

generates and submits option quotes electronically in assigned options while maintaining no physical presence on the Exchange floor.<sup>6</sup> An RSQT could be an Exchange member or member organization.

The Exchange proposes to add RSQTs, which would consist of member organizations only, and reclassify RSQTs as Exchange members.<sup>7</sup> The Exchange would allow a maximum of three RSQTs at any time to be affiliated with an RSQTO.<sup>8</sup> Current Exchange member organizations operating as RSQTs would be deemed to be RSQTs.<sup>9</sup> The converted RSQTs would have 21 days to notify the Exchange of their affiliated RSQTs.<sup>10</sup>

Currently, the criteria that must be met in order to be eligible as a RSQT is the same as the criteria to be eligible as an SQT, with two exceptions; specifically, the RSQT must demonstrate the existence of order flow commitments, and the willingness to accept allocations as an RSQT in options overlying 400 or more securities. The Exchange proposes that all of the current RSQT application criteria (including the provisions described above) will become the application criteria for RSQTs. In addition, all of the current SQT application criteria will apply equally to SQTs and RSQTs.

As proposed by the Exchange, an RSQTO must submit its application in writing in a form and format prescribed by the Exchange.<sup>11</sup> The application must include, at a minimum, the name of the application, the Exchange account number, and the name of each affiliated RSQT.<sup>12</sup> The Exchange proposes to amend the current SQT application process by including RSQTs and adding a requirement that they be affiliated with an RSQTO.<sup>13</sup>

The Exchange also proposes to amend the application and assignment in options for RSQTs, RSQTs, and SQTs. The Exchange would require the name of the RSQTO with whom the RSQT is affiliated, and the member organization with whom the SQT is affiliated.<sup>14</sup>

Lastly, the Exchange would allow more than one RSQT to submit a quote in assigned options. Currently, Exchange Rule 1014(b)(ii)(B) prohibits a person who is directly or indirectly affiliated with an RSQT to submit

quotes as a specialist, SQT, RSQT or non-SQT ROT in options in which the affiliated RSQT is assigned.

### 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 national securities exchanges.<sup>15</sup> In particular, the Commission finds that the proposed rule change is consistent with Section 6(b)(5) of the Act,<sup>16</sup> which requires that the rules of an exchange be designed, among other things, 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 prevent fraudulent and manipulative acts, to remove impediments to and to perfect the mechanism for a free and open market and a national market system, and, in general, to protect investors and the public interest.

The Commission believes that the proposal is consistent with the requirements of the Act. The proposal would reclassify RSQTs as Exchange members and create a new category of Exchange participants known as RSQTs, which would be Exchange member organizations only. The Commission finds that this classification is consistent with the requirements of the Act and would foster cooperation and coordination with persons engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in securities. The proposal would also convert current Exchange member organizations operating as RSQTs into the proposed RSQTs, and allow an application process for future RSQTs. The Commission believes that the proposal is consistent with the requirements of the Act and should promote just and equitable principles of trade. Finally, the Commission believes that the proposal to allow more than one RSQT to submit a quote in assigned options is consistent with the requirements of the Act. The Exchange represented that the proposal is in response to customers' requests and that the Exchange has adequate surveillance program in place to monitor the impact of this proposal.

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

<sup>16</sup> 15 U.S.C. 78f(b)(5).

For the reasons stated above, the Commission believes that the proposal is consistent with the requirements of the Act and is designed to promote just and equitable principles of trade, to remove impediments to and to perfect the mechanism for a free and open market and a national market system, and, in general, to protect investors and the public interest.

### IV. Conclusion

*It is therefore ordered*, pursuant to Section 19(b)(2) of the Act,<sup>17</sup> that the proposed rule change, as modified by Amendment No. 1 (SR-Phlx-2013-03), be, and it hereby is, approved.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>18</sup>

**Elizabeth M. Murphy,**  
Secretary.

[FR Doc. 2013-09681 Filed 4-23-13; 8:45 am]

**BILLING CODE 8011-01-P**

## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-69402; File No. SR-NASDAQ-2013-032]

### Self-Regulatory Organizations; The NASDAQ Stock Market LLC; Notice of Designation of a Longer Period for Commission Action on Proposed Rule Change To Require That Listed Companies Have an Internal Audit Function

April 18, 2013.

