

trust registered under the Act as an open-end management investment company with multiple series, Ascendant Advisors, LLC (“Ascendant” or the “Adviser”), a Texas limited liability company registered as an investment adviser under the Investment Advisers Act of 1940, and Northern Lights Distributors, LLC (the “Distributor”), a Nebraska limited liability company registered as a broker-dealer under the Securities Exchange Act of 1934 (“Exchange Act”).

Filing Dates: The application was filed on July 23, 2015 and amended on December 9, 2015.

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 writing to the Commission’s Secretary and serving applicants with a copy of the request, personally or by mail. Hearing requests should be received by the Commission by 5:30 p.m. on Friday, January 29, 2016 and should be accompanied by proof of service on the applicants, in the form of an affidavit, or, for lawyers, a certificate of service. Pursuant to Rule 0–5 under the Act, hearing requests should state the nature of the writer’s interest, any facts bearing upon the desirability of a hearing on the matter, the reason for the request, and the issues contested. Persons who wish to be notified of a hearing may request notification by writing to the Commission’s Secretary.

ADDRESSES: Secretary, U.S. Securities and Exchange Commission, 100 F Street NE., Washington, DC 20549–1090. Applicants: c/o JoAnn Strasser, Esq., Thompson Hine LLP, 41 South High Street, Suite 1700, Columbus, Ohio 43215.

FOR FURTHER INFORMATION CONTACT: Kaitlin C. Bottock, Senior Counsel, at (202) 551–8658, or Daniele Marchesani, Branch Chief, at (202) 551–6821 (Division of Investment Management, Chief Counsel’s Office).

SUPPLEMENTARY INFORMATION: The following is a summary of the application. The complete application may be obtained via the Commission’s Web site by searching for the file number, or for an applicant using the Company name box, at <http://www.sec.gov/search/search.htm>, or by calling (202) 551–8090.

Summary of the Application

1. Applicants request an order to permit (a) a Fund¹ (each a “Fund of

Funds”) to acquire shares of Underlying Funds² in excess of the limits in sections 12(d)(1)(A) and (C) of the Act and (b) each Underlying Fund that is a registered open-end investment company or series thereof, the Distributor or any principal underwriter and any broker or dealer registered under the Exchange Act to sell shares of the Underlying Fund to the Fund of Funds in excess of the limits in section 12(d)(1)(B) of the Act.³ Applicants also request an order of exemption under sections 6(c) and 17(b) of the Act from the prohibition on certain affiliated transactions in section 17(a) of the Act to the extent necessary to permit the Underlying Funds to sell their shares to, and redeem their shares from, the Funds of Funds.⁴ Applicants state that such transactions will be consistent with the policies of each Fund of Funds and each Underlying Fund and with the general purposes of the Act and will be based on the net asset values of the Underlying Funds.

2. Applicants agree that any order granting the requested relief will be subject to the terms and conditions stated in the application. Such terms and conditions are designed to, among other things, help prevent any potential (i) undue influence over an Underlying Fund that is not in the same “group of

company or series thereof that is advised by Ascendant or its successor-in-interest or by any entity controlling, controlled by or under common control with Ascendant or its successor-in-interest and is part of the same “group of investment companies” as the Trust (each, a “Fund”). For purposes of the requested order, “successor-in-interest” is limited to an entity that results from a reorganization into another jurisdiction or a change in the type of business organization. For purposes of the request for relief, the term “group of investment companies” means any two or more investment companies, including closed-end investment companies and business development companies, that hold themselves out to investors as related companies for purposes of investment and investor services.

² Certain of the Underlying Funds have obtained exemptions from the Commission necessary to permit their shares to be listed and traded on a national securities exchange at negotiated prices and, accordingly, to operate as exchange-traded funds (“ETFs”).

³ Applicants do not request relief for the Funds of Funds to invest in business development companies or closed-end investment companies that are not listed on a national securities exchange.

⁴ A Fund of Funds generally would purchase and sell shares of an Underlying Fund that operates as an ETF through secondary market transactions rather than through principal transactions with the Underlying Fund. Applicants nevertheless request relief from section 17(a) to permit a Fund of Funds to purchase or redeem shares from the ETF. A Fund of Funds will purchase and sell shares of an Underlying Fund that is a closed-end fund through secondary market transactions at market prices rather than through principal transactions with the closed-end fund. Accordingly, applicants are not requesting section 17(a) relief with respect to transactions in shares of closed-end funds (including business development companies).

investment companies” as the Fund of Funds through control or voting power, or in connection with certain services, transactions, and underwritings, (ii) excessive layering of fees, and (iii) overly complex fund structures, which are the concerns underlying the limits in sections 12(d)(1)(A), (B), and (C) of the Act.

