

once the underwriter informs the Exchange that it is ready to launch the IPO, the NASDAQ system calculates the Current Reference Price at that time (the "Expected Price") and displays it to the underwriter.<sup>14</sup> If the underwriter then approves proceeding, the NASDAQ system conducts two validation checks: (1) The NASDAQ system determines whether all market orders will execute in the cross; and (2) 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>15</sup> According to the Exchange, if either of the validation checks fails, the security will not be released for trading and the Pre-Launch Period will continue until all requirements are met.<sup>16</sup>

The Exchange proposes to offer the IPO Indicator 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.<sup>17</sup> Under the proposal, the IPO Indicator would be offered through the NASDAQ Workstation and would use the NOII information already currently available through a Workstation subscription together with the information about the member firm's orders on NASDAQ.<sup>18</sup> Under the proposal, the Exchange states that member firms using the IPO Indicator would be able to see the Current Reference Price, the number of paired shares, the number of imbalance shares, 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.<sup>19</sup> In addition, the Exchange states that member firms using the IPO Indicator would also be able to see details about its IPO shares presented by individual orders or order blocks, which would 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.<sup>20</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>21</sup> In particular, the Commission finds that the proposed rule change is consistent with Section 6(b)(5) of the Act,<sup>22</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 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, and Section 6(b)(8) of the Act,<sup>23</sup> which requires that the rules of the exchange do not impose any burden on competition not necessary or appropriate in furtherance of the purposes of the Act.

As described above, the Exchange proposes to adopt an IPO Indicator as a new feature to the NASDAQ Workstation. The Exchange believes the IPO Indicator would provide member firms with information consistent with what the Exchange currently disseminates during the IPO launch process, but as that information relates to a member firm's orders and in greater detail.<sup>24</sup> The Exchange further believes that IPO Indicator would provide member firms and underwriters with more information regarding their orders submitted for participation in an IPO Halt Cross, which the Exchange believes would allow them to make better informed investment decisions.<sup>25</sup>

The Commission notes that the Exchange is not proposing to increase the fee for usage of the NASDAQ Workstation in connection with the addition of the IPO Indicator feature. In addition, under the proposal, the information provided by the IPO

Indicator would be limited to the subscribing member firm's orders.<sup>26</sup> Accordingly, the Commission believes that the proposed rule change adopting the IPO Indicator feature is designed to protect investors and the public interest by providing them with more information regarding their orders submitted for participation in an IPO Halt Cross. Further, the new IPO Indicator feature may also facilitate the fair and orderly launch of an IPO security.<sup>27</sup>

### IV. Conclusion

*It is therefore ordered*, pursuant to Section 19(b)(2) of the Act,<sup>28</sup> that the proposed rule change (SR-NASDAQ-2014-100) be, and it hereby is, approved.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>29</sup>

**Brent J. Fields,**  
*Secretary.*

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-73951; File No. SR-ICC-2014-23]

### Self-Regulatory Organizations; ICE Clear Credit LLC; Notice of Filing of Proposed Rule Change To Revise ICC End-of-Day Price Discovery Policies and Procedures

December 29, 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 December 18, 2014, ICE Clear Credit LLC ("ICC") filed with the Securities and Exchange Commission ("Commission") the proposed rule change as described in Items I, II, and III below, which Items have been prepared primarily by ICC. 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 principal purpose of the proposed rule change is to remove the ability for Clearing Participants to

<sup>20</sup> See *id.*

<sup>21</sup> In approving this proposal, the Commission has considered the proposed rule's impact on efficiency, competition, and capital formation. See 15 U.S.C. 78c(f).

<sup>22</sup> 15 U.S.C. 78f(b)(5).

<sup>23</sup> 15 U.S.C. 78f(b)(8).

<sup>24</sup> See Notice, *supra* note 3 at 68746.

<sup>25</sup> The Exchange notes, for example, that 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, which the Exchange believes could increase the likelihood of a fair and orderly launch of the IPO security. See *id.*

<sup>26</sup> See Notice, *supra* note 3, at 68746.

<sup>27</sup> See *supra* note 25.

<sup>28</sup> 15 U.S.C. 78s(b)(2).

<sup>29</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>14</sup> See *id.* at 68746.

<sup>15</sup> See Notice, *supra* note 3, at 68746.

