with respect to the Funds utilizing the Manager of Managers Structure is substantially equivalent to the role of the individual portfolio managers employed by traditional investment company advisory firms. In the absence of exemptive relief from Section 15(a) of the Act, when a new Subadviser is proposed for retention by a Fund or the Trust on behalf of one or more Funds, shareholders would be required to approve the Subadvisory Agreement with that Subadviser. Similarly, approval by the shareholders of the affected Fund would be required in order to amend an existing Subadvisory Agreement in any material respect or in order to continue to retain an existing Subadviser whose Subadvisory Agreement is “assigned” as a result of a change of control. Obtaining shareholder approval would be costly and slow, and potentially harmful to the affected Fund and its shareholders. Applicants also note that the Advisory Agreement will remain fully subject to the shareholder approval requirements in section 15(a) of the Act and rule 18f–2 under the Act, including the requirement for shareholder voting.

Applicants’ Conditions:
Applicants agree that any order granting the requested relief will be subject to the following conditions:

1. Before a Fund may rely on the order requested in the application, the operation of the Fund in the manner described in the application will be approved by a majority of the Fund’s outstanding voting securities, as defined in the Act, or, in the case of a Fund whose public shareholders purchase shares on the basis of a prospectus containing the disclosure contemplated by condition 2 below, by the initial shareholder(s) before offering shares of that sub-advised Fund to the public.

2. The prospectus for each Fund relying on the order requested in the application will disclose the existence, substance, and effect of any order granted pursuant to the application. Each Fund relying on the order requested in the application will hold itself out to the public as utilizing the Manager of Managers Structure described in the application. The prospectus will prominently disclose that the Adviser has ultimate responsibility (subject to oversight by the Board) to oversee the Subadvisers and recommend their hiring, termination, and replacement.

3. Within 90 days of the hiring of a new Subadviser, the affected Fund shareholders will be furnished all information about the new Subadviser that would be included in a proxy statement. To meet this obligation, the Fund will provide shareholders of the affected Fund within 90 days of hiring a new Subadviser with an information statement meeting the requirements of Regulation 14C, Schedule 14C and Item 22 of Schedule 14A under the Securities Exchange Act of 1934, as amended.

4. The Adviser will not enter into a subadvisory agreement with any Affiliated Subadviser without such agreement, including the compensation to be paid thereunder, being approved by the shareholders of the applicable Fund.

5. At all times, at least a majority of the Board will be Independent Trustees, and the nomination of new or additional Independent Trustees will be placed within the discretion of the then-existing Independent Trustees.

6. Whenever a subadviser change is proposed for a Fund with an Affiliated Subadviser, the Board, including a majority of the Independent Trustees, will make a separate finding, reflected in the applicable Board minutes, that such change is in the best interests of the Fund and its shareholders, and does not involve a conflict of interest from which the Adviser or the Affiliated Subadviser derives an inappropriate advantage.

7. The Adviser will provide general management services to each Fund that is sub-advised, including overall supervisory responsibility for the general management and investment of the Fund’s assets and, subject to review and approval of the Board, will: (i) Set each Fund’s overall investment strategies; (ii) evaluate, select and recommend Subadvisers to manage all or a part of a Fund’s assets; (iii) allocate and, when appropriate, reallocate a Fund’s assets among one or more Subadvisers; (iv) monitor and evaluate the performance of Subadvisers; and (v) implement procedures reasonably designed to ensure that the Subadvisers comply with the relevant Fund’s investment objective, policies and restrictions.

8. No trustee or officer of the Trust or a Fund, or director, manager or officer of the Adviser, will own directly or indirectly (other than through a pooled investment vehicle that is not controlled by such person), any interest in a Subadviser except for: (a) Ownership of interests in the Adviser, or (b) ownership of less than 1% of the outstanding securities of any class of equity or debt of any publicly traded company that is either a Subadviser or an entity that controls, is controlled by, or is under common control with a Subadviser.

9. In the event the Commission adopts a rule under the Act providing substantially similar relief to that in the order requested in the application, the requested order will expire on the effective date of that rule.

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

Florence E. Harmon, Deputy Secretary.

[FR Doc. 2010–20673 Filed 8–19–10; 8:45 am]

SECURITIES AND EXCHANGE COMMISSION


Self-Regulatory Organizations; Notice of Filing of a Proposed Rule Change by the NASDAQ Stock Market LLC To Adopt a Definition of Professional and Require That All Professional Orders Be Appropriately Marked


Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”) 1 and Rule 19b–4 2 thereunder, notice is hereby given that on August 6, 2010, The NASDAQ Stock Market LLC (“NASDAQ”) 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 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 is filing with the Securities and Exchange Commission (“SEC” or “Commission”) a proposal for the NASDAQ Options Market (“NOM” or “Exchange”) to amend Chapter I, Section 1 (Definitions) to adopt a definition of “Professional” on the Exchange and require that all Professional orders be appropriately marked by Exchange Participants.

