

shall consist of five members who will serve three-year terms.

## 2. Statutory Basis

The MSRB believes that the proposed rule change is consistent with Section 15B(b) of the Securities Exchange Act of 1934 (the "Act"),<sup>5</sup> as amended by the Dodd-Frank Act, in that it conforms the Articles of Incorporation of the Board to the requirements of the Dodd-Frank Act and MSRB transitional Rule A-3(i).

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

The MSRB 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, since the proposed rule change simply amends the Articles of Incorporation of the Board to comply with the requirements of the Dodd-Frank Act and MSRB transitional Rule A-3(i), and solely concerns the administration of the organization.

### 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 on the proposed rule change.

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

The MSRB represented that the proposed rule change qualifies for immediate effectiveness pursuant to Section 19(b)(3)(A)(iii) of the Act<sup>6</sup> because it: (i) Does not significantly affect the protection of investors or the public interest; (ii) does not impose any significant burden on competition; and (iii) does not become operative for 30 days after filing or such shorter time as the Commission may designate consistent with the protection of investors and the public interest.<sup>7</sup> The MSRB provided the required written notice of its intention to file the proposed rule change to the Commission on February 10, 2011, and the proposed rule change will become operative on April 1, 2011, which is more than 30 days after the filing of the proposed rule change.

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.<sup>8</sup>

## 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-MSRB-2011-01 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-MSRB-2011-01. 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 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 MSRB's offices.

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-MSRB-2011-01 and should be submitted on or before March 29, 2011.

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

Cathy H. Ahn,

Deputy Secretary.

[FR Doc. 2011-5140 Filed 3-7-11; 8:45 am]

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-64004; File No. SR-FICC-2011-02]

### Self-Regulatory Organizations; The Fixed Income Clearing Corporation; Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Make a Technical, Clarifying Change to the Corporation Default Rule of the Government Securities Division

March 2, 2011.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),<sup>1</sup> notice is hereby given that on February 17, 2011, The Fixed Income Clearing Corporation ("FICC") filed with the Securities and Exchange Commission ("Commission") the proposed rule change described in Items I and II below, which Items have been prepared primarily by FICC. FICC filed the proposal pursuant to Section 19(b)(3)(A)(i) of the Act<sup>2</sup> and Rule 19b-4(f)(1)<sup>3</sup> thereunder so that the proposal was effective upon filing with the Commission. The Commission is publishing this notice to solicit comments on the rule change from interested parties.

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

The proposed rule change will make a technical, clarifying change to the Corporation Default Rule of the Government Securities Division ("GSD").

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

In its filing with the Commission, FICC included statements concerning the purpose of and basis for the proposed rule change and discussed any

<sup>5</sup> 15 U.S.C. 78o-4(b).

<sup>6</sup> 15 U.S.C. 78s(b)(3)(A)(iii).

<sup>7</sup> In addition, Rule 19b-4(f)(6)(iii) 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.

<sup>8</sup> See Section 19(b)(3)(C) of the Act, 15 U.S.C. 78s(b)(3)(C).

<sup>9</sup> 17 CFR 200.30-3(a)(12).

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

<sup>2</sup> 15 U.S.C. 78s(b)(3)(A)(i).

<sup>3</sup> 17 CFR 240.19b-4(f)(1).

comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. FICC has prepared summaries, set forth in sections (A), (B), and (C) below, of the most significant aspects of these statements.<sup>4</sup>