On February 20, 2013, The NASDAQ Stock Market LLC ("Nasdaq") filed with the Securities and Exchange Commission ("Commission"), 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> a proposed rule change to require that listed companies have an internal audit function. The proposed rule change was published for comment in the **Federal Register** on March 8, 2013.<sup>3</sup> The Commission received 38 comments on the proposal.<sup>4</sup>

<sup>17</sup> 15 U.S.C. 78s(b)(2).

<sup>18</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> See Securities Exchange Act Release No. 69030 (March 4, 2013), 78 FR 15075.

<sup>4</sup> See letters to Elizabeth M. Murphy, Secretary, Commission from William F. Derbyshire, dated March 5, 2013; Rainer Lenz, Ph.D., dated March 9, 2013; Raymond A. Link, Chief Financial Officer, FEI Company, dated March 11, 2013; Ann Marie Kim, dated March 12, 2013; Jeff A. Killian, Chief Financial Officer, Cascade Microtech, Inc., dated March 14, 2013; Matthew Hogan, dated March 18, 2013; Ann Rhoads, Chief Financial Officer, Zogenix, dated March 18, 2013; Daniel P.

<sup>6</sup> See Exchange Rule 1014(b)(ii)(B).

<sup>7</sup> See proposed Exchange Rule 507(a).

<sup>8</sup> See proposed Exchange Rule 507(a).

<sup>9</sup> See proposed Exchange Rule 507(a).

<sup>10</sup> See proposed Exchange Rule 507(a).

<sup>11</sup> See proposed Exchange Rule 507(a).

<sup>12</sup> See proposed Exchange Rule 507(a).

<sup>13</sup> See proposed Exchange Rule 507(b)(i).

<sup>14</sup> See proposed Exchange Rule 507(b)(i).

Section 19(b)(2) of the Act<sup>5</sup> provides that, within 45 days of the publication of notice of the filing of a proposed rule change, or within such longer period up to 90 days as the Commission may designate if it finds such longer period to be appropriate and publishes its reasons for so finding or as to which the self-regulatory organization consents, the Commission shall either approve the proposed rule change, disapprove the proposed rule change, or institute proceedings to determine whether the proposed rule change should be disapproved. The 45th day for this filing is April 22, 2013.

The Commission is extending the 45-day time period for Commission action

Penberthy, Chief Financial Officer, Rand Capital Corporation, dated March 19, 2013; Jeff Andreson, dated March 19, 2013; Gary R. Fairhead, dated March 19, 2013; Roger Hawley, Chief Executive Officer, Zogenix, dated March 20, 2013; Vernon A. LoForti, Vice President and Chief Financial Officer, InfoSonics Corporation, dated March 20, 2013; Howard K. Kaminsky, Chief Financial Officer, Sport Chalet, Inc., dated March 21, 2013; Stanley P. Wirthheim, Chief Financial Officer, Smartpros.Ltd., dated March 25, 2013; Simon J. Parker, Head of Business Assurance, Innospec Inc., dated March 26, 2013; John H. Lowry III, Chief Financial Officer; Perceptron, Inc., dated March 27, 2013; David L. Nunes, President and Chief Executive Officer, Pope Resources, dated March 27, 2013; Don Tracy, Chief Financial Officer, MGP Ingredients, Inc., dated March 27, 2013; Vickie Reed, Sr. Director and Controller, Zogenix, Inc., dated March 27, 2013; Jay Biskupski, Chief Financial Officer, Peregrine Semiconductor Corporation, dated March 27, 2013; Alan F. Eisenberg, Executive Vice President, Emerging Companies and Business Development, Biotechnology Industry Organization (BIO), dated March 28, 2013; Mary Kay Fenton, Senior Vice President and Chief Financial Officer, Achillion Pharmaceuticals, Inc., dated March 28, 2013; Robert D. Shallish, Jr., Executive Vice President—Finance and Chief Financial Officer, CONMED Corporation, dated March 28, 2013; Dorothy M. Donohue, Deputy General Counsel—Securities Regulation, Investment Company Institute, dated March 28, 2013; Richard F. Chambers, President and Chief Executive Officer, The Institute of Internal Auditors, dated March 28, 2013; Daniel C. Regis, Chairman, Cray Inc. Audit Committee, Cray, Inc., dated March 29, 2013; Kenneth Bertsch, President and Chief Executive Officer, Society of Corporate Secretaries & Governance Professionals, dated March 29, 2013; Paul R. Oldham, Chief Financial Officer and Vice President Finance Administration, Electro Scientific Industries, dated March 29, 2013; Joseph D. Hill, Chief Financial Officer, Metabolix, Inc., dated March 29, 2013; Grant Thornton LLP, dated March 29, 2013; Michael McConnell, Executive Vice President and Chief Financial Officer, Digimarc Corporation, dated March 29, 2013; Elizabeth L. Hougen, Chief Financial Officer, Isis Pharmaceuticals, Inc., dated March 29, 2013; Julia Reigel, Wilson Sonsini Goodrich & Rosati, dated March 29, 2013; Sharon Barbari, Executive Vice President Finance and Chief Financial Officer, Cytokinetics, Inc., dated March 29, 2013; Michael G. Zybal, General Counsel, The InterGroup Corporation, dated April 3, 2013; Ramy R. Taraboulsi, Chairman and Chief Executive Officer, SyncBASE Inc., dated April 6, 2013; Matthew C. Wolsfeld, Chief Financial Officer, NTIC, dated April 10, 2013; and Barbara Russell, Chief Financial Officer, TOR Minerals International Inc., dated April 17, 2013.

