location enhances the efficiency of their operations. Accordingly, fees charged for co-location services are constrained by the active competition for the offer flow of, and other business from, such market participants. If a particular exchange charges excessive fees for co-location services, affected market participants will opt to terminate their co-location arrangements with that exchange, and adopt a possible range of alternative strategies, including placing their servers in a physically proximate location outside the exchange’s data center (which could be a competing exchange), or pursuing strategies less dependent upon the lower exchange-to-participant latency associated with co-location. Accordingly, the exchange charging excessive fees would stand to lose not only co-location revenues but also the liquidity of the formerly co-located trading firms, which could have additional follow-on effects on the market share and revenue of the affected exchange. For the reasons described above, the Exchange believes that the proposed rule change reflects this competitive environment.

C. Self-Regulatory Organization’s Statement on Comments on the Proposed Rule Change Received From Members, Participants, or Others

No written comments were solicited or received with respect to the proposed rule change.

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

Because the foregoing 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 for 30 days from the date on which it was filed, or such shorter time as the Commission may designate, it has become effective pursuant to Section 19(b)(3)(A)(ii) of the Act and subparagraph (f)(6) of Rule 19b–4 thereunder.19 A proposed rule change filed under Rule 19b–4(f)(6) normally does not become operative prior to 30 days after the date of filing.20 Rule 19b–4(f)(6)(ii), however, permits the Commission to designate a shorter time so that the proposal may become operative upon filing.22 At any time within 60 days of the filing of such 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 under Section 19(b)(2)(B) of the Act to determine whether the proposed rule change 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 No. SR–NYSEMKT–2017–09 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 No. SR–NYSEMKT–2017–09. 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

20 17 CFR 240.19b–4(f)(6). 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.
22 For purposes only of waiving the 30-day operative delay, the Commission has considered the proposed rule’s impact on efficiency, competition, and capital formation. See 15 U.S.C. 78l(f).

SECURITIES AND EXCHANGE COMMISSION


Self-Regulatory Organizations; The NASDAQ Stock Market LLC; Notice of Filing of Proposed Rule Change To Adopt Rule 7017


Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”),1 and Rule 19b–4 thereunder,2 notice is hereby given that on February 17, 2017, 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 and II below, which Items have been prepared by the Exchange. The Commission is publishing this notice to solicit comments on the

21 Id.
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 adopt Rule 7017 to enhance the level of information provided to a member acting as the stabilizing agent for a follow-on offering of additional shares of a security that is listed on Nasdaq.3

The text of the proposed rule change is available on the Exchange’s Web site at http://nasdaq.chwwallstreet.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 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

Nasdaq is proposing to adopt Rule 7017 to enhance the level of information provided to a member acting as a Stabilizing Agent for a Follow-On Offering. A Follow-On Offering occurs when a member sells a security listed on Nasdaq conducts an underwritten public offering of additional shares of the same security.4 As is the case with an initial public offering (“IPO”), shares are allocated to investors by the underwriter or underwriting syndicate through a book-building process prior to the day of the offering. However, since the security is already listed and trading in the public markets, the security is not subject to a unique process to establish its initial price following the offering.

Rather, the security opens for trading as it would on any other day, with trading during a pre-market period commencing at 4:00 a.m. and an auction process—the Nasdaq Opening Cross (the “Cross”)—that occurs at approximately 9:30 a.m. at the beginning of the regular trading session for the security.

As is the case with an IPO, however, the Stabilizing Agent—usually the lead underwriter—engages in permissible “stabilizing”, as defined in Rule 100 under Regulation M,5 for the offering. As provided by Rule 104 under Regulation M,6 stabilizing of an offering is permitted only to the extent that the person engaging in the activity complies with the limitations described in that rule. These limitations include a requirement that stabilizing must be solely for the purpose of preventing or retarding a decline in the market price of the security, limitations on the maximum price of a stabilizing bid, and a requirement that a syndicate engaging in an offering maintain no more than one stabilizing bid at the same price and time in a given market.

