

the market for order execution and routing is extremely competitive, members may readily opt to disfavor NASDAQ's execution services if they believe that alternatives offer them better value. Accordingly, NASDAQ does not believe that the proposed changes will impair the ability of members 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

Written comments were neither solicited nor received.

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

The Exchange has filed the proposed rule change pursuant to Section 19(b)(3)(A)(iii) of the Act¹⁰ and Rule 19b-4(f)(6) thereunder.¹¹ Because the 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 prior to 30 days from the date on which it was filed, or such shorter time as the Commission may designate, if consistent with the protection of investors and the public interest, the proposed rule change has become effective pursuant to Section 19(b)(3)(A) of the Act¹² and Rule 19b-4(f)(6)(iii) thereunder.¹³

The Exchange has asked the Commission to waive the 30-day operative delay.¹⁴ The Commission believes that waiving the 30-day operative delay is consistent with the protection of investors and the public interest because it will allow a member that terminates one MPID and simultaneously commences use of another MPID during the course of a month to aggregate activity on the two MPIDs to determine eligibility for the QMM program during the month of transition without delay. Accordingly, the Commission designates the proposal operative upon filing.¹⁵

¹⁰ 15 U.S.C. 78s(b)(3)(A)(iii).

¹¹ 17 CFR 240.19b-4(f)(6).

¹² 15 U.S.C. 78s(b)(3)(A).

¹³ 17 CFR 240.19b-4(f)(6)(iii). In addition, Rule 19b-4(f)(6) requires a self-regulatory organization to give the Commission written notice of its intent to file the proposed rule change at least five business days prior to the date of filing of the proposed rule change, or such shorter time as designated by the Commission. The Exchange has satisfied this requirement.

¹⁴ 17 CFR 240.19b-4(f)(6)(iii).

¹⁵ For purposes only of accelerating the 30-day operative delay, the Commission has considered the

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 necessary or appropriate in the public interest, for the protection of investors, or 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. Please include File Number SR-NASDAQ-2013-016 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-2013-016. 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 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

proposed rule change's impact on efficiency, competition, and capital formation. 15 U.S.C. 78c(f).

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-2013-016 and should be submitted on or before March 5, 2013.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.¹⁶

Kevin M. O'Neill,

Deputy Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-68849; File No. SR-ISE-2012-100]

Self-Regulatory Organizations; International Securities Exchange, LLC; Order Approving a Proposed Rule Change To Reduce the Response Times in the Block Mechanism, Facilitation Mechanism, Solicited Order Mechanism and Price Improvement Mechanism From One Second to 500 Milliseconds

February 6, 2013.

I. Introduction

On December 19, 2012, the International Securities Exchange, LLC (the "Exchange" or the "ISE") filed with the Securities and Exchange Commission ("Commission"), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act")¹ and Rule 19b-4 thereunder,² a proposed rule change to amend ISE Rules 716 (Block Trades) and 723 (Price Improvement Mechanism for Crossing Transactions) to reduce the response times in the Block Mechanism, Facilitation Mechanism, Solicited Order Mechanism and Price Improvement Mechanism ("PIM") from one second to 500 milliseconds (*i.e.*, 1/2 of one second). The proposed rule change was published for comment in the **Federal Register** on December 27, 2012.³ The Commission received no comment letters on the proposed rule change. This order approves the proposed rule change.

¹⁶ 17 CFR 200.30-3(a)(12).

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ See Securities Exchange Act Release No. 68492 (December 20, 2012), 77 FR 76336 ("Notice").

II. Description of the Proposed Rule Change

ISE Rule 716 (Block Trades) contains the requirements applicable to the execution of orders using the Block Order Mechanism, Facilitation Mechanism and Solicited Order Mechanism. The Block Order Mechanism allows ISE members to obtain liquidity for the execution of a block-size order.⁴ The Facilitation and Solicited Order Mechanisms allow ISE members to enter cross transactions seeking price improvement.⁵ ISE Rule 723 (Price Improvement Mechanism for Crossing Transactions) contains the requirements applicable to the execution of orders using the PIM. The PIM allows ISE members to enter cross transactions of any size. The Facilitation, Solicited Order Mechanisms and PIM allow for ISE members to designate certain customer orders for price improvement and submit such orders into one of the mechanisms with a matching contra order. Once such an order is submitted, ISE commences an auction by broadcasting a message to all ISE members that includes the series, price, size and side of the market.⁶ Further, responses within the PIM (*i.e.*, Improvement Orders), are also broadcast to market participants during the auction.

