Proposed Rule Change by NASDAQ Stock Market

Pursuant to Rule 19b-4 under the Securities Exchange Act of 1934

Initial * Amendment * Withdrawal * Section 19(b)(2) * Section 19(b)(3)(A) * Section 19(b)(3)(B) *

Pilot * Extension of Time Period for Commission Action * Date Expires *

Description

Provide a brief description of the proposed rule change (limit 250 characters, required when Initial is checked *).

A proposed rule change to modify the listing requirements for other securities listed under Rule 5730.

Contact Information

Provide the name, telephone number and e-mail address of the person on the staff of the self-regulatory organization prepared to respond to questions and comments on the proposed rule change.

First Name * Arnold Last Name * Golub
Title * Vice President
E-mail * arnold.golub@nasdaqomx.com
Telephone * (301) 978-8075 Fax (301) 978-8472

Signature

Pursuant to the requirements of the Securities Exchange Act of 1934,

has duly caused this filing to be signed on its behalf by the undersigned thereunto duly authorized officer.

Date 11/16/2012
By Edward S. Knight Executive Vice President and General Counsel

NOTE: Clicking the button at right will digitally sign and lock this form. A digital signature is as legally binding as a physical signature, and once signed, this form cannot be changed.
The self-regulatory organization must provide all required information, presented in a clear and comprehensible manner, to enable the public to provide meaningful comment on the proposal and for the Commission to determine whether the proposal is consistent with the Act and applicable rules and regulations under the Act.

The Notice section of this Form 19b-4 must comply with the guidelines for publication in the Federal Register as well as any requirements for electronic filing as published by the Commission (if applicable). The Office of the Federal Register (OFR) offers guidance on Federal Register publication requirements in the Federal Register Document Drafting Handbook, October 1998 Revision. For example, all references to the federal securities laws must include the corresponding cite to the United States Code in a footnote. All references to SEC rules must include the corresponding cite to the Code of Federal Regulations in a footnote. All references to Securities Exchange Act Releases must include the release number, release date, Federal Register cite, Federal Register date, and corresponding file number (e.g., SR-[SRO]-xx-xx). A material failure to comply with these guidelines will result in the proposed rule change being deemed not properly filed. See also Rule 0-3 under the Act (17 CFR 240.0-3).

Copies of notices, written comments, transcripts, other communications. If such documents cannot be filed electronically in accordance with Instruction F, they shall be filed in accordance with Instruction G.

Copies of any form, report, or questionnaire that the self-regulatory organization proposes to use to help implement or operate the proposed rule change, or that is referred to by the proposed rule change.

The full text shall be marked, in any convenient manner, to indicate additions to and deletions from the immediately preceding filing. The purpose of Exhibit 4 is to permit the staff to identify immediately the changes made from the text of the rule with which it has been working.

The self-regulatory organization may choose to attach as Exhibit 5 proposed changes to rule text in place of providing it in Item I and which may otherwise be more easily readable if provided separately from Form 19b-4. Exhibit 5 shall be considered part of the proposed rule change.

If the self-regulatory organization is amending only part of the text of a lengthy proposed rule change, it may, with the Commission’s permission, file only those portions of the text of the proposed rule change in which changes are being made if the filing (i.e., partial amendment) is clearly understandable on its face. Such partial amendment shall be clearly identified and marked to show deletions and additions.
1. **Text of Proposed Rule Change**

   (a) Pursuant to the provisions of Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”),¹ and Rule 19b-4 thereunder,² The NASDAQ Stock Market LLC (“Nasdaq”) is filing with the Securities and Exchange Commission (“Commission”) a proposed rule change to modify the listing requirements for other securities listed under Rule 5730. Nasdaq has filed this proposal under Rule 19b-4(f)(6)³ and requests that the Commission waive the 30-day operative delay period contained in paragraph (iii) of that Rule.

   The text of the proposed rule change is below. Proposed new language is underlined. Proposed deletions are in brackets.⁴

5730. **Listing Requirements for Securities Not Otherwise Specified [Above] (Other Securities)**

(a) Initial Listing Requirements

   (1) Nasdaq will consider listing on the Global Market any security not otherwise covered by the criteria in the Rule 5400 or 5700 Series, provided the instrument is otherwise suited to trade through the facilities of Nasdaq. Such securities will be evaluated for listing against the following criteria:

   (A) No change.

   (B) For equity securities, there [There] must be:

      (i) a minimum of 400 holders of the security[, provided, however, that if the instrument is traded in $1,000 denominations, there must be a minimum of 100 holders.]; and

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⁴ Changes are marked to the rule text that appears in the electronic manual of Nasdaq found at [http://nasdaqomx.echwallstreet.com](http://nasdaqomx.echwallstreet.com).
(ii) a minimum public distribution of 1,000,000 trading units.