<sup>16</sup> See *id.* Alternatively, the underwriter may, with the concurrence of the Exchange, determine to postpone and reschedule the IPO. See *id.*

<sup>17</sup> See *id.*

<sup>18</sup> The Exchange states that the information provided by the IPO Indicator is limited to the subscribing member firm's orders. See *id.*

<sup>19</sup> See Notice, *supra* note 3, at 68746.

submit end-of-day submissions for Single Name instruments in terms of spread and associated recovery rate. This revision does not require any changes to the ICC Clearing Rules.

## II. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, ICC 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 these statements may be examined at the places specified in Item IV below. ICC has prepared summaries, set forth in sections A, B, and C below, of the most significant aspects of these statements.

### A. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

ICC proposes revising the ICC End-of-Day Price Discovery Policies and Procedures to remove the ability for Clearing Participants to submit end-of-day submissions for Single Name instruments in terms of spread and associated recovery rate.

ICC believes such revisions will facilitate the prompt and accurate clearance and settlement of securities transactions and derivative agreements, contracts, and transactions for which it is responsible. The proposed revisions are described in detail as follows.

ICC requires all Clearing Participants to provide end-of-day submissions for specific instruments related to their cleared open interest. ICC uses these submissions as inputs to its price discovery algorithm, which determines end-of-day levels.

Despite the fact that ICC computes margin and guaranty fund requirements, and all other money movements, in price terms, it currently supports Clearing Participant submissions in terms of price (or the equivalent points upfront), or spread and associated recovery rate. The first step in the price discovery algorithm for Single Name instruments is to convert any submissions in terms of spread and associated recovery rate to the equivalent submission in price terms using the ISDA standard model.

ICC is revising its End-of-Day Price Discovery Policies and Procedures to remove the ability for Clearing Participants to provide end-of-day submissions for Single Name instruments in terms of spread and associated recovery rate. Rather, ICC will require price (or the equivalent

points upfront) submissions for all Single Name instruments. This change will result in the elimination of the use of the ISDA standard model to determine end-of-day prices for Single Name instruments. ICC also clarified language regarding its determination of implied recovery rates. There are no changes to ICC's Clearing Rules as a result of these enhancements.

Section 17A(b)(3)(F) of the Act<sup>3</sup> requires, among other things, that the rules of a clearing agency be 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 comply with the provisions of the Act and the rules and regulations thereunder. ICC believes that the proposed rule change is consistent with the requirements of the Act and the rules and regulations thereunder applicable to ICC, in particular, to Section 17(A)(b)(3)(F),<sup>4</sup> because ICC believes that the proposed rule change will assure the prompt and accurate clearance and settlement of securities transactions, derivatives agreements, contracts, and transactions, as the proposed revisions ensure ICC considers its Clearing Participants' view of the price of a given Single Name instrument, without the use of a model to imply a view on price from a submitted view on spread and associated recovery rate, resulting in an end-of-day price that is not subject to any potential model limitations or assumptions. With this change, ICC seeks to follow a common industry practice adopted for Single Name instruments that have become distressed to avoid potential model limitations, namely the observed market transition to quoting and trading in price (or points upfront) terms. As such, the proposed change is designed to promote the prompt and accurate clearance and settlement of securities transactions, derivatives agreements, contracts, and transactions within the meaning of Section 17A(b)(3)(F) of the Act.<sup>5</sup>

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

ICC does not believe the proposed rule change would have any impact, or impose any burden, on competition. The elimination of spread submissions for Single Names instruments applies uniformly across all market participants. Therefore, ICC does not believe the proposed rule change imposes any

burden on competition that is inappropriate 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

Written comments relating to the proposed rule change have not been solicited or received. ICC will notify the Commission of any written comments received by ICC.

## 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 up to 90 days (i) as the Commission may designate if it finds such longer period to be appropriate and publishes its reasons for so finding or (ii) as to which the self-regulatory organization consents, the Commission will:

(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-ICC-2014-23 on the subject line.

### Paper Comments

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

All submissions should refer to File Number SR-ICC-2014-23. 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

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

<sup>4</sup> *Id.*

<sup>5</sup> *Id.*

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 filings will also be available for inspection and copying at the principal office of ICE Clear Credit and on ICE Clear Credit's Web site at <https://www.theice.com/clear-credit/regulation>.