In the case of a Follow-On Offering, the Stabilizing Agent may enter a stabilizing bid into the market for the purpose of supporting the price of the security on the day of the offering. Thus, the Stabilizing Agent stands ready during the course of the day to commit its capital in support of the Follow-On Offering Security, buying from investors that wish to sell the security to realize short-term gains (or to minimize short-term losses). The Stabilizing Agent thereby serves to dampen volatility in the security and promote the maintenance of a fair and orderly market. In particular, the Stabilizing Agent may enter a stabilizing order in the Cross to dampen volatility at the open, and may enter orders on behalf of customers seeking to buy or sell in the Cross. Because the function performed by the Stabilizing Agent is unique on the day of the offering, Nasdaq has concluded that providing additional information about pre-opening interest in the Follow-On Offering Security to the Stabilizing Agent will help it to optimize the opening of the stock and manage its own risk, thereby assisting in promoting a fair and orderly market. Accordingly, Nasdaq is proposing to introduce the Follow-On Offering Indicator Service (the “Service”), a specialized data product that will be made available solely to the Stabilizing Agent.

In advance of the Cross for all securities, including securities that are

3 Proposed Rule 7017 defines “Stabilizing Agent.” in pertinent part, as “a Nasdaq member that will engage . . . in stabilizing with respect to a security that is the subject of a Follow-On Offering on the day of such offering”, and defines “Follow-On Offering” as “a public offering of additional shares of a security that is already listed on Nasdaq.”

4 Proposed Rule 7017 defines “Follow-On Offering Security” as “a security that is the subject of a Follow-On Offering.”

5 17 CFR 242.100.

6 17 CFR 242.104.

7 See Rule 4752(a)(2)(A). The Current Reference Price is the single price that is at or within the current Nasdaq Market Center best bid and offer that satisfies stated criteria to determine the price at which the Cross ultimately would occur, focused on maximizing order interaction.

8 See Rule 4752(a)(2)(A). An Imbalance is the number of shares to buy or sell entered for participation in the Cross—specifically, Market on Open (“MOO”) orders, Limit on Open (“LOO”) orders, and regular market hour orders entered prior to 9:28 a.m. (“Early Market Hours orders”)—that may not be matched with other eligible orders at the Current Reference Price.

9 See Rule 4752(a)(2)(E). In contrast to the Current Reference Price, which signifies a price within the Nasdaq best bid and offer at which order interaction would be maximized, the indicative prices signal the extent to which orders on the book may cause the Cross to occur at a price outside the current bid and offer. Accordingly, it signals the extent to which additional trading interest entered for potential execution in the Cross may alter the final execution price of the Cross. The indicative prices consist of the “Near Clearing Price,” which is the price at which MOO orders, LOO orders, Opening Imbalance Only (“OOO”) orders, Early Market Hours orders, and other orders and quotations in the Nasdaq Book (“Open Eligible Interest”) may execute, and the “Far Clearing Price,” which is the price at which MOO orders, LOO orders, OIO orders and Early Market Hours orders may execute.
entered by the Stabilizing Agent for potential execution in the Cross,\textsuperscript{10} the price and buy or sell direction of Follow-On Offering Shares, the number and execution price of buy and sell Follow-On Offering Shares that would be executed in the Nasdaq Opening Cross if it were to price based on the most recent NOII information, and the number of buy and sell Follow-On Offering Shares that would not be executed at the price. The Stabilizing Agent will be able to organize this information on an order-by-order basis, or group order book by giving it more time in which to understand the forces of supply and demand for the Follow-On Offering Security in advance of its opening. This information will, in turn, allow the Stabilizing Agent to respond in a more informed manner to questions from customers and other market participants regarding expectations that an order to buy or sell with a stated price and size may be executable in the Cross. The information will also assist the Stabilizing Agent in making decisions about the appropriate level of capital to commit to support the security once trading commences. Once the Cross executes, the Service will cease to be available, since the information provided is relevant only to the Cross; similar information will not be provided to the Stabilizing Agent with respect to the Nasdaq Closing Cross on that day. Thus, the Stabilizing Agent will not be provided with any information not available to other market participants once the Cross occurs. In proposing to make the information available solely to the Stabilizing Agent, Nasdaq seeks to recognize and support the special obligations and risks undertaken by the

