

## 2. Proposed Amendment to Addendum C of the NSCC's Rules

After reviewing the SBP, NSCC has determined that it faces increased risks in two situations. Specifically, NSCC has identified increased risks when NSCC borrows municipal or corporate bonds and when NSCC borrows securities issued by the lending Member or any of its affiliates. First, if NSCC is unable to timely close out long positions in corporate or municipal bonds that were created by loans of such securities from a Member that becomes insolvent, then NSCC may possess high concentrations of corporate or municipal bonds that it cannot deliver to the insolvent Member. Consequently, NSCC bears an increased risk of loss because it would be forced to liquidate those corporate or municipal bond positions in thinly traded markets. Second, NSCC incurs credit exposure in instances where it borrows securities from a Member that is also the issuer of the securities or is an affiliate of the issuer. In the event that such a Member becomes insolvent, then NSCC incurs the additional risk that the securities issued by the Member or its affiliate and that are lent through the SBP will likely decline in value.

In both situations, NSCC believes there are certain risks posed by the SBP that outweigh the benefits to NSCC and its Members. Accordingly, NSCC proposes amending its Rules so that municipal and corporate bonds would be ineligible for lending through the SBP and so that Members would be unable to lend securities through the SBP that are issued by the Member or its affiliates. Members would be advised of the implementation date for these proposed changes through the issuance of an NSCC Important Notice. The language of the proposed changes to NSCC's Rules and Procedures can be found in Exhibit 5 to proposed rule change SR-NSCC-2010-07 at [http://www.dtcc.com/downloads/legal/rule\\_filings/2010/nscc/2010-07.pdf](http://www.dtcc.com/downloads/legal/rule_filings/2010/nscc/2010-07.pdf).

NSCC believes the proposed rule changes are consistent with the requirements of Section 17A of the Act<sup>6</sup> and the rules and regulations thereunder because the proposed changes would facilitate prompt and accurate clearance and settlement of securities transactions by establishing appropriate safeguards and enhanced efficiency within the SBP process to mitigate risks that the SBP poses to NSCC.

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

NSCC does not believe that the proposed rule change would impose any burden on competition.

## 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. NSCC will notify the Commission of any written comments received by NSCC.

## III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

Within thirty-five days of the date of publication of this notice in the **Federal Register** or within such longer period (i) as the Commission may designate up to 90 days of such date 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 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 e-mail to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include File Number SR-NSCC-2010-07 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-NSCC-2010-07. This file number should be included on the subject line if e-mail 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, 100 F Street, NE., Washington, DC 20549, on official business days between the hours of 10 a.m. and 3 p.m. Copies of such filing also will be available for inspection and copying at the principal office of NSCC. 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-NSCC-2010-07 and should be submitted on or before August 19, 2010.

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

**Florence E. Harmon,**  
Deputy Secretary.

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-62554; File No. SR-NASDAQ-2008-014]

### Self-Regulatory Organizations; The NASDAQ Stock Market LLC; Order Approving a Proposed Rule Change, as Modified by Amendments No. 1 and 2 Thereto, To Amend Certain Corporate Governance Disclosure Requirements for Listed Companies

July 22, 2010.

On February 27, 2008, 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 amend certain of its rules relating to corporate governance standards for listed companies. The proposed rule change, as modified by Amendments No. 1 and 2 thereto, was published for comment in the **Federal**

<sup>7</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>6</sup> 15 U.S.C. 78q-1.

**Register** on June 17, 2010.<sup>3</sup> The Commission received no comments on the proposal.

The proposed rule change would remove the disclosure requirements that a listed company must fulfill when it relies on certain exceptions to Nasdaq rules concerning the composition and independence of audit, compensation, and nominating committees, and replace them with references to equivalent disclosure requirements of Regulation S-K under the Securities Act of 1933. The proposal also would add a reference to the disclosures that a listed company must make pursuant to Rule 10A-3 under the Act when a listed company relies on certain exceptions to that rule. The proposal further would allow a listed company the option of disclosing on or through its website, instead of in its annual proxy (or similar document), when it has relied on the exception that permits the appointment of a non-independent director to a company's compensation or nominating committee in exceptional and limited circumstances.<sup>4</sup> Finally, the proposal would permit the disclosure of waivers of a company's code of conduct, as required by Nasdaq Rule 5610, to be made on or through a listed company's website or, in certain circumstances, through a press release.