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-ICC-2014-23 and should be submitted on or before January 26, 2015.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>6</sup>

**Brent J. Fields,**  
Secretary.

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-73952; File No. SR-NYSEArca-2014-146]

### Self-Regulatory Organizations; NYSE Arca Inc.; Notice of Filing and Immediate Effectiveness of Proposed Rule Change Amending NYSE Arca Equities Rules 7.32 in Order To Increase the Maximum Order Entry Size to Five Million Shares

December 29, 2014.

Pursuant to Section 19(b)(1)<sup>1</sup> of the Securities Exchange Act of 1934 (the "Act")<sup>2</sup> and Rule 19b-4 thereunder,<sup>3</sup> notice is hereby given that on December 18, 2014, NYSE Arca, Inc. (the "Exchange" or "NYSE Arca") filed with the Securities and Exchange Commission (the "Commission") the proposed rule change as described in Items I and II below, which Items have been prepared by the self-regulatory organization. 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 proposes to amend NYSE Arca Equities Rules 7.32 in order to increase the maximum order entry size to five million shares. The text of the proposed rule change is available on the Exchange's Web site at [www.nyse.com](http://www.nyse.com), at the principal office of the Exchange, 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 self-regulatory organization 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 the Statutory Basis for, the Proposed Rule Change

###### 1. Purpose

NYSE Arca Equities Rule 7.32 ("Rule 7.32") currently provides that orders entered with a size greater than one million shares shall be rejected. The Exchange proposes to amend Rule 7.32 to increase the size of orders that may be entered on the Exchange. As proposed, Rule 7.32 would be amended to specify that orders entered with a size greater than five million shares would be rejected.<sup>4</sup> The Exchange believes that the increased maximum order size would enable ETP Holders with orders sized larger than one million shares to enter a single order at the Exchange rather than have to break such order into separate orders of one million shares or less for purposes of order entry at the Exchange.<sup>5</sup> The Exchange notes that ETP Holders entering such large-

<sup>4</sup> At the time the current rule was approved, Exchange systems could not accept orders with a size greater than one million shares. See Securities Exchange Act Release No. 71331 (January 16, 2014), 79 FR 3907 (January 23, 2014) (SR-NYSEArca-2014-92) [sic]. Exchange systems are now ready to accept orders up to five million shares.

<sup>5</sup> The Exchange notes that the New York Stock Exchange, LLC ("NYSE") supports the entry of orders up to 25,000,000 in size. See NYSE Rule 1000.

sized orders would be subject to the market access control requirements set forth in Rule 15c3-5 under the Act ("Rule 15c3-5") relating to the entry of orders.<sup>6</sup> The Exchange also proposes, upon at least 24 hours advance notice to market participants, to decrease the maximum order size of five million shares on a security-by-security basis.

Because of the technology changes associated with the proposed rule change, the Exchange proposes to announce the implementation date via Trader Update.

###### 2. Statutory Basis

The proposed rule change is consistent with Section 6(b)<sup>7</sup> of the Act, in general, and furthers the objectives of Section 6(b)(5),<sup>8</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 facilitating transactions in securities, and to remove impediments to and perfect the mechanism of a free and open market and a national market system. Specifically, the Exchange believes that increasing the maximum order size would remove impediments to and perfect a national market system by increasing capacity and providing more efficient methods for ETP Holders to transmit large-sized orders to the Exchange. The Exchange believes that the proposed rule change would not be inconsistent with the public interest and the protection of investors because investors would not be harmed by the increase in the maximum size of orders that the Exchange would accept since ETP Holders entering such large-sized orders would continue to be subject to the market access control requirements of Rule 15c3-5. The Exchange further believes that the proposed ability for the Exchange to decrease the maximum order size on a security-by-security basis following notice to the market also would remove impediments and perfect the mechanism of a free and open market because it provides the Exchange with the flexibility to reduce order entry size to respond to a market event that may warrant a smaller order size entry for a symbol. The Exchange believes that providing at least 24 hours-notice would be consistent with the public interest and the protection of investors at is [sic] would provide time for ETP Holders to adjust their order entry for a symbol should such a decrease be warranted for a symbol.

<sup>6</sup> 17 CFR 240.15c3-5.

<sup>7</sup> 15 U.S.C. 78f(b).

<sup>8</sup> 15 U.S.C. 78f(b)(5).

<sup>6</sup> 17 CFR 200.30-3(a)(12).

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

<sup>2</sup> 15 U.S.C. 78a.

<sup>3</sup> 17 CFR 240.19b-4.