The text of the proposed rule change is available from NASDAQ’s Web site at http://nasdaq.cchwallstreet.com/ Filings/ or 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 Statutory Basis for, the Proposed Rule Change

1. Purpose

The purpose of this proposal is to amend Chapter I, Section 1 (Definitions) to adopt a definition of “Professional” on the Exchange and require that all Professional orders be appropriately marked.

This filing is similar to the recent filings of PHLX NASDAQ OMX, Inc. (“Phlx”), the International Securities Exchange, LLC (“ISE”), and Chicago Board Options Exchange, Incorporated (“CBOE”), which dealt with establishing a new definition of “professional” as a person or entity that places a certain high volume of orders in listed options per day on average during a calendar month in his or her own beneficial account.3


2 Background

A member of NOM is known as a Participant or Options Participant (“Participant”).4 This is a firm or organization that is registered with the Exchange pursuant to Chapter II for purposes of participating in options trading on NOM as a Nasdaq Options Order Entry Firm or Nasdaq Options Market Maker.5 Options traded by Participants (which may include trades on behalf of Public Customers)6 on NOM, a wholly electronic exchange, are electronically executable and routable. The NOM System 7 and rules provide for the ranking, display, and execution of all orders in price/time priority without regard to the status of the person or entity entering an order.8 The Exchange notes that NOM has, in contrast to certain other options markets, a “flat” system that does not differentiate for execution or processing purposes among orders on the basis of who or what entity enters an order on the Exchange.9

NASDAQ Options Services LLC (“NOS”), a member of the Exchange,10 is the Exchange’s exclusive order router for all orders that come through the Exchange.11 NOS performs routing functions with respect to System Securities and Non-System Securities.12 The Exchange’s general routing procedures are set forth in Chapter VI, Section 11 (Order Routing), which states in subsection (c) that, among other things, once routed by the System, an order becomes subject to the rules and procedures of the destination market.13 NOS also performs order routing services on behalf of Phlx.14

The exchanges that do the great majority of all U.S. options trading, namely the Professional Rule Exchanges CBOE, ISE, NYSE AMEX, and Phlx, already have rules that are similar to the Professional designation rule proposed by the Exchange (a professional is a person or entity that places 390 or more orders in listed options per day on average during a calendar month in his or her own beneficial account). These Professional Rule Exchanges make differentiations based on whether an order is marked professional or otherwise. Some Exchange Participants are, as noted, also members of Professional Rule Exchanges such as CBOE, ISE, or Phlx. As members of these exchanges, such Exchange Participants are subject to the professional designation rules of the Professional Rule Exchanges. Similarly, NOM is a member of several Professional Rule Exchanges. Exchange rules indicate that orders routed by NOM become subject to the rules and

unaffiliated SRO which is the designated examining authority for the broker-dealer. NASDAQ Options Services LLC serves as the Routing Facility of NOM. The sole function of the Routing Facility will be to route orders in options listed and open for trading on NOM to away markets consistent with NOM rules solely on behalf of NOM. The Routing Facility is subject to regulation as a facility of Nasdaq, including the requirement to file proposed rule changes under Section 19 of the Act.15

4 See Chapter I, Section 1(a)(40). Some NOM Participants are also members of other options exchanges such as, for example, ISE, CBOE, or Phlx.

Chapter VI, Section 1(b) states: “System Securities” shall mean all options that are currently trading on NOM pursuant to Chapter IV (Securities Traded on NOM) above. All other options shall be “Non-System Securities.”

Chapter VI, Section 11(c) states: Priority of Routed Orders. Orders sent by the System to other markets do not retain time priority with respect to other orders in the System and the System shall continue to execute other orders while routed orders are away at another market center. Once routed by the System, an order becomes subject to the rules and procedures of the destination market including, but not limited to, order cancellation. If a routed order is subsequently returned, in whole or in part, such order, or its remainder, shall receive a new time stamp reflecting the time of its return to the System.


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 Statutory Basis for, the Proposed Rule Change

1. Purpose

The purpose of this proposal is to amend Chapter I, Section 1 (Definitions) to adopt a definition of “Professional” on the Exchange and require that all Professional orders be appropriately marked.