However, if the instrument is redeemable at the option of the holders thereof on at least a weekly basis, these requirements shall not apply.

(C) [For equity securities listed pursuant to this paragraph, there must be a minimum public distribution of 1,000,000 trading units.

(D)] The aggregate market value/principal amount of the security shall be at least $4 million.

(2) – (3) No change.

(b) No Change.

* * * * *

(b) Not applicable.

(c) Not applicable.

2. Procedures of the Self-Regulatory Organization

The proposed rule change was approved by senior management of Nasdaq pursuant to authority delegated by the Board of Directors of Nasdaq on July 10, 2012. Nasdaq staff will advise the Board of Directors of Nasdaq of any action taken pursuant to delegated authority. No other action is necessary for the filing of the rule change. If the Commission waives the pre-operative delay provided for in Rule 19b-4(f)(6), Nasdaq proposes to implement the proposed rule change immediately.

Questions regarding this rule filing may be directed to Arnold P. Golub, Vice President and Associate General Counsel, The NASDAQ OMX Group, Inc., at (301) 978-8075 (telephone) or (301) 978-8472 (fax).

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3. **Self-Regulatory Organization’s Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change**

   a. **Purpose**

   Nasdaq Rule 5730 provides rules for listing “other securities,” which are not described elsewhere in Nasdaq’s listing requirements. Generally, this rule allows the listing of innovative securities of substantially-sized companies, which are not readily categorized under the traditional listing standards. It is not intended to accommodate the listing of securities that raise significant new regulatory issues, which would require a separate rule filing submitted pursuant to Section 19(b) of the Act and Rule 19b-4 thereunder.

   The issuer of a security listed under Rule 5730 must have assets in excess of $100 million, stockholders' equity of at least $10 million, and income of at least $1 million; assets in excess of $200 million and stockholders' equity of at least $10 million; or assets in excess of $100 million and stockholders' equity of at least $20 million. In addition, the security generally must have a minimum of 400 holders, an aggregate market value/principal amount of at least $4 million, and, in the case of equity securities, there must be a minimum public distribution of 1 million trading units. Prior to the trading of a security under this rule, Nasdaq evaluates the nature and complexity of the issue and, if

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6 Exchange Act Release No. 32988 (September 29, 1993), 58 FR 52124 (October 6, 1993) (approving SR-NASD-93-15). This order approved the predecessor to current Nasdaq Rule 5730 while Nasdaq was a facility of the NASD, now FINRA.


8 Rule 5730(a)(1)(A).

9 Rule 5730(a)(1)(B), (C) and (D). A security traded in one thousand dollar denominations must only have 100 holders.
appropriate, distributes a circular to the membership providing guidance regarding
member firm compliance responsibilities and requirements when handling transactions in
such securities.10

This rule was based on a rule of the New York Stock Exchange ("NYSE")11 and
is also similar to a rule of NYSE MKT.12 Nasdaq now proposes changes to Rule 5730 to
more closely align that rule with those other markets’ rules.

Specifically, the proposed rule change would modify the holder requirement so
that it applies only to equity securities, and thereby eliminate the holder requirement for
listing debt securities. In this way, the revised rule will more closely track the NYSE’s
requirement, which does not impose a holder requirement on such listings.13 In addition,
Nasdaq proposes to adopt an exception adopted by NYSE MKT to the holder and public
distribution requirements for securities that are redeemable at the option of their holders
on at least a weekly basis.14 Finally, Nasdaq also proposes to change the title of the rule,
to clarify its applicability to only securities that do not otherwise have specific listing
standards, wherever they may be in the rulebook.

10 Rule 5730(a)(3).
11 See Section 703.19 of the NYSE Listed Company Manual.
12 See Section 107 of the NYSE MKT Company Guide.
13 The proposed rule change would also remove the 100 holder requirement for
securities that trade in $1,000 denominations because such securities are debt
securities, which would no longer be subject to the holder requirement.
b. Statutory Basis

Nasdaq believes that the proposed rule change is consistent with the provisions of Section 6 of the Act, in general, and with Section 6(b)(5) of the Act, 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 mechanism of a free and open market and a national market system, and, in general, to protect investors and the public interest. Specifically, Nasdaq notes that the proposed changes will conform Rule 5730 with the rules of other national securities exchanges, while continuing to limit the availability of the rule to more financially substantial companies, which can satisfy the assets, equity, income and other requirements of Rule 5730(a). In addition, Nasdaq is unaware of any problems related to the trading of instruments that have qualified under the other markets’ lower holder and distribution requirements.

