

### III. Discussion and Commission Findings

Section 19(b)(2)(C) of the Act directs the Commission to approve a proposed rule change of a self-regulatory organization if it finds that such proposed rule change is consistent with the requirements of the Act and the rules and regulations thereunder applicable to such organization.<sup>11</sup> For the reasons discussed below, the Commission finds that the proposed rule change is consistent with Section 17A(b)(3)(F) of the Act<sup>12</sup> and Rules 17Ad-22(e)(6)(iv) and 17Ad-22(e)(18) thereunder.<sup>13</sup>

#### A. Consistency With Section 17A(b)(3)(F) of the Act

Section 17A(b)(3)(F) of the Act requires, among other things, that the rules of ICC be designed to promote the prompt and accurate clearance and settlement of securities transactions.<sup>14</sup> Based on its review of the record, and for the reasons discussed below, the Commission believes the proposed rule change is consistent with the promotion of the prompt and accurate clearance and settlement of securities transactions at ICC because it would expand the group of entities able to become members of ICC.

As discussed above, the proposed rule change would establish the requirements applicable to ACPs. These requirements would largely mirror those currently applicable to Full Participants, except that ACPs would submit prices for NA Instruments during the NA Instrument EU Submission Window. The Commission believes this would allow participation by entities that may be unable to provide prices for NA Instruments at the close of the New York trading day (as is required for Full Participants). In doing so, the Commission believes the proposed rule change would facilitate expanded participation at ICC and therefore the additional clearance and settlement of transactions at ICC by these additional participants. The Commission believes this change therefore would promote the prompt and accurate clearance and settlement of transactions at ICC, consistent with Section 17A(b)(3)(F) of the Act.<sup>15</sup>

#### B. Consistency With Rule 17Ad-22(e)(6)(iv)

Rule 17Ad-22(e)(6)(iv) requires that ICC establish, implement, maintain, and

enforce written policies and procedures reasonably designed to cover its credit exposures to its participants by establishing a risk-based margin system that, among other things, uses reliable sources of timely price data and uses procedures and sound valuation models for addressing circumstances in which pricing data are not readily available or reliable.<sup>16</sup> As discussed above, proposed Rule 212 and the revised EOD Policy would require ACPs to submit prices for NA Instruments during the NA Instrument EU Submission Window. The Commission believes this requirement would facilitate the submission of prices for NA Instruments by ACPs, who may not have the operational capability to provide prices for NA Instruments at the close of the New York trading day (as is required for Full Participants). The Commission therefore believes that ACPs could serve as a reliable source of timely price data for NA Instruments, in addition to the price data that Full Participants submit. The Commission therefore finds the proposed rule change is consistent with Rule 17Ad-22(e)(6)(iv).<sup>17</sup>

#### C. Consistency with Rule 17Ad-22(e)(18)

Rule 17Ad-22(e)(18) requires that ICC establish, implement, maintain, and enforce written policies and procedures reasonably designed to, among other things, establish objective, risk-based, and publicly disclosed criteria for participation, which permit fair and open access by direct and, where relevant, indirect participants and other financial market utilities.<sup>18</sup> As discussed above, proposed Rule 212 and the revised EOD Policy would require ACPs to submit prices for NA Instruments during the NA Instrument EU Submission Window. The Commission believes this represents an objective requirement that would allow participation by persons that may be unable to provide prices for NA Instruments at the close of the New York trading day (as is required for Full Participants). Moreover, as discussed above, any person who meets this requirement, and the other requirements for ACPs (which are largely the same as those applicable to Full Participants) could become an ACP. The Commission therefore believes the requirements applicable ACPs represent objective criteria which any person could potentially satisfy, thereby permitting fair and open access to ACP membership at ICC. The Commission

therefore find the proposed rule change is consistent with Rule 17Ad-22(e)(18).<sup>19</sup>

### IV. Conclusion

On the basis of the foregoing, the Commission finds that the proposed rule change is consistent with the requirements of the Act, and in particular, with the requirements of Section 17A(b)(3)(F) of the Act<sup>20</sup> and Rules 17Ad-22(e)(6)(iv) and 17Ad-22(e)(18) thereunder.<sup>21</sup>

*It is therefore ordered* pursuant to Section 19(b)(2) of the Act<sup>22</sup> that the proposed rule change (SR-ICC-2022-010), be, and hereby is, approved.<sup>23</sup>

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>24</sup>

**J. Matthew DeLesDernier,**  
Deputy Secretary.

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### SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-95604; File No. SR-NASDAQ-2022-049]

#### Self-Regulatory Organizations; The Nasdaq Stock Market LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Amend Its Port-Related Fees, at Equity 7, Section 115, and Options 7, Section 3

August 25, 2022.

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 August 12, 2022, 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 the Exchange. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

<sup>19</sup> 17 CFR 240.17Ad-22(e)(18).

<sup>20</sup> 15 U.S.C. 78q-1(b)(3)(F).

