

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; the Commission does not edit personal identifying information from submissions. You should submit only information that you wish to make publicly available. All submissions should refer to File Number SR-BATS-2013-009 and should be submitted on or before March 5, 2013.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>19</sup>

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

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-68839; File No. SR-NASDAQ-2013-014]

### Self-Regulatory Organizations; The NASDAQ Stock Market LLC; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change To Add Routing Functionality to the NASDAQ System

February 6, 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 23, 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 Substance of the Proposed Rule Change

Nasdaq proposes to amend Rule 4758, Order Routing, to add routing functionality to the NASDAQ System ("System").

The text of the proposed rule change is below. Proposed new language is italicized.

\* \* \* \* \*

#### Equity Rules

\* \* \* \* \*

#### 4750. Execution Services

\* \* \* \* \*

#### 4758. Order Routing

(a) Order Routing Process

(1) No change.

(A) No change.

(i)-(xi) No change.

(xii) *QDRK is a routing option under which orders check the System for available shares and simultaneously route the remaining shares to destinations on the System routing table that are not posting Protected Quotations within the meaning of Regulation NMS. If shares remain un-executed after routing, they are posted on the book. Once on the book, should the order subsequently be locked or crossed by another market center, the System will not route the order to the locking or crossing market center.*

(xiii) *QCST is a routing option under which orders check the System for available shares and simultaneously route the remaining shares to destinations on the System routing table that are not posting Protected Quotations within the meaning of Regulation NMS and to certain, but not all, exchanges. If shares remain un-executed after routing, they are posted on the book. Once on the book, should the order subsequently be locked or crossed by another market center, the System will not route the order to the locking or crossing market center.*

Orders that do not check the System for available shares prior to routing may not be sent to a facility of an exchange that is an affiliate of Nasdaq, except for orders that are sent to the NASDAQ OMX BX Equities Market or to the NASDAQ OMX PSX facility of NASDAQ OMX PHLX.

(B) No change.

(b)-(d) No change.

\* \* \* \* \*

#### 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 purpose of the proposed rule change is to attract additional business to and enhance the functionality offered by Nasdaq by providing additional optional outbound routing services. Most equities exchanges today provide routing services and the Exchange offers a variety of routing strategies. Currently, Rule 4758, Order Routing, describes the order routing process and states that all routing shall be in compliance with Rule 611 of Regulation NMS under the Act.<sup>3</sup> Furthermore, it enumerates Nasdaq's routing strategies: DOT, DOTI, STGY, SKNY, SCAN, SKIP, TFTY, MOPP, SAVE, SOLV, LIST and CART.

Proposed Rule 4758(a)(1)(A)(xii) will provide that QDRK is a routing option under which orders check the System for available shares and simultaneously route to certain destinations on the System routing table that are not posting Protected Quotations within the meaning of Regulation NMS (i.e. "dark venues" or "dark pools"). If shares remain un-executed after routing, they are posted on the book. Once on the book, should the order subsequently be locked or crossed by another market center, the System will not route the order to the locking or crossing market center. This strategy is intended to attract market participants that seek to execute on Nasdaq or on dark pools without executing on another exchange. Members may seek to execute in this manner to interact with resting liquidity in addition to that available on Nasdaq, while also minimizing market impact and transaction fees.

For example, if the National Best Bid/Offer ("NBBO") is \$10.00-\$10.01, and Nasdaq, DarkVenueA and ARCA each offer 100 shares at \$10.01, a QDRK order to buy 1000 shares at \$10.01 IOC will be handled as follows: 100 shares for execution on Nasdaq and 100 shares routed to DarkVenue A simultaneously at \$10.01; the remaining 800 shares are not routed and not executed, and cancelled back to the entering participant because it was an IOC order. The order did not route to ARCA because it is not a dark venue. As a second example, if the NBBO is \$10.00-\$10.01, and Nasdaq, DarkVenueA and ARCA each offer 100 shares at \$10.01, a QDRK order to buy 1000 shares at

<sup>3</sup> 17 CFR 242.611.