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

Nasdaq does not believe that the proposed rule change will result in any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act, as amended. Instead, the proposed rule change will allow Nasdaq to list securities that can already be listed on other exchanges, thereby increasing competition with other national securities exchanges.

5. **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.

6. **Extension of Time Period for Commission Action**

Not applicable.

7. **Basis for Summary Effectiveness Pursuant to Section 19(b)(3) or for Accelerated Effectiveness Pursuant to Section 19(b)(2)**

The proposed rule change is effective upon filing pursuant to Section 19(b)(3)(A) of the Act\(^\text{17}\) and paragraph (f)(6) of Rule 19b-4 thereunder,\(^\text{18}\) in that the proposed rule change: (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 the date of the filing, or such shorter time as the Commission may designate if consistent with the protection of investors and the public interest. On November 2, 2012, Nasdaq gave the Commission written notice of its intent to file the proposed rule change, along with a brief description and text of the proposed rule change.

In its guidance on the proposed rules of Self-Regulatory Organizations (“SROs”),\(^\text{19}\) the Commission concluded that filings based on the rules of another SRO already approved by the Commission are eligible for immediate effectiveness under Rule 19b-4(f)(6).\(^\text{20}\) As described above, the proposed change is “based on and similar to” Section 703.19 of the NYSE Listed Company Manual and Section 107A(b) of the NYSE MKT Listed Company Guide, and each policy issue raised by the proposed rule change


(i) has been considered by the Commission in approving the other SRO’s rule and (ii) is resolved in a manner generally consistent with the approved rule. In that regard, Nasdaq notes that when the Commission approved the NYSE’s rule with no holder requirement for debt securities, it specifically noted that this was a difference from a similar rule of the American Stock Exchange (now NYSE MKT), which required 400 holders, and concluded that those differences were not significant enough to preclude approval of the NYSE’s rule on an accelerated basis, let alone to reject the proposal.\(^\text{21}\)

Similarly, when the Commission approved the NYSE MKT change to provide an exception to the holder and public distribution requirements for securities that are redeemable at the option of their holders, it specifically considered the adoption of this exception and concluded that it was aware of no regulatory issue that should preclude its approval on an accelerated basis.\(^\text{22}\)

As such, Nasdaq believes that the proposed change does not significantly affect the protection of investors and that investors will benefit from the additional competition in the market for such securities and that it is therefore appropriate to file this proposal for immediate effectiveness pursuant to Section 19(b)(3)(A)\(^\text{23}\) and Rule 19b-4(f)(6)\(^\text{24}\). For the same reasons, Nasdaq requests that the Commission waive the 30-day operative delay contained in Rule 19b-4(f)(6).


\(^{22}\) Exchange Act Release No. 55733, supra at 27604.


8. **Proposed Rule Change Based on Rules of Another Self-Regulatory Organization or of the Commission**

As described in the purpose section, the proposed rule change is based on Section 703.19 of the NYSE Listed Company Manual\(^{25}\) and Section 107 of the NYSE MKT Company Guide.\(^{26}\) Rule 5730, as proposed to be amended, would be similar in all material respects to these other rules.

9. **Exhibits**

Exhibit 1. Completed notice of proposed rule change for publication in the **Federal Register**.


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 November 16, 2012, The NASDAQ Stock Market LLC ("Nasdaq" or "Exchange"), filed with the Securities and Exchange Commission ("Commission") the proposed rule change as described in Items I, II, and III below, which Items have been prepared by 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 the Substance of the Proposed Rule Change

The Exchange proposes to modify the listing requirements for other securities listed under Rule 5730. The text of the proposed rule change is below. Proposed new language is in italics; proposed deletions are in brackets.\(^3\)

**5730. Listing Requirements for Securities Not Otherwise Specified [Above] (Other Securities)**

(a) Initial Listing Requirements

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\(^{3}\) Changes are marked to the rule text that appears in the electronic manual of Nasdaq found at [http://nasdaqomx.cchwallstreet.com](http://nasdaqomx.cchwallstreet.com).
(1) Nasdaq will consider listing on the Global Market any security not otherwise covered by the criteria in the Rule 5400 or 5700 Series, provided the instrument is otherwise suited to trade through the facilities of Nasdaq. Such securities will be evaluated for listing against the following criteria:

(A) No change.

(B) For equity securities, there must be:

(i) a minimum of 400 holders of the security[, provided, however, that if the instrument is traded in $1,000 denominations, there must be a minimum of 100 holders.]; and

(ii) a minimum public distribution of 1,000,000 trading units.