<sup>21</sup> 17 CFR 240.17Ad-22(e)(6)(iv) and (e)(18).

<sup>22</sup> 15 U.S.C. 78s(b)(2).

<sup>23</sup> In approving the proposed rule change, the Commission considered the proposal's impact on efficiency, competition, and capital formation. 15 U.S.C. 78c(f).

<sup>24</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>11</sup> 15 U.S.C. 78s(b)(2)(C).

<sup>12</sup> 15 U.S.C. 78q-1(b)(3)(F).

<sup>13</sup> 17 CFR 240.17Ad-22(e)(6)(iv) and (e)(18).

<sup>14</sup> 15 U.S.C. 78q-1(b)(3)(F).

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

<sup>16</sup> 17 CFR 240.17Ad-22(e)(6)(iv).

<sup>17</sup> 17 CFR 240.17Ad-22(e)(2)(v).

<sup>18</sup> 17 CFR 240.17Ad-22(e)(18).

## **I. Self-Regulatory Organization's Statement of the Terms of Substance of the Proposed Rule Change**

The Exchange proposes to amend the Exchange's port-related fees, at Equity 7, Section 115, and Options 7, Section 3, as described further below.

While these amendments are effective upon filing, the Exchange has designated the proposed amendments to be operative on September 1, 2022.

The text of the proposed rule change is available on the Exchange's website at <https://listingcenter.nasdaq.com/rulebook/nasdaq/rules>, 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 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 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 amend Equity 7, Section 115, and Options 7, Section 3, to prorate port fees for the first month of service. The Exchange also proposes to add language to Equity 7, Section 115, and Options 7, Section 3, to clarify that port fees for cancelled services will continue to be charged for the remainder of month.

Currently, the Exchange does not prorate port connectivity fees under either its equity or options rules. Thus, equity members and options participants are assessed a full month's fee if they direct the Exchange to make the subscribed connectivity live on any day of the month, including the last day thereof. Equity members and options participants are also assessed a full month's port fee if they cancel service during the month.

The Exchange proposes to provide prorated port fees for the first month of service for new requests. By prorating the first month's fees, the Exchange would charge equity members and options participants port fees only for

the days in which the equity members and options participants are connected to the Exchange during the first month of service. The Exchange proposes to continue the current practice of charging port fees for the remainder of the month upon cancellation, with the exception of the specialized service fees in Equity 7, Section 115(e).<sup>3</sup> If an equity member or options participant starts and cancels service in the same month, the member or participant would not be billed for those days prior to the service start date but would be billed for the remainder of the month, including after the service is cancelled.<sup>4</sup>

The Exchange believes it is important for equity members and options participants to have the option to establish new connections to the Exchange at any time during the month without being hampered by a full month charge irrespective of when during the month service begins. Moreover, other exchanges also charge new ports on a prorated basis for the first month of service.<sup>5</sup>

#### **2. Statutory Basis**

The Exchange believes that its proposal is consistent with Section 6(b) of the Act,<sup>6</sup> in general, and furthers the objectives of Sections 6(b)(4) and 6(b)(5) of the Act,<sup>7</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, and is not designed to permit unfair discrimination between customers, issuers, brokers, or dealers.

The Exchange's proposed changes to its port fee schedule are reasonable in several respects. As a threshold matter, the Exchange is subject to significant competitive forces in the market for options and equity securities transaction services that constrain its pricing determinations in that market. The Commission and the courts have repeatedly expressed their preference for competition over regulatory

intervention in determining prices, products, and services in the securities markets. In Regulation NMS, while adopting a series of steps to improve the current market model, the Commission highlighted the importance of market forces in determining prices and SRO revenues and, also, recognized that current regulation of the market system "has been remarkably successful in promoting market competition in its broader forms that are most important to investors and listed companies."<sup>8</sup>

The Exchange believes that it is reasonable to prorate port fees for the first month of connectivity. As discussed above, the Exchange believes it is important for equity members and options participants to have the flexibility to establish new connections to the Exchange at any time during the month without being hampered by a full month charge. For example, the Exchange believes it is reasonable to charge a user who begins a subscription on the last day of the month to be charged only for use of a port for that day. As noted above, other exchanges already charge their customers for new ports on a prorated basis for the first month of service.<sup>9</sup> The proposed language describing the Exchange's practice to bill for the remainder of the month upon cancellation is intended only to clarify the existing practice and limit any confusion.

The Exchange believes that the proposal is also equitable and not unfairly discriminatory because the proposed change to prorate port fees for the first month of service and continue to charge for the remainder of the month upon cancellation will apply uniformly to all similarly situated equity members and options participants. Removing the requirement to pay a full month's port fee if a user joins any day other than the first of the month is user-friendly and provides users incentive to subscribe at their convenience. The Exchange believes that prorating the fees for the first month of a user's subscription will ensure that the fees are more equitable to a user's utilization of the products. All users will benefit from the proration of the first month of their subscription.