3. Section 12(d)(1)(J) of the Act provides that the Commission may exempt any person, security, or transaction, or any class or classes of persons, securities, or transactions, from any provision of section 12(d)(1) if the exemption is consistent with the public interest and the protection of investors. Section 17(b) of the Act authorizes the Commission to grant an order permitting a transaction otherwise prohibited by section 17(a) if it finds that (a) the terms of the proposed transaction are fair and reasonable and do not involve overreaching on the part of any person concerned; (b) the proposed transaction is consistent with the policies of each registered investment company involved; and (c) the proposed transaction is consistent with the general purposes of the Act. Section 6(c) of the Act permits the Commission to exempt any persons or transactions from any provision of the Act if such exemption is necessary or appropriate in the public interest and consistent with the protection of investors and the purposes fairly intended by the policy and provisions of the Act.

For the Commission, by the Division of Investment Management, pursuant to delegated authority.

Robert W. Errett,
Deputy Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–76835; File No. SR–ISE–2015–44]

Self-Regulatory Organizations; International Securities Exchange; Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Establish the Securities Trader and Securities Trader Principal Registration Categories

January 5, 2016.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the “Act”),¹ and Rule 19b–4 thereunder,²

¹ Applicants request that the order apply to each existing and future series of the Trust and to each existing and future registered open-end investment

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b–4.

notice is hereby given that on December 23, 2015, the International Securities Exchange, LLC (the "Exchange" or the "ISE") filed with the Securities and Exchange Commission the proposed rule change as described in Items I, II, and III below, of which Items I and II have been prepared by the self-regulatory organization. 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

ISE proposes to codify, in the Supplementary Material to Rule 313 Registration Requirements, the categories of registration and respective qualification examinations required for individual associated persons ("associated persons") that engage in the securities activities of members on the Exchange. Specifically, the Exchange proposes to (1) replace the Proprietary Trader registration category and the Series 56 Proprietary Trader registration qualification examination with the newly codified Securities Trader category of registration and the Series 57 Securities Trader registration qualification examination for Securities Traders respectively and (2) replace the Proprietary Trader Principal registration category with the newly codified registration category of Securities Trader Principal and require Securities Trader Principals to take the Series 57 qualification examination in addition to the Series 24 qualification examination. The Exchange also proposes to amend Rule 604, Continuing Education for Registered Persons, by deleting the rule text referring to the S501 continuing education program currently applicable to Proprietary Traders and replacing it with the S101, and replacing a reference to the Series 56 with the 57. Specifically, the Exchange proposes that Series 57 registered persons take the S101 General Program for Series 7 and all other registered persons. Finally, the Exchange proposes to amend Rule 604 to provide for Web-based delivery of the continuing education regulatory element for registered persons. The text of the proposed rule change is available on the Exchange's Web site at www.ise.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 self-regulatory organization 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 Exchange proposes to amend Rule 313 Registration Requirements. This amendment will replace the Proprietary Trader (PT) registration category and qualification examination (Series 56) with the newly codified Securities Trader (TD) registration category and qualification examination (Series 57). In addition, the Exchange proposes to replace the Proprietary Trader Principal (TP) registration category with the newly codified Securities Trader Principal (TP) registration category for associated persons who either: (i) Supervise or monitor proprietary trading, market-making and/or brokerage activities for broker-dealers; (ii) supervise or train those engaged in proprietary trading, market-making and/or effecting transactions on behalf of a broker-dealer, with respect to those activities; and/or (iii) are officers, partners or directors of a member, as described in paragraph in proposed paragraph (a) to .08 of Supplementary Material to Rule 313. The Exchange also proposes to replace the Proprietary Trader Compliance Officer (CT) registration category with the newly codified Securities Trader Compliance Officer (CT) registration category for Chief Compliance Officers (or individuals performing similar functions) of a member or member organization. This filing is, in all material respects, based upon SR-FINRA-2015-015 and 2015-017, and SR-C2-2015-027.³