However, if the instrument is redeemable at the option of the holders thereof on at least a weekly basis, these requirements shall not apply.

(C) For equity securities listed pursuant to this paragraph, there must be a minimum public distribution of 1,000,000 trading units.

(D)] The aggregate market value/principal amount of the security shall be at least $4 million.

(2) – (3) No change.

(b) No Change.

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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 Rule 5730 provides rules for listing “other securities,” which are not described elsewhere in Nasdaq’s listing requirements. This rule allows the listing of innovative securities of substantially-sized companies, which are not readily categorized under the traditional listing standards. It is not intended to accommodate the listing of securities that raise significant new regulatory issues, which would require a separate rule filing submitted pursuant to Section 19(b) of the Act and Rule 19b-4 thereunder.

The issuer of a security listed under Rule 5730 must have assets in excess of $100 million, stockholders' equity of at least $10 million, and income of at least $1 million; assets in excess of $200 million and stockholders' equity of at least $10 million; or assets in excess of $100 million and stockholders' equity of at least $20 million. In addition, the security generally must have a minimum of 400 holders, an aggregate market value/principal amount of at least $4 million, and, in the case of equity securities, there must be a minimum public distribution of 1 million trading units. Prior to the trading of a security under this rule, Nasdaq evaluates the nature and complexity of the issue and, if

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6 Rule 5730(a)(1)(A).

7 Rule 5730(a)(1)(B), (C) and (D). A security traded in one thousand dollar denominations must only have 100 holders.
appropriate, distributes a circular to the membership providing guidance regarding member firm compliance responsibilities and requirements when handling transactions in such securities.\(^8\)

This rule was based on a rule of the New York Stock Exchange (“NYSE”)\(^9\) and is also similar to a rule of NYSE MKT.\(^10\) Nasdaq now proposes changes to Rule 5730 to more closely align that rule with those other markets’ rules.

Specifically, the proposed rule change would modify the holder requirement so that it applies only to equity securities, and thereby eliminate the holder requirement for listing debt securities. In this way, the revised rule will more closely track the NYSE’s requirement, which does not impose a holder requirement on such listings.\(^11\) In addition, Nasdaq proposes to adopt an exception adopted by NYSE MKT to the holder and public distribution requirements for securities that are redeemable at the option of their holders on at least a weekly basis.\(^12\) Finally, Nasdaq also proposes to change the title of the rule, to clarify its applicability to only securities that do not otherwise have specific listing standards, wherever they may be in the rulebook.

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\(^8\) Rule 5730(a)(3).

\(^9\) See Section 703.19 of the NYSE Listed Company Manual.

\(^10\) See Section 107 of the NYSE MKT Company Guide.

\(^11\) The proposed rule change would also remove the 100 holder requirement for securities that trade in $1,000 denominations because such securities are debt securities, which would no longer be subject to the holder requirement.

b. Statutory Basis

Nasdaq believes that the proposed rule change is consistent with the provisions of Section 6 of the Act, in general, and with Section 6(b)(5) of the Act, 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 mechanism of a free and open market and a national market system, and, in general, to protect investors and the public interest. Specifically, Nasdaq notes that the proposed changes will conform Rule 5730 with the rules of other national securities exchanges, while continuing to limit the availability of the rule to more financially substantial companies, which can satisfy the assets, equity, income and other requirements of Rule 5730(a). In addition, Nasdaq is unaware of any problems related to the trading of instruments that have qualified under the other markets’ lower holder and distribution requirements.

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

Nasdaq does not believe that the proposed rule change will result in any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act, as amended. Instead, the proposed rule change will allow Nasdaq to list securities that can already be listed on other exchanges, thereby increasing competition with other national securities exchanges.

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 proposed rule change is effective upon filing pursuant to Section 19(b)(3)(A) of the Act\textsuperscript{15} and paragraph (f)(6) of Rule 19b-4 thereunder,\textsuperscript{16} in that the proposed rule change: (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 the date of the filing, or such shorter time as the Commission may designate if consistent with the protection of investors and the public interest; provided the self-regulatory organization has given the Commission 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 of the proposed rule change, or such shorter time as designated by the Commission.

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, as amended, 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. Please include File Number SR-NASDAQ-2012-131 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-2012-131. 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 website viewing and printing in the Commission’s Public Reference Room 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 inspection and copying at the principal offices 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-2012-131, and should be submitted on or before [insert date 21 days from publication in the Federal Register].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.¹⁷

Kevin M. O’Neill
Deputy Secretary