Orders entered into the Block Order Mechanism, Facilitation Mechanism, Solicited Order Mechanism, and PIM are currently exposed to all market participants for one second, giving them an opportunity to enter additional trading interest before the orders are automatically executed. Under the proposal, the exposure period for each of the four mechanisms would be reduced from one second to 500 milliseconds.

III. Discussion and Commission's 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.⁷ In particular, the

Commission finds that the proposed rule change is consistent with Section 6(b)(5) of the Act,⁸ which requires, among other things, that the rules of a national securities exchange be designed to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in regulating 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, and not be designed to permit unfair discrimination between customers, issuers, brokers, or dealers. The Commission also finds that the proposed rule change is consistent with Section 6(b)(8) of the Act,⁹ which requires that the rules of an exchange not impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act.

The Commission believes that, given the electronic environment of ISE, reducing each of the exposure periods from one second to 500 milliseconds could facilitate the prompt execution of orders, while continuing to provide market participants with an opportunity to compete for exposed bids and offers. To substantiate that its members could receive, process and communicate a response back to ISE within 500 milliseconds, ISE stated that it surveyed all ISE members that have participated in the mechanisms in 2011 and 2012. Seventeen of the twenty-one firms surveyed indicated that they can currently receive, process and communicate a response back to ISE within 500 milliseconds. Of the four firms that cannot currently respond within 500 milliseconds, one firm stated that 500 milliseconds is sufficient for non-complex orders in the mechanisms, but had not yet tested for complex orders. Each of the four firms indicated that with six weeks' notice of the implementation date, they can perform the systems work necessary to respond to an ISE broadcast within 500 milliseconds.¹⁰ To give ISE members an opportunity to make any necessary modifications to coincide with the implementation date, ISE, upon effectiveness of the proposal, and at least six weeks prior to implementation of the proposed rule change, will issue an Informational Circular to Members, informing its members of the implementation date of the reduction of the auction from one second to 500 milliseconds in the mechanisms to allow members the opportunity to

perform systems changes. In addition, ISE reviewed all executions occurring in the mechanisms by ISE members for the month of October 2012. This review of executions in the mechanisms indicated that approximately ninety-three percent (93%) of responses in the mechanisms (excluding PIM) and approximately eighty-nine percent (89%) of responses in the PIM that resulted in price improving executions at the conclusion of an auction were submitted within 500 milliseconds.¹¹ Furthermore, with regard to the impact of the proposal on system capacity, ISE has analyzed its capacity and represented that it has the necessary systems capacity to handle the potential additional traffic associated with the additional transactions that may occur with the implementation of the reduction in the auction duration to 500 milliseconds.¹²

Based on ISE's statements, the Commission believes that market participants should continue to have opportunities to compete for exposed bids and offers within a 500 millisecond exposure period. Accordingly, the Commission believes that it is consistent with the Act for the Exchange to reduce the response times in the Block Mechanism, Facilitation Mechanism, Solicited Order Mechanism and PIM from one second to 500 milliseconds.

IV. Conclusion

It is therefore ordered, pursuant to Section 19(b)(2) of the Act,¹³ that the proposed rule change (SR-ISE-2012-100) be, and it hereby is, approved.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.¹⁴

Kevin M. O'Neill,

Deputy Secretary.

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⁴ Block-size orders are orders for 50 contracts or more. See ISE Rule 716(a).

⁵ Only block-size orders can be entered into the Facilitation Mechanism, whereas only orders for 500 contracts or more can be entered into the Solicited Order Mechanism. See ISE Rule 716(d) and (e).

⁶ ISE members may choose to hide the size, side and price when entering orders into the Block Order Mechanism.

⁷ In approving this proposed rule change, the Commission notes that it has considered the proposed rule's impact on efficiency, competition, and capital formation. See 15 U.S.C. 78c(f).

⁸ 15 U.S.C. 78f(b)(5).

⁹ 15 U.S.C. 78f(b)(8).

¹⁰ See Notice, *supra* note 3, at 76337.

¹¹ *Id.*, *supra* note 3, at 76337.

¹² *Id.*, *supra* note 3, at 76338.

¹³ 15 U.S.C. 78s(b)(2).

¹⁴ 17 CFR 200.30-3(a)(12).