This filing is similar to the recent filings of PHLX NASDAQ OMX, Inc. (“Phlx”), the International Securities Exchange, LLC (“ISE”), and Chicago Board Options Exchange, Incorporated (“CBOE”), which dealt with establishing a new definition of “professional” as a person or entity that places a certain high volume of orders in listed options per day on average during a calendar month in his or her own beneficial account.3


2 Background

A member of NOM is known as a Participant or Options Participant (“Participant”).4 This is a firm or organization that is registered with the Exchange pursuant to Chapter II for purposes of participating in options trading on NOM as a Nasdaq Options Order Entry Firm or Nasdaq Options Market Maker.5 Options traded by Participants (which may include trades on behalf of Public Customers)6 on NOM, a wholly electronic exchange, are electronically executable and routable. The NOM System 7 and rules provide for the ranking, display, and execution of all orders in price/time priority without regard to the status of the person or entity entering an order.8 The Exchange notes that NOM has, in contrast to certain other options markets, a “flat” system that does not differentiate for execution or processing purposes among orders on the basis of who or what entity enters an order on the Exchange.9

NASDAQ Options Services LLC (“NOS”), a member of the Exchange,10 is the Exchange’s exclusive order router for all orders that come through the Exchange.11 NOS performs routing functions with respect to System Securities and Non-System Securities.12 The Exchange’s general routing procedures are set forth in Chapter VI, Section 11 (Order Routing), which states in subsection (c) that, among other things, once routed by the System, an order becomes subject to the rules and procedures of the destination market.13 NOS also performs order routing services on behalf of Phlx.14

The exchanges that do the great majority of all U.S. options trading, namely the Professional Rule Exchanges CBOE, ISE, NYSE AMEX, and Phlx, already have rules that are similar to the Professional designation rule proposed by the Exchange (a professional is a person or entity that places 390 or more orders in listed options per day on average during a calendar month in his or her own beneficial account). These Professional Rule Exchanges make differentiations based on whether an order is marked professional or otherwise. Some Exchange Participants are, as noted, also members of Professional Rule Exchanges such as CBOE, ISE, or Phlx. As members of these exchanges, such Exchange Participants are subject to the professional designation rules of the Professional Rule Exchanges. Similarly, NOM is a member of several Professional Rule Exchanges. Exchange rules indicate that orders routed by NOM become subject to the rules and

unaffiliated SRO which is the designated examining authority for the broker-dealer. NASDAQ Options Services LLC serves as the Routing Facility of NOM. The sole function of the Routing Facility will be to route orders in options listed and open for trading on NOM to away markets consistent with NOM rules solely on behalf of NOM. The Routing Facility is subject to regulation as a facility of Nasdaq, including the requirement to file proposed rule changes under Section 19 of the Act.15

Chapter VI, Section 1(b) states: “System Securities” shall mean all options that are currently trading on NOM pursuant to Chapter IV (Securities Traded on NOM) above. All other options shall be “Non-System Securities.”

Chapter VI, Section 11(c) states: Priority of Routed Orders. Orders sent by the System to other markets do not retain time priority with respect to other orders in the System and the System shall continue to execute other orders while routed orders are away at another market center. Once routed by the System, an order becomes subject to the rules and procedures of the destination market including, but not limited to, order cancellation. If a routed order is subsequently returned, in whole or in part, such order, or its remainder, shall receive a new time stamp reflecting the time of its return to the System.

procedures of the destination markets (away exchanges). The Exchange believes that disparate rules in respect of Professional order designation, and lack of uniform application of such rules, do not promote the best regulation and may, in fact, encourage regulatory arbitrage. The Exchange believes that it is therefore prudent and necessary to have a Professional designation rule as is commonplace in the industry, particularly where NOS (like Exchange Participants) is a member of several exchanges that have rules requiring professional order designations.

The Proposal

The Exchange proposes new Chapter I, Section 1(a)(48) to state that the term “Professional” means any person or entity that (i) is not a broker or dealer in securities, and (ii) places more than 390 orders in listed options per day on average during a calendar month for its own beneficial account(s). A Participant or a Public Customer may, without limitation, be a Professional. Moreover, in order to properly represent orders entered on the Exchange according to the new definition, a Participant will be required to accurately mark all Professional orders. To comply with this requirement, Participants will be required to review their Public Customers’ activity on at least a quarterly basis to determine whether orders that are not for the account of a broker-dealer should be represented as Professional orders. The Exchange intends to require Participants to identify Professional orders submitted electronically by identifying them in the customer type field, and will notify Participants via an Options Trader Alert (“OTA”) or Options Regulatory Alert (“ORA”) regarding this requirement.