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>5</sup> and, in particular, the requirements of Section 6 of the Act<sup>6</sup> and the rules and regulations thereunder. The Commission finds specifically that the proposed rule change is consistent with Section 6(b)(5) of the Act<sup>7</sup> because it would remove disclosure requirements in Nasdaq's rules that duplicate Commission disclosure requirements and replace them with direct references to those Commission requirements. In addition, the proposed rule change would afford Nasdaq-listed companies additional methods to make certain disclosures required by the Exchange's rules,

thereby easing compliance for listed companies and allowing them to rely on technology to provide information to investors in a timelier manner, consistent with the goal of investor protection.

*It is therefore ordered*, pursuant to Section 19(b)(2) of the Act,<sup>8</sup> that the proposed rule change (SR-NASDAQ-2008-014), as modified by Amendments No. 1 and 2 thereto, be, and it hereby is, approved.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>9</sup>

**Florence E. Harmon,**

*Deputy Secretary.*

[FR Doc. 2010-18671 Filed 7-28-10; 8:45 am]

**BILLING CODE 8010-01-P**

## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-62564; File No. SR-NASDAQ-2010-089]

### Self-Regulatory Organizations; The NASDAQ Stock Market LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change Regarding Fees Assessed for Supplemental MPIDs

July 23, 2010.

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 July 20, 2010, The NASDAQ Stock Market LLC ("NASDAQ"), 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 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

NASDAQ proposes to assess member firms a monthly fee for each additional market participant identifier or maker participant identifier ("MPID") approved by NASDAQ for use by a member firm on NASDAQ's systems beyond the primary MPID. NASDAQ plans to implement the proposed fee pursuant to Rule 7001 beginning September 1, 2010. The text of the proposed rule change is below. Proposed new language is italicized.

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

<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.

### 7000. Charges for Membership, Services, and Equipment

#### 7001. Membership Fees

(a)-(b) No change.

(c) *The first market participant identifier or maker participant identifier issued to a member, referred to as the "Primary MPID," is provided at no cost. Additional identifiers, referred to as "Supplemental MPIDs," may be approved for use on NASDAQ for a fee of \$1,000 per month, per additional identifier. Supplemental MPIDs that are used exclusively for reporting information to facilities of the Financial Industry Regulatory Authority (e.g., FINRA/NASDAQ Trade Reporting Facility) are excluded from this fee.*

\* \* \* \* \*

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

In its filing with the Commission, NASDAQ 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. NASDAQ 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

NASDAQ is proposing to assess a fee for each MPID approved by NASDAQ for use by a member firm on NASDAQ's systems in excess of one. MPIDs are special numerical identifiers assigned to certain broker-dealers to identify the firms' transaction and quoting activity. NASDAQ administers the assignment of MPIDs, which may be requested by broker-dealers for use on NASDAQ systems, reporting to FINRA, or a combination of the two. NASDAQ member firms are assigned a unique Primary MPID upon gaining NASDAQ membership. A member firm may, however, request additional MPIDs beyond its Primary MPID, called Supplemental MPIDs. Currently, NASDAQ does not assess a fee for the privilege of using approved Supplemental MPIDs on NASDAQ. In recent years, member firms have increasingly adopted business structures and strategies that require multiple Supplemental MPIDs. Member firms use

<sup>3</sup> See Securities Exchange Act Release No. 62285 (June 11, 2010), 75 FR 34506.

<sup>4</sup> In general, directors serving on the compensation and nominating committees of listed companies must be independent. See Nasdaq Rules 5605(d)(1) and (2) and 5605(e)(1) and (2). Non-independent directors, however, are permitted under exceptional and limited circumstances. See Nasdaq Rules 5605(d)(3) and 5605(e)(3).

<sup>5</sup> In approving this proposed rule change, the Commission notes that it has considered the proposed rule's impact on efficiency, competition, and capital formation. 15 U.S.C. 78c(f).

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

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