<sup>5</sup> 15 U.S.C. 78s(b)(2).

on the proposed rule change. The Commission finds that it is appropriate to designate a longer period within which to take action on the proposed rule change so that it has sufficient time to consider the Exchange's proposal, as described above, and the comments received.

Accordingly, pursuant to Section 19(b)(2) of the Act,<sup>6</sup> the Commission designates June 6, 2013, as the date by which the Commission should either approve or disapprove or institute proceedings to determine whether to disapprove the proposed rule change (File No. SR-NASDAQ-2013-032).

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>7</sup>

**Kevin M. O'Neill,**

*Deputy Secretary.*

[FR Doc. 2013-09630 Filed 4-23-13; 8:45 a.m.]

**BILLING CODE 8011-01-P**

## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-69391; File No. SR-NASDAQ-2013-064]

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

April 18, 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 April 9, 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, II, and III, 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 Chapter XV, entitled "Options Pricing," at Section 2 governing pricing for NASDAQ members using the NASDAQ Options Market ("NOM"), NASDAQ's facility for executing and routing standardized equity and index options. Specifically, NOM proposes to amend its Routing Fees.

While these amendments are effective upon filing, the Exchange has designated the proposed amendments to be operative on May 1, 2013.

The text of the proposed rule change is available on the Exchange's Web site at <http://www.nasdaq.cchwallstreet.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 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 the Statutory Basis for, the Proposed Rule Change

###### 1. Purpose

NASDAQ proposes to amend its Routing Fees at Chapter XV, Section 2(3) of the Exchange Rules in order to recoup costs that the Exchange incurs for routing and executing orders in equity options to various away markets.

Today, the Exchange assesses Non-Customers a flat rate of \$0.95 per contract on all Non-Customer orders routed to any away market and the Exchange assesses Customer orders a fixed fee plus the actual transaction fee dependent on the away market. Specifically, the Exchange assesses Customer orders routed to NASDAQ OMX PHLX LLC ("PHLX") a fixed fee of \$0.05 per contract in addition to the actual transaction fee assessed by the away market. With respect to Customer orders that are routed to NASDAQ OMX BX, Inc. ("BX Options"), the Exchange does not assess a Routing Fee and does not pass rebates paid by the away market.<sup>3</sup> The Exchange does not assess a Routing Fee when routing orders to BX Options because that exchange pays a rebate. Instead of netting the customer rebate paid by BX Options against the

<sup>3</sup> BX Options pays a Customer Rebate to Remove Liquidity as follows: Customers are paid \$0.12 per contract in IWM, SPY and QQQ, \$0.32 per contract in All Other Penny Pilot Options and \$0.70 per contract in Non-Penny Pilot Options. See BX Options Rules at Chapter XV, Section 2(1).

<sup>6</sup> 15 U.S.C. 78s(b)(2).

<sup>7</sup> 17 CFR 200.30-3(a)(31).

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

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