### **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 not necessary or appropriate in furtherance of the purposes of the Act.

<sup>3</sup> The Exchange prorates the cost of the first and last month of a user's subscription to the WebLink, Workstation, and WorkX products. See Securities Exchange Act Release No. 94226 (February 11, 2022), 87 FR 9096 (February 17, 2022) (NASDAQ-2021-012) [sic].

<sup>4</sup> For example, if a member orders a port on September 4, 2022 and cancels the port on September 16, 2022, the member would be charged the prorated port fee for September 5, 2022 through September 30, 2022.

<sup>5</sup> See, e.g., Cboe BZX U.S. Equities Exchange Fee Schedule, available at [https://markets.cboe.com/us/equities/membership/fee\\_schedule/bzx/](https://markets.cboe.com/us/equities/membership/fee_schedule/bzx/); New York Stock Exchange Price List 2022, available at [https://www.nyse.com/publicdocs/nyse/markets/nyse/NYSE\\_Price\\_List.pdf](https://www.nyse.com/publicdocs/nyse/markets/nyse/NYSE_Price_List.pdf).

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

<sup>7</sup> 15 U.S.C. 78f(b)(4) and (5).

<sup>8</sup> Securities Exchange Act Release No. 51808 (June 9, 2005), 70 FR 37496, 37499 (June 29, 2005) ("Regulation NMS Adopting Release").

<sup>9</sup> *Supra* note 4.

### Intramarket Competition

The Exchange does not believe that its proposal will place any category of Exchange participants at a competitive disadvantage. The proposed change to prorate port fees for the first month of service will apply uniformly to all similarly situated equity members and options participants. All users will receive the benefit of a proration for the first month of port connectivity, which will enable users to save money that they otherwise would incur under the Exchange's current rules that do not provide for proration. The proposed language describing the Exchange's practice to bill for the remainder of the month upon cancellation merely codifies and clarifies an existing practice of the Exchange.

### Intermarket Competition

The Exchange believes that the proposed change to its port fee schedule to provide proration for the first month of port connectivity will not impose a burden on competition because the Exchange's execution services are completely voluntary and subject to extensive competition both from the other live exchanges and from off-exchange venues, which include alternative trading systems that trade national market system stock. Moreover, as noted above, other exchanges currently charge new ports on a prorated basis for the first month of service.<sup>10</sup> The proposed changes will help ensure that the Exchange's billing practices are commensurate with competitors.

The proposed change to the Exchange's port fee schedule is reflective of this competition because, as a threshold issue, the Exchange is a relatively small market so its ability to burden intermarket competition is limited. In this regard, even the largest U.S. equities exchange by volume only has 17–18% market share, which in most markets could hardly be categorized as having enough market power to burden competition. Accordingly, the Exchange does not believe that the proposed change will impair the ability of members, participants, or competing order execution venues to maintain their competitive standing in the financial markets.

### 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 of Commission Action

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A) of the Act<sup>11</sup> and paragraph (f) of Rule 19b-4<sup>12</sup> thereunder.

At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is: (i) necessary or appropriate in the public interest; (ii) for the protection of investors; or (iii) otherwise in furtherance of the purposes of the Act. If the Commission takes such action, the Commission shall institute proceedings to determine whether the proposed rule 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-2022-049 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-NASDAQ-2022-049. 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 website (<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 website 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. Persons submitting comments are cautioned that we do not redact or edit personal identifying information from comment submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR-NASDAQ-2022-049 and should be submitted on or before September 21, 2022.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>13</sup>

**J. Matthew DeLesDernier,**  
Deputy Secretary.

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## SECURITIES AND EXCHANGE COMMISSION

[Investment Company Act Release No. 34688; 812-15226]

### Capital Southwest Corporation

August 25, 2022.

**AGENCY:** Securities and Exchange Commission ("Commission").

**ACTION:** Notice.

Notice of an application under section 6(c) of the Investment Company Act of 1940 (the "Act") for an exemption from section 12(d)(3) of the Act.

**SUMMARY OF APPLICATION:** Applicant requests an order to permit a business development company ("BDC") to organize, acquire, and wholly-own a portfolio company that intends to operate as an investment adviser registered under the Investment Advisers Act of 1940 (the "Advisers Act").

**APPLICANT:** Capital Southwest Corporation (the "Company" or "Applicant").

**FILING DATES:** The application was filed on April 30, 2021, and amended on September 1, 2021, February 28, 2022, and May 31, 2022.

**HEARING OR NOTIFICATION OF HEARING:** An order granting the requested relief will be issued unless the Commission orders a hearing. Interested persons may request a hearing by emailing the Commission's Secretary at [Secretarys-Office@sec.gov](mailto:Secretarys-Office@sec.gov) and serving Applicant

<sup>10</sup> *Supra* note 4.

<sup>11</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>12</sup> 17 CFR 240.19b-4(f).

<sup>13</sup> 17 CFR 200.30-3(a)(12).