\textsuperscript{10}Proposed Rule 7017 would define “Follow-On Offering Shares” as “the shares of a Stabilizing Agent’s orders entered for its own account or on behalf of customers for potential execution in the Nasdaq Opening Cross with respect to a Follow-On Offering Security.”

\textsuperscript{11}See current Rule 7015(j), to be redesignated as Rule 7017(b). The IPO Book Viewer provides the total number, and aggregate size, of orders on the book, grouped in increments of either $0.05, $0.10, or $0.25 at the election of the stabilizing agent.

\textsuperscript{12}NYSE Rule 104(j)(iii).

\textsuperscript{13}Id.

\textsuperscript{240.17a–4(a)(4).}


The Stabilizing Agent, but also to recognize that the market conditions of a Follow-On Offering are not the same as those of an IPO, because the Follow-On Offering Security has an established trading market that is not halted while the Follow-On Offering is occurring. As a result, Nasdaq is seeking to strike a balance between supporting the Stabilizing Agent and the orderly trading of the Follow-On Offering Security without unduly altering the usual process for the daily opening of trading. While Nasdaq believes that the Stabilizing Agent will not be provided with any information not available to other market participants once the Cross executes, the Service will be available on a displayed basis only.

Nasdaq is not proposing at this time to provide the Stabilizing Agent for a Follow-On Offering with aggregated order book information of the sort that is currently provided through the IPO Book Viewer to the Stabilizing Agent for an IPO.\textsuperscript{11}

Nasdaq believes that providing this information to the Stabilizing Agent will assist it in performing its obligations with respect to the maintenance of a fair and orderly market and in giving it more time in which to understand the forces of supply and demand for the Follow-On Offering Security in advance of its opening. This information will, in turn, allow the Stabilizing Agent to respond in a more informed manner to questions from customers and other market participants regarding expectations that an order to buy or sell with a stated price and size may be executable in the Cross. The information will also assist the Stabilizing Agent in making decisions about the appropriate level of capital to commit to support the security once trading commences. Once the Cross executes, the Service will cease to be available, since the information provided is relevant only to the Cross; similar information will not be provided to the Stabilizing Agent with respect to the Nasdaq Closing Cross on that day. Thus, the Stabilizing Agent will not be provided with any information not available to other market participants once the Cross occurs. In proposing to make the information available solely to the Stabilizing Agent, Nasdaq seeks to recognize and support the special obligations and risks undertaken by the Stabilizing Agent, but also to recognize that the market conditions of a Follow-On Offering are not the same as those of an IPO, because the Follow-On Offering Security has an established trading market that is not halted while the Follow-On Offering is occurring. As a result, Nasdaq is seeking to strike a balance between supporting the Stabilizing Agent and the orderly trading of the Follow-On Offering Security without unduly altering the usual process for the daily opening of trading. While Nasdaq believes that the Stabilizing Agent will not be provided with any information not available to other market participants once the Cross executes, the Service will be available on a displayed basis only.