*(A) Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change*

The purpose of this rule change is to make a technical, clarifying change to GSD Rule 22B, entitled "Corporation Default" ("Corporation Default Rule"). FICC adopted the Corporation Default Rule to make explicit the close-out netting that would be applied to obligations between FICC and its members in the event that FICC becomes insolvent or defaults in its obligations to its members.<sup>5</sup> By way of background, FICC had been approached by some of its dealer members that had requested that FICC add a provision to the rules of the GSD to make explicit the close-out netting of obligations between FICC and its members in the unlikely event that FICC becomes insolvent or defaults on its obligations to its members. The members stated that the adoption of the Corporation Default Rule would provide clarity in their application of balance sheet netting to their positions with FICC under U.S. GAAP in accordance with the criteria specified in the Financial Accounting Standards Board's Interpretation No. 39, "Offsetting of Amounts Related to Certain Contracts" (FIN 39). The members further stated that the Corporation Default Rule would allow them to comply with Basel Accord Standards relating to netting. Specifically, firms are able to calculate their capital requirements on the basis of their net credit exposure where they have legally enforceable netting arrangements with their counterparties, which includes a close-out netting provision in the event of the default of the counterparty (in this case, the division of FICC acting as a CCP).

The proposed technical change adds a sentence to the Corporation Default Rule that reads as follows: "For purposes of this Rule 22B and notwithstanding any other provision to the contrary, Novation is deemed to occur and Deliver Obligations and Receive Obligations established with respect to all Transactions at the time at which the data submitted in respect of such

Transactions is compared and constitutes a Compared Trade." For purposes of clarity, this sentence brings into Rule 22B, existing language of other provisions of the GSD's Rules. For example, GSD Rule 11B ("Guaranty of Settlement") provides that FICC shall guarantee the settlement of a trade at the time at which the comparison of such trade occurs pursuant to the FICC's comparison rules and that FICC's guaranty means FICC's obligation to novate the deliver, receive, and payment obligations that were created by the trade. The addition of the proposed sentence in the Corporation Default Rule clarifies that trades that have been compared and therefore guaranteed by the GSD shall be deemed novated at the time of comparison for purposes of Rule 22B and therefore included in the close-out netting calculation that would be performed in the event of an FICC default pursuant to Rule 22B.

FICC believes that the proposed rule change is consistent with the requirements of Section 17A of the Act<sup>6</sup> and the rules and regulations thereunder applicable to FICC because it provides members with further clarity with respect to the Corporation Default Rule and net credit exposure where members have legally enforceable netting arrangements with their counterparties.

*(B) Self-Regulatory Organization's Statement on Burden on Competition*

FICC does not believe that the proposed rule change will have any impact or 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. FICC will notify the Commission of any written comments received by FICC.

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

The foregoing proposed rule change has become effective upon filing pursuant to Section 19(b)(3)(A)(i) of the Act<sup>7</sup> and Rule 19b-4(f)(1)<sup>8</sup> thereunder because the proposed rule change constitutes a stated policy, practice, or interpretation with respect to the meaning, administration, or enforcement of an existing rule. 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.

**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-FICC-2011-02 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-FICC-2011-02. 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 filings also will be available for inspection and copying at the principal office of FICC and on FICC's Web site at [http://www.dtcc.com/downloads/legal/rule\\_filings/2011/ficc/2011-02.pdf](http://www.dtcc.com/downloads/legal/rule_filings/2011/ficc/2011-02.pdf). All comments received will be posted without change; the Commission does not edit personal identifying

<sup>4</sup> The Commission has modified the text of the summaries prepared by FICC.

<sup>5</sup> SEC Release No. 34-63038, File No. SR-FICC-2010-04 (October 5, 2010).

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

<sup>7</sup> 15 U.S.C. 78s(b)(3)(A)(i).

<sup>8</sup> 17 CFR 240.19b-4(f)(1).

information from submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR-FICC-2011-02 and should be submitted on or before March 29, 2011.

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

**Cathy H. Ahn,**

*Deputy Secretary.*

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-64003; File No. SR-NASDAQ-2011-028]

### Self-Regulatory Organizations; The NASDAQ Stock Market LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Modify Fees for Members Using the NASDAQ Market Center

March 2, 2011.