<sup>19</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.

\$10.01 DAY will be handled as follows: 100 shares for execution on Nasdaq and 100 shares routed to DarkVenue A simultaneously at \$10.01; the remaining 800 shares are posted on the Nasdaq book (because it is a DAY order). Once again, the order did not route to ARCA because it is not a dark venue.

Proposed Rule 4758(a)(1)(A)(xiii) will provide that QCST is a routing option under which orders check the System for available shares and simultaneously route to select dark venues and to certain low cost exchanges. If shares remain un-executed after routing, they are posted on the book. Once on the book, should the order subsequently be locked or crossed by another market center, the System will not route the order to the locking or crossing market center. This strategy is also intended to attract market participants who seek to save on trading fees by only executing on the Exchange, on dark venues, or on no cost and low cost exchanges.

For example, if the NBBO is \$10.00–\$10.01, and Nasdaq, DarkVenueA and ARCA each offer 100 shares at \$10.01, a QCST order to buy 1000 shares at \$10.01 DAY will be handled as follows: 100 shares for execution on Nasdaq and 100 shares routed to DarkVenue A simultaneously at \$10.01; the remaining 800 shares are posted on the Nasdaq book (because it is a DAY order). The order did not route to ARCA because it is neither a dark venue nor a no cost or low cost exchange. As a second example, if the NBBO is \$9.90–\$10.00, with BYX offering 100 shares at \$10.00 and Nasdaq, DarkVenueA and ARCA each offer 100 shares at \$10.01, a QCST order to buy 1000 shares at \$10.01 DAY will be handled as follows: 100 shares routed to BYX at \$10.00, 100 shares for execution on Nasdaq and 100 shares routed to DarkVenue A simultaneously at \$10.01; the remaining shares are posted on the Nasdaq book (because it is a DAY order). The order did not route to ARCA because it is neither a dark venue nor a no cost or low cost exchange.

In all cases, these routing strategies are designed to comply with SEC Rule 611 and the other provisions of Regulation NMS.<sup>4</sup> Accordingly, both QDRK and QCST will honor Protected Quotations within the meaning of Regulation NMS and will not route to any market centers included in their respective routing table at a price inferior to an available Protected Quotation. For example, if the NBBO is \$9.90–\$10.00, with NYSE offering 100 shares at \$10.00 and Nasdaq, DarkVenueA and ARCA each offering

100 shares at \$10.01, a QCST order to buy 1000 shares at \$10.01 DAY will not be routed because NYSE's Protected Quotation is not included in the routing table, by definition, for QCST.

The Exchange will notify its membership of the implementation date, which the Exchange expects will be on or about the 30th day after this filing.

## 2. Statutory Basis

The Exchange believes that the proposed rule change is consistent with the provisions of Section 6 of the Act,<sup>5</sup> in general, and with Sections 6(b)(5) of the Act,<sup>6</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, because Nasdaq will be better able to serve its customers and compete with other markets by offering additional optional routing services. Specifically, the two new routing strategies will provide market participants with greater flexibility in routing orders without developing order routing strategies on their own.

### 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. Nasdaq competes with many exchanges and other execution venues for the execution of orders in equities. Market participants can choose where to send their orders. Accordingly, the proposal is pro-competitive in that it affords the Exchange the opportunity to compete with other exchanges in terms of offering new routing strategies.

### 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) of the Act<sup>7</sup> and subparagraph (f)(6) of Rule 19b-4 thereunder.<sup>8</sup>

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. The Exchange has provided 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 filing of the proposed rule change.

## 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-2013-014 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-2013-014. 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

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

<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).

<sup>4</sup> 17 CFR 242.611.

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 the 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-NASDAQ-2013-014* and should be submitted on or before March 5, 2013.