Currently, Rule 313 requires, among other things, an associated person engaged or to be engaged in the securities business of a member to register with the Exchange in the category of registration appropriate to the function to be performed and to pass the qualification examination

appropriate to the category of registration as prescribed by the Exchange. Among the qualification and registration requirements set forth by the Exchange, an associated person who engages in proprietary trading, market-making, or effecting transactions on behalf of a broker-dealer must register and qualify as a Proprietary Trader (PT) in WebCRD.⁴ To qualify as a Proprietary Trader, an associated person must either pass the Series 56 Proprietary Trader qualification examination⁵ or Series 7 General Securities Representative qualification examination. Several exchanges, including ISE currently use the Series 56 examination as a qualification standard.⁶

.07 of Supplementary Material to Rule 313 further requires that an associated person with supervisory responsibility over proprietary trading activities or who is an (i) officer; (ii) partner; (iii) director; (iv) supervisor of proprietary trading, market-making or brokerage activities; and/or (v) supervisor of those engaged in proprietary trading, market-making or brokerage activities with respect to those activities is required to register and qualify as a Proprietary Trader Principal (TP) in WebCRD and satisfy prerequisite registration and qualification requirements, including, but not limited to passing the Series 24 General Securities Principal

⁴ WebCRD is a secure registration and licensing system operated by FINRA and is the central licensing and registration system for the U.S. securities industry and its regulators. The system contains the registration records of more than 6,500 registered broker-dealers, and the qualification, employment and disclosure histories of more than 650,000 active registered associated persons. In addition, Web CRD facilitates the processing and payment of FINRA registration-related fees such as form filings, fingerprint submissions, qualification exams and continuing education sessions.

⁵ The Series 56 Proprietary Trader Examination is a two hour and thirty minute exam, consisting of 100 scored multiple-choice questions. The Series 56 examination is administered by FINRA, but is not recognized by FINRA as an acceptable qualification examination for associated persons engaged in securities trading. Under FINRA rules, associated persons of FINRA members that engage in over-the-counter securities trading are required to pass the Series 55 Equity Trader Exam. Nevertheless, as FINRA has recognized, because the Series 55 and Series 56 are intended to test the core knowledge required of associated persons engaged in trading activities as well as self-regulatory organization ("SRO") rules, including trading rules that are common across all SROs, there is significant overlap in the content of the Series 55 and Series 56 qualification examinations. See Securities Exchange Act Release No. 75394 (July 8, 2015), 80 FR 41119 (Notice of Filing of a Proposed Rule Change to Establish the Securities Trader and Securities Trader Principal Registration Categories) (SR-FINRA-2015-017).

⁶ See, e.g., BATS Exchange, Inc. ("BATS") Interpretation and Policy .01 to Rule 2.5 (Proficiency Examinations); Miami International Securities Exchange, LLC ("MIAX") Rule 1302 (Registration of Representatives).

³ See Securities Exchange Act Release No. 75581 (July 31, 2015), 80 FR 47018 (August 6, 2015) (SR-FINRA-2015-015); Securities Exchange Act Release No. 75783 (August 28, 2015), 80 FR 53369 (September 3, 2015) (SR-FINRA-2015-017); and Securities Exchange Act Release No. 76408 (November 10, 2015) (SR-C2-2015-027).

Examination or an acceptable alternative qualification examination. An associated person who is a Chief Compliance Officer (or performs similar functions) for a member that engages in proprietary trading, market-making, or effecting transactions on behalf of a broker-dealer is also required to register and qualify as a Proprietary Trader Compliance Officer (CT) in WebCRD and satisfy the prerequisite registration and qualification requirements, including, but not limited to passing the Series 14 Compliance Official Examination or an acceptable alternative qualification exam.

Codification of Examination and Registration Requirements

The Exchange proposes to replace the Series 56 qualification examination with the newly codified Series 57 qualification examination for those registration categories where the Series 56 is currently an acceptable qualification standard. Specifically, with respect to the Proprietary Trader registration, the Exchange proposes to replace the Proprietary Trader (PT) registration category with the newly codified Securities Trader (TD) registration category as well as eliminate the current Series 56 Proprietary Trader Exam prerequisite and, instead, include a Series 57 Securities Trader qualification examination in its place.⁷ The Proprietary Trader Principal (PT) and Proprietary Trader Compliance Officer (CT) registration categories would be replaced with the newly codified renamed registration categories of Securities Trader Principal (TP) and Securities Trader Compliance Officer respectively (CT).⁸

