

positions and proprietary positions of CDS Clearing Members. Changes to Part 10 of the CDS Procedures update the cross-references and definitions relevant to customer clearing as they relate to Index CDS Contracts. Changes to Part 11 of the CDS Procedures update the cross-references and definitions relevant to customer clearing as they relate to Single Name CDS Contracts. Changes to Part 12 of the CDS Procedures update the cross-references and the definitions relevant to customer clearing with respect to Sovereign Contracts. Changes to Part 13 of the CDS Procedures add certain general procedures relating to customer clearing of CDS contracts.

### III. Comment

The Commission received one comment to the proposed rule change. The comment concerned ICE Clear Europe's requirements under the Exchange Act, including but not limited to recordkeeping and reporting requirements that are outside of the scope of this proposal. The Commission notes, however, that ICE Clear Europe, as a clearing agency registered with the Commission, is fully subject to the Exchange Act and all applicable rules and regulations promulgated thereto.

### IV. Discussion

Section 17A(b)(3)(F) of the Act<sup>6</sup> requires that, among other things, a clearing agency be organized and its rules designed to promote the prompt and accurate clearance and settlement of securities transactions and, to the extent applicable, derivative agreements, contracts, and transactions and to protect investors and the public interest. After careful consideration, the Commission finds that the proposed rule change is consistent with the Act and the rules and regulations thereunder. The implementation of the Customer CDS Clearing Model may promote the prompt and accurate clearance of securities transactions, derivatives agreements, contracts, and transactions by extending clearing to a broader segment of the CDS market.

### V. Conclusion

On the basis of the foregoing, the Commission finds that the proposal is consistent with the requirements of the Act and in particular with the requirements of Section 17A of the Act<sup>7</sup> and the rules and regulations thereunder.

*It is therefore ordered*, pursuant to Section 19(b)(2) of the Act,<sup>8</sup> that the

proposed rule change (File No. SR-ICEEU-2012-09) be, and hereby is, approved.<sup>9</sup>

For the Commission by the Division of Trading and Markets, pursuant to delegated authority.<sup>10</sup>

**Kevin M. O'Neill,**  
*Deputy Secretary.*

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-68799; File No. SR-NASDAQ-2013-015]

### Self-Regulatory Organizations; The NASDAQ Stock Market LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change Relating to NASDAQ Rule 4120

February 1, 2013.

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 24, 2013, The NASDAQ Stock Market LLC ("NASDAQ" or "Exchange") filed with the Securities and Exchange Commission ("SEC" or "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

The NASDAQ Stock Market LLC proposes to correct an erroneous deletion from NASDAQ Rule 4120(c)(7)(B) related to the randomization period conducted prior to the IPO Cross under NASDAQ Rule 4753. The Exchange has designated the proposed changes herein as immediately effective.

The text of the proposed rule change is available on the Exchange's Web site at <http://nasdaq.cchwallstreet.com>, at the principal office of the Exchange, and at the Commission's Public Reference Room.

<sup>9</sup> In approving this proposed rule change the Commission has considered the proposed rule's impact of efficiency, competition, and capital formation. See 15 U.S.C. 78c(f).

<sup>10</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.

#### 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. 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

The Exchange hereby amends NASDAQ Rule 4120(c)(7)(B) which governs the orderly launch of trading in initial public offerings ("IPOs") of NASDAQ-listed securities. Specifically, NASDAQ is amending Rule 4120(c)(7)(B) to insert language that describes the randomization period of zero to fifteen seconds that automatically occurs prior to the IPO Cross set forth in NASDAQ Rule 4753. The randomization period is designed to prevent gaming of the IPO Cross by delaying for a variable amount of time the precise moment of execution of each IPO Cross. Although NASDAQ's execution system currently includes and for years has included a randomization period for each IPO Cross, the language describing the randomization period was erroneously removed from Rule 4120(c)(7)(B).

On August 20, 2007, NASDAQ filed SR-NASDAQ-2007-073 ("Original Halt Cross Filing") which, among other things, removed from Rule 4120(b)(7)(A) the rule language accurately describing the randomization period prior to the launch of the NASDAQ Halt Cross. The purpose section of the Original Halt Cross Filing stated as a rationale that:

The randomization period was designed to deter market participants from timing their participation in a way that harmed other participants. This provision, however, results in other markets trading after the issue has re-opened but prior to NASDAQ restarting trading using the Halt Cross. NASDAQ believe[s] that it is confusing and disruptive to market participants for NASDAQ, the listing market, to continue a halt after other market centers have resumed trading and, therefore, proposes to eliminate the random period prior to the execution of the Halt Cross.

