US clears Nasdaq payout in Facebook IPO debacle (Update)

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The Nasdaq on Monday had the backing of US regulators who approved the stock exchange's latest plan to compensate investors for the botched debut of Facebook shares last year.

Despite concerns expressed by some investors, the US Securities and Exchange Commission endorsed Nasdaq's proposal to amend its rules to create a $62 million pool of cash to pay out claims related to the Facebook IPO, documents available online showed.

"It is therefore ordered that the proposed rule change be, and hereby is, approved," SEC deputy secretary Kevin O'Neill said in a notice available at the commission's website.

The SEC noted in its order that investors unhappy with the Nasdaq compensation plan could opt not to file claims with the regulator and seek other remedies, such as taking their cases to civil court.

The Nasdaq in July of last year raised to $62 million the amount of money it will set aside to cover trading losses due to computer glitches that disrupted the launch of Facebook shares onto the market.

The huge electronic market's foul-up marred the $16 billion Facebook share issue on May 18 of 2012, the most hotly awaited initial public offering on the US markets in years.

"We deeply regret the problems encountered during the initial public offering of Facebook," Nasdaq OMX Group chief executive Robert Greifeld said in a statement at the time.

"We have learned from this experience and we will continue to improve our trading platforms."

Nasdaq has previously proposed setting aside $40 million to cover brokers' losses caused by the botched IPO but the compensation plan immediately ran into criticism as being inadequate.

Nasdaq said it expected all claims covered by the plan to be paid out within six months.

The stock hit a high of $45 on the first day, but since then has lost ground. Facebook shares were trading at $25.14 at the Nasdaq close on Monday.

Facebook's IPO overwhelmed Nasdaq's systems when it hit the market, forcing a half-hour delay in opening trading and leaving investors and brokers in the dark for hours over the results of orders involving millions of shares.

The glitch dealt a black eye to the exchange, which trades some of the world's largest companies, including Apple and Microsoft.

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