Since the information provided through the Service will be directly available only to the Stabilizing Agent, Nasdaq believes that it is appropriate to adopt safeguards in order to ensure that the information is not misused. The safeguards will be identical to those adopted with respect to the IPO Book Viewer. Specifically, the proposed rule will require the Stabilizing Agent receiving the Service to maintain and enforce written policies and procedures reasonably designed to achieve the following purposes:

\begin{itemize}
  \item Restrict electronic access\textsuperscript{14} to information from the Service only to associated persons of the Stabilizing Agent who need to know the information in connection with stabilizing the Follow-On Offering Security and establishing its opening price;
  \item Except as may be required for purposes of maintaining books and records for regulatory purposes,\textsuperscript{15} prevent the retention of information from the Service following the completion of the Cross for the Follow-On Offering Security;
  \item Prevent persons with access to information from the Service from engaging in transactions in the Follow-On Offering Security other than transactions in the Cross; transactions on behalf of a customer; or stabilizing.
\end{itemize}

Thus, for example, the Stabilizing Agent or its affiliates would not be permitted to use the information to engage in proprietary trading other than in support of bona fide stabilizing activity. However, for the avoidance of doubt regarding appropriate uses of the information, the proposed rule will also provide that nothing contained in the rule shall be construed to prohibit the member acting as the Stabilizing Agent from (i) engaging in stabilizing consistent with that role, or (ii) using the information provided from the Service to respond to inquiries from any person, including, without limitation, other members, customers, or associated persons of the Stabilizing Agent, regarding the expectations of the member acting as the Stabilizing Agent with regard to the possibility of executing stated quantities of an offering security at stated prices in the Cross. Because the Service will provide the

\textsuperscript{14}As discussed below, electronic access to the Service will be available on a displayed basis only.

Stabilizing Agent with insights into the state of the Nasdaq order book in the period prior to the Cross, Nasdaq believes that the proposal is similar in effect to availability of information to the stabilizing agent for a follow-on offering on NYSE. Nasdaq further believes that the permitted uses of the information to be made available through the Service are entirely consistent with established practices at NYSE, under which the DMM may display aggregated order book information to the floor broker acting as stabilizing agent, who is then free to discuss this information with other members, customers, and associated persons of the stabilizing agent.

The information provided through the Service will be available solely for display on the screen of a computer for which an entitlement has been provided by Nasdaq. Under no circumstances may a member redirect such information to another computer or reconfigure it for use in a non-displayed format, including, without limitation, in any trading algorithm. If a member becomes aware of any violation of the restrictions contained in the proposed rule, it must report the violation promptly to Nasdaq.

The Service will be provided free of charge through the IPO Workstation, and at no additional charge to users of the Nasdaq Workstation. Although Nasdaq may, in the future, institute a charge for the Service, it is not proposing a fee at this time. The proposed rule change also moves provisions of Rule 7015 pertaining to the IPO Workstation, the IPO Indicator Service, and the IPO Book Viewer from that rule into proposed Rule 7017. In making this change, Nasdaq is adopting a more detailed description of the information currently provided through the IPO Indicator Service, but is not proposing any substantive changes to the rule or to the operation of the facilities in question. The new language states that:

- The IPO Indicator Service provides Order Imbalance Indicator information for an IPO Security, as described in Rule 4753(a)(3), and
- The IPO Indicator Service provides the total number of a member firm’s IPO Shares, the price and buy or sell direction of such IPO Shares, the number and execution price of buy and sell IPO Shares that would be executed in the Nasdaq Halt Cross if the Nasdaq Halt Cross were to price based on the most recent Order Imbalance Indicator information, and the number of buy and sell IPO Shares that would not be executed at that price.
- A member may organize order information by order or order block. The IPO Indicator Service is available as an element of the Nasdaq Workstation Trader, subject to the fees provided for under Rule 7015. Alternatively, the IPO Indicator Service is available through a standalone Nasdaq IPO Workstation, at no cost.

2. Statutory Basis

Nasdaq believes that the proposed rule change is consistent with the provisions of Section 6 of the Act in general, and furthers the objectives of Section 6(b)(5) in particular, in that the proposal is designed to prevent fraudulent and manipulative acts and practices, 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 remove impediments to and perfect the mechanisms of a free and open market and a national market system and, in general, to protect investors and the public interest.

