine whether the proposed rule change should be 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 email to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include File Number SR-NASDAQ-2014-100 on the subject line.

*Paper Comments*

- Send paper comments in triplicate to Brent J. Fields, Secretary, Securities and Exchange Commission, 100 F Street NE., Washington, DC 20549-1090. All submissions should refer to File Number SR-NASDAQ-2014-100. 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 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-2014-100, and should be submitted on or before December 9, 2014.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>14</sup>

**Kevin M. O'Neill,**

*Deputy Secretary.*

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**SECURITIES AND EXCHANGE COMMISSION**

[Release No. 34-73579; File No. SR-OCC-2014-807]

**Self-Regulatory Organizations; The Options Clearing Corporation; Notice of an Emergency Change to OCC's Procedures To Resize the Clearing Fund in Response to Market Conditions**

November 12, 2014.

Pursuant to Section 806(e)(2) of Title VIII of the Dodd-Frank Wall Street Reform and Consumer Protection Act, entitled Payment, Clearing, and Settlement Supervision Act of 2010 ("Payment, Clearing and Settlement Supervision Act")<sup>1</sup> and Rule 19b-4(n)(1)(i) under the Securities Exchange Act of 1934 ("Act"),<sup>2</sup> notice is hereby given that on October 16, 2014, The Options Clearing Corporation ("OCC") filed with the Securities and Exchange Commission ("Commission") the emergency notice as described in Items I and II below, which Items have been prepared by OCC. The Commission is

publishing this notice to solicit comments on the emergency notice from interested persons.

**I. Clearing Agency's Statement of the Terms of Substance of the Emergency Notice**

This notice is filed by OCC in connection with an increase in the size of OCC's Clearing Fund that it has implemented on an emergency basis pursuant to Section 806(e)(2) of the Payment, Clearing, and Settlement Supervision Act.

**II. Clearing Agency's Statement of the Purpose of, and Statutory Basis for, the Emergency Notice**

In its filing with the Commission, OCC included statements concerning the purpose of and basis for the advance notice and discussed any comments it received on the advance notice. The text of these statements may be examined at the places specified in Item IV below. OCC has prepared summaries, set forth in sections A and B below, of the most significant aspects of these statements.

*(A) Clearing Agency's Statement on Comments on the Emergency Notice Received From Members, Participants or Others*

Written comments were not and are not intended to be solicited with respect to the emergency notice and none have been received.

*(B) Emergency Notices Filed Pursuant to Section 806(e)(2) of the Payment, Clearing and Settlement Supervision Act*

Description of Change

Emergency Notice

This notice is being filed in connection with an emergency waiver of the provision of OCC's Rules calling for monthly adjustments of its Clearing Fund that would otherwise have required an advance notice under Section 806(e)(1) of the Payment, Clearing and Settlement Supervision Act. Pursuant to Section 806(e)(2) of the Payment, Clearing, and Settlement Supervision Act, a designated financial market utility such as OCC may implement a change that would otherwise require an advance notice if it determines that an emergency exists and immediate implementation is necessary to continue to provide services in a safe and sound manner.<sup>3</sup> For the reasons discussed below, OCC believes that the change was appropriate under this framework, and OCC is now filing this emergency notice in accordance with

<sup>14</sup> 17 CFR 200.30-3(a)(12).

<sup>1</sup> 12 U.S.C. 5465(e)(2).

<sup>2</sup> 17 CFR 240.19b-4(n)(1)(i).

<sup>3</sup> 12 U.S.C. 5465(e)(2).