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 February 22, 2011, The NASDAQ Stock Market LLC (the “Exchange” or “NASDAQ”) filed with the Securities and Exchange Commission (the “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 modify pricing for NASDAQ members using the NASDAQ Market Center. NASDAQ will implement the proposed change on March 1, 2011. The text of the proposed rule change is available at <http://nasdaq.cchwallstreet.com/>, at NASDAQ’s principal office, 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, 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 the Statutory Basis for, the Proposed Rule Change

##### 1. Purpose

NASDAQ is amending Rule 7018 to make modifications to its pricing schedule for execution of orders through the NASDAQ Market Center. NASDAQ offers a credit to liquidity providers, with the size of the credit varying based on overall monthly volumes of liquidity provision. Currently, the highest credit is \$0.00295 per share executed for displayed liquidity and \$0.0015 per share executed for non-displayed liquidity. The availability of this credit level is based on volume of liquidity provision during a month, with the required volume adjusted each month in accordance with a sliding scale that takes account of overall market volumes during the month. Specifically, a member qualifies for the highest credit if it has an average daily volume through the NASDAQ Market Center in all securities during the month of: (i) More than 95 million shares of liquidity provided, if average total consolidated volume reported to all consolidated transaction reporting plans by all exchanges and trade reporting facilities is more than 10 billion shares per day during the month; (ii) more than 85 million shares of liquidity provided, if average total consolidated volume is between 9,000,000,001 and 10 billion shares per day during the month; (iii) more than 75 million shares of liquidity provided, if average total consolidated volume is between 8,000,000,001 and 9 billion shares per day during the month; and (iv) more than 65 million shares of liquidity provided, if average total consolidated volume is 8 billion or fewer shares per day during the month.

Effective March 1, 2011, NASDAQ will modify the conditions for qualifying for this rebate tier by stipulating that a member must achieve the requisite volume levels through a single market participant identifier (“MPIDs”).<sup>3</sup> An MPID is a four-letter code used by a member to categorize its trading activity for a specific purpose.

All members have at least one MPID, but a member may request the assignment of additional MPIDs. For example, a member may conduct market making activity through one MPID, while using a second MPID for trading on behalf of institutional customers. In addition, certain members aggregate the trading activity of several firms under their own membership rubric, for the purposes of obtaining more favorable pricing, but will generally acquire a separate MPID for each firm that they aggregate, so as to distinguish the trading activity of one firm from another. NASDAQ has concluded that its most favorable rebate tier should be paid to those firms that do the most to enhance NASDAQ’s market quality through unified management of a high volume of quotes/orders. NASDAQ also wishes to ensure that its fee schedule does not provide excessive encouragement to members to aggregate the activity of several firms (some of whom may not themselves be members of the exchange) for the sole purpose of earning a higher rebate. Thus, a member or a sponsored non-member that is not able to achieve the requisite level of liquidity provision will not be able to meet the threshold by coordinating and consolidating with the trading activity of other firms using multiple MPIDs.

NASDAQ notes, however, that the impact of the change on firms that currently qualify for the most favorable rebate rate but that are not able to achieve the required volume thresholds through a single MPID is mitigated by the fact that qualification for other rebate tiers may continue to be achieved through one or more MPIDs. Notably, members that provide a daily average of more than 35 million shares of liquidity during the month through one or more MPIDs are eligible to receive a rebate of \$0.0029 per share executed for displayed liquidity and \$0.0015 per share executed for non-displayed liquidity (versus the top rebate of \$0.00295 per share executed for displayed liquidity and \$0.0015 per share executed for non-displayed liquidity).

Separately, NASDAQ currently offers a rebate of \$0.0029 per share executed for displayed liquidity and \$0.0015 per share executed for non-displayed in circumstances where a market participant achieves certain specified levels of activity in both the NASDAQ Market Center and the NASDAQ Options Market. Currently, the required levels of monthly activity are an average daily volume of more than 25 million shares of liquidity provided through the NASDAQ Market Center and an average daily volume of more than 200,000

<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.

<sup>3</sup> A member achieving the requisite level through one MPID would be eligible to receive the higher credit with respect to trading activity through its other MPIDs as well.