The Exchange will announce the effective date of the proposed rule change in a Regulatory Circular. Currently, the Exchange intends for the

effective date to be January 4, 2016. Under the proposed rule, associated persons who have passed the Proprietary Trader (Series 56) qualification examination and who have registered as a Proprietary Trader (PT) in WebCRD on or before the effective date of the proposed rule change, and associated persons who have passed the General Securities Representative (Series 7) qualification examination and who have registered as Proprietary Traders (PT) in WebCRD on or before the effective date of the proposed rule change, would be grandfathered as Securities Traders (TDs) without having to take any additional examinations and without having to take any other action, provided that the associated person's registration has not been revoked by the Exchange as a disciplinary sanction and no more than two years have passed between the date that the associated person last registered as a Proprietary Trader (PT) and the effective date. After the effective date, an associated person would need to pass the new Series 57 Securities Trader qualification examination and register as a Securities Trader (TD).

In addition, associated persons who have either passed the Proprietary Trader (PT) qualification examination or the General Securities Representative (Series 7) qualification examination and who have registered as Proprietary Traders (PT) in WebCRD on or before the effective date of the proposed rule change, and who have also passed the General Securities Principal (Series 24) qualification examination (or have completed any of the alternative acceptable qualifications requirements as defined in new .08 of Supplementary Material to Rule 313) and who have also registered as Proprietary Trader Principals (TP) in WebCRD on or before the effective date of the proposed rule change, would be eligible to register as Securities Trader Principals (TPs), provided that the associated person's registration has not been revoked by the Exchange as a disciplinary sanction and no more than two years have passed between the date that the associated person last registered as a Proprietary Trader Principal (TP) and the date they register as a Securities Trader Principal (TP).⁹ After the effective date, a Securities Trader Principal (TP) would need to pass the Securities Trader (Series 57) qualification examination and the General Securities Principal (Series 24) qualification examination (or have completed any of the alternative acceptable qualifications as defined in

new .08 of Supplementary Material to Rule 313) and be registered as such in order to register as a Securities Trader Principal (TP).¹⁰

Continuing Education Requirements

Persons registered in the new category would be subject to the continuing education requirements of Rule 604 Continuing Education for Registered Persons. The Exchange proposes to amend Rule 604 by removing the option for Series 56 registered persons to participate in the S501 Series 56 Proprietary Trader continuing education program in order to satisfy the Regulatory Element. The S501 Series 56 Proprietary Trader continuing education program is being phased out along with the Series 56 Proprietary Trader qualification examination. As a result, effective January 4, 2016, the S501 Series 56 Proprietary Trader continuing education program for Series 56 registered persons will cease to exist. In place of the S501 Series 56 Proprietary Trader continuing education program for Series 56 registered persons, the Exchange proposes that Series 57 registered persons be permitted to enroll in the S101 General Program for Series 7 and all other registered persons.

Delivery of Regulatory Element

The Exchange further proposes to provide for Web-based delivery of the Continuing Education Regulatory Element for registered persons. As proposed, Rule 604 would specify that the Continuing Education Regulatory Element set forth in the rule will be administered through Web-based delivery or such other technological manner and format as specified by the Exchange from and after January 4, 2016. Most registered persons currently complete the Regulatory Element in a test center and the remainder do so in-house. Given the advances in Web-based technology, the Exchange believes that there is diminishing utility in the test center and in-house Continuing Education delivery methods. The Exchange notes that the Web-based format will include safeguards to authenticate the identity of the Continuing Education Candidate. Moreover, according to FINRA, registered persons have raised concerns with the current test center delivery

⁷ Neither the Exchange's current Rules nor the proposal would require that a Proprietary Trader or Securities Trader work at, or be associated with, a "proprietary trading firm." Rather, both the current Rules and the proposal would require that an associated person that engages in proprietary trading, market-making, or effecting transactions on behalf of a broker-dealer qualify and register as a Proprietary Trader (or Securities Trader) in WebCRD. Whereas the current rule allows an associated person to qualify and register as a Proprietary Trader by either passing the Series 56 Proprietary Trader qualification examination or Series 7 General Securities Representative qualification examination, the proposal would require an associated person to pass the Series 57 Securities Trader qualification examination in order to qualify as a Securities Trader after the effective date of the proposal.

⁸ As is the case under the current Rules, under the proposed rule, only individuals qualified and registered as a Proprietary Trader Principal (TP) (Securities Trader Principal TP)) would be permitted to supervise a Proprietary Trader (PT) (Securities Trader (TD)).