Participants will be required to conduct a quarterly review and make any appropriate changes to the way in which they are representing orders within five business days after the end of each calendar quarter. While Participants will only be required to review their accounts on a quarterly basis, if during a quarter the Exchange identifies a Participant who executes only a few options trades per month. The Exchange proposes the threshold of 390 orders per day on average over a calendar month, because it believes that this number far exceeds the number of orders that are entered by retail investors in a single day. Moreover, the 390 orders per day threshold proposed by NOM directly corresponds to the daily order volume recognized by Phlx and other options exchanges that have, as previously discussed, established professional order designations. In addition, basing the standard on the number of orders that are entered in listed options for a qualified account(s) ensures that professional account holders cannot inappropriately avoid the purpose of the rule by spreading their trading activity over multiple exchanges, and using an average number over a calendar month will prevent gaming of the 390 order threshold.

2. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act in general, and furthers the objectives of Section 6(b)(5) of the Act in particular, in that it is designed to prevent fraudulent and manipulative acts and practices, to promote just and efficient markets, and to lower cooperation and coordination with persons engaged in facilitating transactions in securities, and to remove impediments to and perfect the mechanisms of a free and open market and a national market system, by defining Professional and indicating that all Professional orders shall be appropriately marked by Participants.

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 rates to customers they define as “active traders.” Publicly available information from the websites of Charles Schwab, Fidelity, and OptionsXpress all define “active trader” as someone who executes only a few options trades per month. The highest required trading activity to qualify as an active trader among these four firms was 35 trades per quarter. See Securities Exchange Act Release No. 57254 at note 11 (which also notes that a study of one of the largest retail-oriented options brokerage firms indicated that on a typical trading day, options orders were entered with respect to 5,922 different customer accounts. There was only one order entered with respect to 3,765 of the 5,922 different customer accounts on this day, and there were only 17 customer accounts with respect to which more than ten orders were entered. The highest number of orders entered with respect to any one account over the course of an entire week was 27).

24 The similarity of the Exchange’s proposed Professional order definition to that of other options exchanges is important from the regulatory perspective, that is from a desire to promote a national market system that minimizes regulatory arbitrage.

25 The Exchange intends to notify Participants via OTA or ORA that this proposal will be implemented on the first trading day of the month after the approval or effectiveness of this proposal.
necessary or appropriate in furtherance of the purposes of the Act.

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

Within 45 days of the date of publication of this notice in the Federal Register or within such longer period up to 90 days (i) as the Commission may designate if it finds such longer period to be appropriate and publishes its reasons for so finding or (ii) as to which the self-regulatory organization consents, the Commission will:

(A) By order approve or disapprove the 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 Exchange 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–2010–099 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–2010–099. 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 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–2010–099 and should be submitted on or before September 10, 2010.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.28

Florence E. Harmon,
Deputy Secretary.

[FR Doc. 2010–20658 Filed 8–19–10; 8:45 am]

BILLING CODE 8010–01–P

SECURITIES AND EXCHANGE COMMISSION


Self-Regulatory Organizations; New York Stock Exchange LLC; Notice of Filing of Proposed Rule Change Amending Its Price List To Reflect Fees Charged for Co-Location Services


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 August 3, 2010, New York Stock Exchange LLC (“NYSE” or the “Exchange”)4 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 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


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 those 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 parts of such statements.

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

1. Purpose

The Exchange proposes to amend its Price List to identify fees pertaining to co-location services, which allow Users5 of the Exchange to rent space on premises controlled by the Exchange in order that they may locate their electronic servers in close physical proximity to the Exchange’s trading and execution systems. The Exchange plans to begin operating a data center in Mahwah, New Jersey, from which it will offer co-location services. The Exchange will offer space at the data center in cabinets with power usage capability of either four or eight kilowatts (kW).6 In


Footnotes:

1. For the purposes of this filing, the term “Users” includes any “member organization,” as that term is defined in NYSE Rule 2(b) and any “Sponsored Participant,” as that term is defined in NYSE Rule 12B-30(a)(b).
2. The Exchange also allows Users, for a monthly fee (i.e., 40% of the applicable monthly per kW fee), to obtain an option for future use on available, unused cabinet space in proximity to their existing cabinet space. Specifically, Users may reserve pre-committed space of up to 30% of the cabinet space under contract, which the Exchange will endeavor to provide as close as reasonably possible to the User’s existing cabinet space, taking into consideration power availability within segments of the data center and the overall efficiency of use of data center resources as determined by the Exchange. (If the 30% measurement results in a fractional cabinet, the cabinet count is adjusted up to the next increment.) If reserved cabinet space becomes needed for use, the reserving User will...