Nasdaq further believes that the introduction of the Service without a fee at this time is consistent with Sections 6(b)(4) and (5) of the Act, in that it provides for the equitable allocation of reasonable dues, fees and other charges among recipients of Nasdaq data and is therefore intended to achieve an effect similar to the availability of aggregated order book information under NYSE Rule 104(j). Although the Commission has not expressed any concerns about the availability of aggregated information to DMMs and floor brokers (including stabilizing agents) with whom they share such information on NYSE, Nasdaq believes that the safeguards it proposes around the use of the Service’s information by a Stabilizing Agent will provide added assurance to members and the investing public that the Service will not be misused.

Finally, Nasdaq notes that although the Service will be available only to Stabilizing Agents, this limitation is consistent with the protection of investors because the Stabilizing Agent plays a unique role on the day of a Follow-On Offering because it must commit capital in support of the Follow-On Offering Security once trading...
begins. Because the Service will assist the stabilizing agent in performing this function, which is performed by no other broker, Nasdaq believes that it is reasonable to limit access to the Service to the Stabilizing Agent. Moreover, because the Service will cease to be available once the Cross is executed and the information provided therein will quickly become stale, Nasdaq does not believe that access to the information will provide the Stabilizing Agent with any unfair advantage.

Nasdaq believes that the proposal to move provisions of Rule 7015 into Rule 7017 is consistent with the Act because the change is intended to promote a clear understanding of the IPO and to encourage eligible members to accept the change is intended to promote a clear understanding of the IPO and to encourage eligible members to accept the service. Nasdaq further believes that the proposal to make the service available to eligible recipients at no additional charge is reasonable because it will not result in any increase in the costs incurred by a Stabilizing Agent to receive the additional information. Nasdaq further believes that the proposal is consistent with an equitable allocation of fees and not unfairly discriminatory because additional information is being provided to a limited group of potential users in order to assist in the promotion of fair and orderly markets during a Follow-On Offering. Accordingly, the absence of an additional fee is designed to encourage eligible members to accept the information in order to ensure that the goals of the proposal are advanced to the greatest extent possible.

Nasdaq further believes that the non-substantive changes it is making to move information about the IPO Indicator Service from Rule 7015 to new Rule 7017, and to provide additional detail in Rule 7017 about the information available through the IPO Indicator Service, are consistent with the Act because they will promote a clearer understanding of the IPO Indicator Service by members and other interested persons.

B. Self-Regulatory Organization’s Statement on Burden on Competition

Nasdaq does not believe that the proposed rule change will impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. In fact, because the Service is intended to provide the Stabilizing Agent with information about the condition of the Nasdaq order book in advance of the Cross, Nasdaq believes that the proposal will help it compete more effectively with NYSE by allowing it to provide to Stabilizing Agents with information that is similar in effect to the information available to stabilizing agents through the NYSE DMM. Accordingly, Nasdaq does not believe that there can be any reasonable objection to the proposal on competitive grounds.

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 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 as the Commission may designate if it finds such longer period to be appropriate and publishes its reasons for so finding or if (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);
• Send an email to rule-comments@sec.gov. Please include File Number SR-NASDAQ–2017–015 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–2017–015. 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 communications relating 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 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; 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–2017–015 and should be submitted on or before March 27, 2017.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.21

Eduardo A. Aleman,
Assistant Secretary.

[FR Doc. 2017–04204 Filed 3–3–17; 8:45 am]
BILING CODE 8011–01–P

SECURITIES AND EXCHANGE COMMISSION


Self-Regulatory Organizations; Investors Exchange LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Adopt DEEP, a New Depth of Book Market Data Feed, Rename TOPS Viewer to IEX Data Platform, and Include Depth of Book Market Data THEREIN


Pursuant to Section 19(b)(1)1 of the Securities Exchange Act of 1934 (the “Act”)2 and Rule 19b–4 thereunder,3 notice is hereby given that, on February 15, 2017, the Investors Exchange LLC (“IEX” or the “Exchange”) 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