⁹ See Rule 313(e) (Requirement for Examination on Lapse of Registration).

¹⁰ As part of codifying this rule, the Exchange will include text .08 of Supplementary Material to Rule 313 regarding the supervisory responsibilities of the Securities Trader Principals, which would limit Securities Trader Principals' supervisory responsibilities to supervision of the securities trading functions of members as described in paragraph (a)(2) of .08 of Supplementary Material to Rule 313, and the activities of officers, partners, and directors of members.

method because of the travel involved, the limited time currently available to complete a Regulatory Element session, and the use of rigorous security measures at test centers, which are appropriate for taking qualification examinations, but onerous for a Continuing Education program.¹¹ Also, according to FINRA, the test center is expensive to operate.¹²

2. Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act¹³ in general, and furthers the objectives of Section 6(b)(5) of the Act¹⁴ in particular, in that it is designed to promote just and equitable principles of trade, 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.

The Exchange further believes its proposed rule change is consistent with Section 6(c) of the Act,¹⁵ and in particular furthers the objectives of Section 6(c)(3) of the Act,¹⁶ which authorizes the Exchange to prescribe standards of training, experience, and competence for associated persons. The Exchange believes that the requirements of the Securities Trader and Securities Trader Principal registration categories, the new Securities Trader qualification and continuing education requirement, as well as Web-based delivery of the continuing education requirement, should help ensure that proprietary traders and the principals who supervise proprietary traders and proprietary trading are, and will continue to be, properly trained and qualified to perform their functions which should protect investors and the public interest.

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. Implementation of the proposed changes to ISE's registration rules in coordination with the FINRA Amendments does not present any competitive issues, but rather is designed to provide less burdensome and more efficient regulatory compliance for associated persons and

enhance the ability of the Exchange to fairly and efficiently regulate associated persons, which will further enhance competition. Additionally, the proposed rule change should not affect intramarket competition because all similarly situated representatives and principals will be required to complete the same qualification examinations and maintain the same registrations. Finally, the proposed rule change does not impose any additional examination burdens on persons who are already registered. There is no obligation to take the proposed Series 57 examination in order to continue in their present duties, so the proposed rule change is not expected to disadvantage current registered persons relative to new entrants in this regard.

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

The Exchange has neither solicited nor received written comments on this proposed rule change. The Exchange has not received any written comments from members or other interested parties.

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

Because the foregoing proposed rule change does not significantly affect the protection of investors or the public interest, does not impose any significant burden on competition, and, by its terms, does not 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) of the Act¹⁷ and Rule 19b-4(f)(6) thereunder.¹⁸ The Exchange provided the Commission with written notice of its intent to file the proposed rule change, along with a brief description and text of the proposed rule change, at least five business days prior to the date of filing the proposed rule change, or such shorter time as designated by the Commission, as required by Rule 19b-4(f)(6).

The Exchange has requested that the Commission waive the thirty-day operative delay so that the proposal may become operative as of January 4, 2016. The Commission believes that waiving the thirty day delay is consistent with the protection of investors and the public interest, as it will enable the Exchange to have the new requirements in effect at the same time as the other

SROs. Therefore, the Commission hereby waives the thirty-day operative delay and designates the proposal operative as of January 4, 2016.¹⁹

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 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 No. SR-ISE-2015-44 on the subject line.

Paper Comments

- Send paper comments in triplicate to Brent J. Fields, Secretary, Securities and Exchange Commission, 100 F Street NE., Washington, DC 20549-1090.

All submissions should refer to File Number SR-ISE-2015-44. 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. Copies of such filing

¹¹ See *supra*, note 1.

¹² *Id.*

¹³ 15 U.S.C. 78f(b).

¹⁴ 15 U.S.C. 78f(b)(5).

¹⁵ 15 U.S.C. 78f(c).

¹⁶ 15 U.S.C. 78f(c)(3).

¹⁷ 15 U.S.C. 78s(b)(3)(A).

¹⁸ 17 CFR 240.19b-4(f)(6).

¹⁹ For purposes 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. 78c(f).

also will be available for inspection and copying at the principal office of the ISE. 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-ISE-2015-44 and should be submitted by February 1, 2016.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.²⁰

Robert W. Errett,

Deputy Secretary.