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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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-68843; File No. SR-C2-2013-003]

### Self-Regulatory Organizations; C2 Options Exchange, Incorporated; Notice of Filing and Immediate Effectiveness of Proposed Rule Change Related to the Opening of the Complex Order Book

February 6, 2013.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the "Act"),<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on January 28, 2013, C2 Options Exchange, Incorporated (the "Exchange" or "C2") 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 Exchange. The Exchange has designated the proposal as a "non-controversial" proposed rule change pursuant to Section 19(b)(3)(A)

of the Act<sup>3</sup> and Rule 19b-4(f)(6) thereunder, which renders it effective upon filing with the Commission.<sup>4</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 Substance of the Proposed Rule Change

The Exchange is proposing to amend its complex order rules. The text of the proposed rule change is available on the Exchange's Web site (<http://www.c2exchange.com/Legal/RuleFilings.aspx>), at the Exchange's Office of the Secretary 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, the Exchange 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

The purpose of this proposed rule change is to include a description in Rule 6.13 of the manner in which complex orders are currently processed through the Exchange's complex order book ("COB") when the COB opens for trading. Currently the rule does not include this level of detail, so the Exchange is proposing to include this information within the rule to provide additional clarity on the current operation of the COB in response to Trading Permit Holder inquiries about its operation. The Exchange notes that it is simply including additional detail in its rules on the existing process when the COB opens. No changes to the process are being contemplated by this rule change filing.

In particular, the proposed rule change will provide that complex orders, including stock-option orders, do not participate in opening rotations conducted pursuant to Rule 6.11 for

individual option series.<sup>5</sup> When the last of the individual component option series legs that make up a complex order strategy has opened (and, in the case of a stock-option strategy, when the underlying stock has opened), the COB for that strategy will then open for trading. The COB for a given complex order strategy will open with no trade,<sup>6</sup> except as follows:

First, the COB will open with a trade against the individual component option series legs if there are complex orders on only one side of the COB that are marketable against the opposite side of the derived net market. The resulting execution will occur at the derived net market price to the extent marketable. Any remaining balance would be processed as it would on an intra-day basis as set forth in Rule 6.13 (including being subject to the applicable complex order priority and price check parameter provisions set forth in Rule 6.13). This provision for "legging" against the individual series legs is not applicable to stock-option order strategies. (Stock-option orders processed through COB generally only trade against other stock-option orders. Stock-option orders processed through COB generally do not trade against individual component option series legs, except in one limited circumstance for market orders at the conclusion of a complex order RFQ auction ("COA").<sup>7</sup>)

For example, if the derived net market for a given complex order strategy is \$1.00-\$1.20 for 100 units and the only interest in the COB is a complex order to buy the strategy at a net debit price

<sup>5</sup> The Exchange notes that, under the current provisions of Rule 6.11, the Exchange could determine whether to designate various complex order types as eligible for the Rule 6.11 opening process on a class-by-class basis (just as it would for any other order type). See Rule 6.11(a)(1). To date, the Exchange has not determined to include complex orders (including stock-option orders) in the Rule 6.11 opening process (this process has instead been limited to simple orders). With this proposed rule change, SR-C2-2013-003, the Exchange would no longer be permitted to designate complex order (including stock-option order) order types as eligible for the Rule 6.11 opening process. If, in the future, the Exchange would desire to designate certain complex order (including stock-option order) order types as being eligible to participate in the Rule 6.11 opening process, such a determination would be subject to a separate rule change filing.

<sup>6</sup> For example, the COB would move to an open state with no trade if there are no complex orders resting for the strategy or if there are complex orders on only one side of the COB at a net price(s) that does not touch or cross the derived net market. The "derived net market" for a stock-option order strategy will be calculated using the Exchange's best bid or offer in the individual option series leg(s) and the NBBO in the stock leg. The "derived net market" for any other complex order strategy will be calculated using the Exchange's best bid or offer in the individual series legs.

<sup>7</sup> See Rule 6.13.06.

<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.

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

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