This explanation focuses on Halt Crosses that NASDAQ initiates following halts of stocks that have

<sup>6</sup> 15 U.S.C. 78q-1(b)(3)(F).

<sup>7</sup> 15 U.S.C. 78q-1.

<sup>8</sup> 15 U.S.C. 78s(b)(2).

previously traded in the secondary market; the reasoning does not apply in the context of an IPO launch, as there is no trading on other markets until the IPO Cross is completed.

Nevertheless, Amendment 1 to SR-NASDAQ-2007-073 (“Amended Halt Cross Filing”), which superseded the Original Halt Cross Filing, erroneously removed the language accurately describing the randomization period for each IPO Cross.<sup>3</sup> The Amended Halt Cross filing, among other things, removed the language describing the randomization period from both the provisions governing the Halt Cross (Rule 4120(c)(7)(A)) and the IPO Cross (Rule 4120(c)(7)(B)). The Amended Halt Cross Filing offered no rationale for removing the randomization period prior to the IPO Cross. In actuality, NASDAQ did not intend to remove the randomization period and, in fact, the NASDAQ system has continued through the present to include a randomization period prior to each IPO Cross. Accordingly, NASDAQ is proposing to re-instate in Rule 4120(c)(7)(B) language that accurately describes the randomization period that is identical to the language it erroneously removed via the Amended Halt Cross Filing.

## 2. Statutory Basis

The Exchange 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 it is designed 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 transaction 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 proposed rule change promotes this goal by accurately describing an element of NASDAQ’s trading system that already protects investors and the public interest by ensuring an orderly opening of trading in IPOs of NASDAQ-listed securities. The specific functionality, the randomization period, is designed to and does in fact prevent improper timing by an Exchange member of its participation in the IPO Cross in a

manner that could harm other participants.

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

The Exchange 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. The Exchange’s proposed rule change is unrelated to competition, because it does not change the Exchange’s current process and therefore will neither alter the Exchange’s competitiveness nor inhibit the ability of any person to compete in the securities markets. Rather, the change is focused solely upon ensuring that NASDAQ’s rules accurately describe the process in place to promote the orderly launch of trading following an IPO on NASDAQ.

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

No written comments were either solicited or 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)<sup>6</sup> of the Act and Rule 19b-4(f)(6)<sup>7</sup> thereunder.

A proposed rule change filed pursuant to Rule 19b-4(f)(6)<sup>8</sup> under the Act normally does not become operative prior to 30 days after the date of the filing. However, pursuant to Rule 19b-4(f)(6)(iii)<sup>9</sup> under the Act, the Commission may designate a shorter time if such action is consistent with the protection of investors and the public interest. The Exchange has asked the Commission to waive the 30-day operative delay so that the Exchange can, pursuant to its rules, use the

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

<sup>7</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, along with a brief description and text of the proposed rule change, at least five business days prior to the date of the filing of the proposed rule change, or such shorter time as designated by the Commission. The Exchange has satisfied this requirement.

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

<sup>9</sup> 17 CFR 240.19b-4(f)(6)(iii).

randomization period to prevent improper timing by Exchange members participating in an IPO Cross in a manner that could harm other market participants. The Commission believes that waiving the 30-day operative delay is consistent with the protection of investors and the public interest as the randomization period was previously in NASDAQ’s rules and is designed to prevent gaming of an IPO Cross by delaying for a variable amount of time the precise moment of execution of each IPO Cross.<sup>10</sup> In addition, the Exchange represented that the NASDAQ system already provides for the randomization period, therefore, waiving the 30-day operative delay will enable NASDAQ to bring its rules and system in alignment quickly, thus reducing the potential for investor confusion. Therefore, the Commission hereby waives the 30-day operative delay and designates the proposed rule change to be operative upon filing with the Commission.

At any time within 60 days of the filing of such 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 under Section 19(b)(2)(B)<sup>11</sup> of the Act to determine whether the proposed rule change 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 email to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include File Number SR-NASDAQ-2013-015 on the subject line.