[FR Doc. 2016-00248 Filed 1-8-16; 8:45 am]

BILLING CODE 8011-01-P

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-76826; File No. SR-NASDAQ-2015-164]

Self-Regulatory Organizations; The NASDAQ Stock Market LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Amend Rule 7014

January 5, 2016.

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 December 23, 2015, 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.

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

The Exchange is proposing to make two changes to Rule 7014.

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

The Exchange is proposing to make two changes to Rule 7014. Rule 7014 provides the Exchange’s Market Quality Incentive Programs. Nasdaq currently provides the following incentive programs under the rule: Investor Support Program, Qualified Market Maker Program, Lead Market Maker Program, and NBBO Program. The Exchange is proposing to add new rule text concerning what is not considered eligible displayed liquidity under the Investor Support Program and to add clarifying rule text to the NBBO Program.

First, the Exchange is adding new rule text to the Investor Support Program (“ISP”) under rule 7014(b) to state that Designated Retail Orders³ are not included in the number of shares of displayed liquidity. The Investor Support Program enables Nasdaq member firms to earn a monthly fee credit for providing displayed liquidity

³ A “Designated Retail Order” is an agency or riskless principal order that meets the criteria of FINRA Rule 5320.03 and that originates from a natural person and is submitted to Nasdaq by a member that designates it pursuant to Rule 7018, provided that no change is made to the terms of the order with respect to price or side of market and the order does not originate from a trading algorithm or any other computerized methodology. An order from a “natural person” can include orders on behalf of accounts that are held in a corporate legal form—such as an Individual Retirement Account, Corporation, or a Limited Liability Company—that has been established for the benefit of an individual or group of related family members, provided that the order is submitted by an individual. Members must submit a signed written attestation, in a form prescribed by Nasdaq, that they have implemented policies and procedures that are reasonably designed to ensure that substantially all orders designated by the member as “Designated Retail Orders” comply with these requirements. Orders may be designated on an order-by-order basis, or by designating all orders on a particular order entry port as Designated Retail Orders. See Rule 7018.

to Nasdaq. Currently, there are three rates that a member firm may qualify for based on the execution price of the displayed liquidity and whether the shares of displayed liquidity were entered through an ISP-designated port. Subsequent to the adoption of the ISP Program,⁴ Nasdaq adopted a new program under Rule 7018⁵ to use financial incentives to encourage greater participation. The new program adopted liquidity provider credit tiers for orders designated by a member firm as Designated Retail Orders. Currently, Nasdaq has a single liquidity provider credit tier of \$0.0034 per share executed provided for orders designated by a member firm as Designated Retail Orders.⁶ Nasdaq has excluded Designated Retail Orders from the calculation of credits available under the NBBO Program, QMM Program, and the ISP Program, since those orders already receive a significant credit under Rule 7018(a). Similarly, Nasdaq excludes Designated Retail Orders from the credits provided for providing displayed quotes/orders for securities of all three tapes.⁷ Unlike the NBBO Program and QMM Program rules, which reflect that Designated Retail Orders are not included in those programs’ credits, Nasdaq neglected to amend the ISP Program rules to state that Designated Retail Orders are not considered in the calculation of the ISP credit. In adopting the Designated Retail Order credit tiers, Nasdaq intended to also exclude Designated Retail Orders from the calculation of credits available under the ISP Program, consistent with the other programs under the rule. Thus, Nasdaq is proposing to state in the rule that Designated Retail Orders are not included in the number of shares of displayed liquidity used to calculate credit received under the ISP Program.

Second, Nasdaq is proposing to add clarifying rule text to Rule 7014(g), which concerns the NBBO Program. The NBBO Program provides rebates per share executed with respect to all other displayed orders (other than Designated Retail Orders) in securities priced at \$1 or more per share that provide liquidity and establish the NBBO. When Nasdaq adopted the rule, it neglected to note that the displayed quantity of the NBBO Program-qualifying order must be at least one round lot at the time of execution. An odd lot order of less than

⁴ See Securities Exchange Act Release No. 63270 (November 8, 2010), 75 FR 69489 (November 12, 2010) (SR-NASDAQ-2010-141).

⁵ See Securities Exchange Act Release No. 69133 (March 14, 2013), 78 FR 17272 (March 20, 2013) (SR-NASDAQ-2013-042).

⁶ See Rule 7018(a).

⁷ See Rule 7018(a)(1), (2) and (3).

²⁰ 17 CFR 200.30-3(a)(12).

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.