### Paper Comments

- Send paper comments in triplicate to Elizabeth M. Murphy, Secretary, Securities and Exchange Commission,

<sup>10</sup> For purposes only of waiving the 30-day operative delay, the Commission has also considered the proposed rule’s impact on efficiency, competition, and capital formation. See 15 U.S.C. 78c(f).

<sup>11</sup> 15 U.S.C. 78s(b)(2)(B).

<sup>3</sup> See Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Modify the Halt Cross Process, Securities Exchange Act Release No. 56348 (Aug. 31, 2007); 72 FR 51693 (Sept. 6, 2007).

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

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

100 F Street NE., Washington, DC  
20549-1090.

All submissions should refer to File Number SR-NASDAQ-2013-015. 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-2013-015, and should be submitted on or before February 28, 2013.

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

**Kevin M. O'Neill,**

*Deputy Secretary.*

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-68802; File No. SR-CHX-2013-04]

### Self Regulatory Organizations; Chicago Stock Exchange, Inc.; Notice of Filing and Immediate Effectiveness of Proposed Rule Change Amending CHX Article 20, Rule 10 To Extend the Effective Date of Certain Clearly Erroneous Transactions Provisions Operating Under a Pilot Until September 30, 2013 and To Establish Guidelines for the Handling of Clearly Erroneous Transactions in Connection With the Plan To Address Extraordinary Market Volatility

February 1, 2013.

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 January 28, 2013, 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 and II below, which Items have been prepared by the CHX. CHX has filed this proposal pursuant to Rule 19b-4(f)(6) of the Act<sup>3</sup> which is 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

CHX proposes to amend CHX Article 20, Rule 10, entitled "Handling of Clearly Erroneous Transactions," to extend the effective date of certain provisions operating under a pilot until September 30, 2013. The Exchange also proposes to adopt new paragraph (i) to Article 20, Rule 10 in connection with the upcoming operation of the Plan to Address Extraordinary Market Volatility Pursuant to Rule 608 of Regulation NMS under the Act (the "Limit Up-Limit Down Plan" or "Plan").<sup>4</sup> The text of this

<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> See Securities Exchange Act Release No. 67091 (May 31, 2012), 77 FR 33498 (June 6, 2012) (File No. 4-631) (Order Approving, on a Pilot Basis, the National Market System Plan to Address Extraordinary Market Volatility by BATS Exchange, Inc., BATS Y-Exchange, Inc., Chicago Board Options Exchange, Incorporated, Chicago Stock Exchange, Inc., EDGA Exchange, Inc., EDGX Exchange, Inc., Financial Industry Regulatory Authority, Inc., NASDAQ OMX BX, Inc., NASDAQ OMX PHLX LLC, The Nasdaq Stock Market LLC, National Stock Exchange, Inc., New York Stock

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.

#### 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 on the proposed rule change. 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

The purpose of this filing is to extend the effectiveness of the Exchange's current rule applicable to Clearly Erroneous Transactions and to adopt a new paragraph (i) to Article 20, Rule 10 in connection with upcoming operation of the Limit Up-Limit Down Plan.

###### Proposal To Extend Pilot

Portions of Article 20, Rule 10, explained in further detail below, are currently operating as a pilot program set to expire on February 4, 2013.<sup>5</sup> The Exchange proposes to amend paragraph .01 of the Interpretations and Policies of Article 20, Rule 10 to extend the pilot program to September 30, 2013.

On September 10, 2010, the Commission approved, on a pilot basis, changes to CHX Article 20, Rule 10 to provide for uniform treatment: (1) of clearly erroneous transaction reviews in multi-stock events involving twenty or more securities; and (2) in the event transactions occur that result in the issuance of an individual stock trading pause by the primary market and subsequent transactions that occur before the trading pause is in effect on the Exchange.<sup>6</sup> The Exchange also adopted additional changes to CHX Article 20, Rule 10 that reduced the

Exchange LLC, NYSE MKT LLC, and NYSE Arca, Inc).

<sup>5</sup> See Securities Exchange Act Release No. 67572 (August 2, 2012), 77 FR 47481 (August 8, 2012) (SR-CHX-2012-11); see also paragraph .01 of the Interpretations and Policies of CHX Article 20, Rule 10.

<sup>6</sup> See Securities Exchange Act Release No. 62886 (September 10, 2010), 75 FR 56613 (September 16, 2010) (SR-CHX-2010-13).

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