



August 21, 2012

**By Electronic Mail**

Elizabeth Murphy  
Secretary  
Securities and Exchange Commission  
100 F Street, NE  
Washington, DC 20549-1090

Re: *Notice of Filing of Proposed Rule Change to Amend Rule 4626;  
File No. SR-NASDAQ-2012-090*

Dear Ms. Murphy:

Citadel LLC (“**Citadel**”)<sup>1</sup> appreciates the opportunity to submit this comment letter in response to the NASDAQ Stock Market LLC (“**Nasdaq**”) rule filing referenced above (the “**Rule Filing**”).<sup>2</sup> The Rule Filing would implement a voluntary accommodation policy to compensate Nasdaq members for certain losses they suffered as a result of problems Nasdaq experienced during the initial public offering (“IPO”) of Facebook, Inc. (“Facebook” or “FB”) on May 18, 2012. We urge the Commission to approve the Rule Filing for the reasons provided below.

The Citadel Execution Services (“CES”) division of Citadel Securities LLC is a leading market maker that specializes in executing orders placed by the retail customers of our broker-dealer clients. On May 18, 2012, CES stood by our clients and bought and sold over \$3.8 billion worth of Facebook stock to execute customer orders, and incurred losses protecting retail investors from the problems caused by Nasdaq.

The Nasdaq problems on May 18 were unprecedented and Nasdaq Rule 4626 was simply not designed to address problems of this magnitude. As a result, it is entirely appropriate for Nasdaq to establish a special accommodation plan to compensate members for certain losses that directly resulted from this event, and for the Commission to approve the Rule Filing.

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<sup>1</sup> On an average day, Citadel accounts for over 10% of U.S. listed equity volume, and over 20% of U.S. listed equity option volume. Founded in 1990, the Citadel group of companies includes an asset management division that principally executes alternative investment strategies across multiple asset classes, and Citadel Securities that includes investment banking, a sales and trading platform, and an industry leading market making franchise. Citadel operates in the world’s major financial centers, including Chicago, New York, London, Hong Kong and San Francisco.

<sup>2</sup> Notice of Filing of Proposed Rule Change to Amend Rule 4626, Exchange Act Release No. 67507 (July 26, 2012).

Approving the Rule Filing would be consistent with the requirements of Exchange Act Section 6(b). The proposed accommodation standards are objective and fair. They address each of the categories of directly harmed orders, and use a reasonable methodology to calculate damages. Moreover, the standards are supported by effective proposed accommodation processes and procedures. In particular, appointing FINRA to act as a neutral third party to process accommodation claims will help ensure that claims are processed strictly in accordance with the proposed standards by a body that has no incentive to favor particular members.

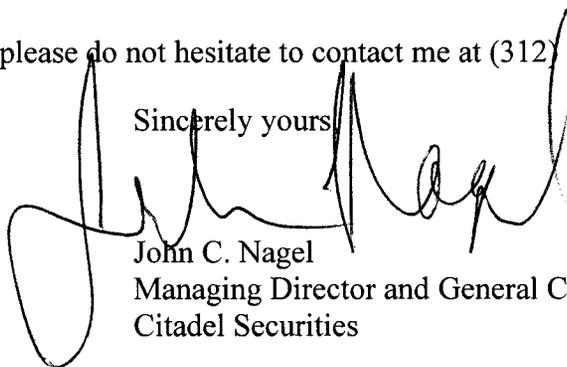
There has been much debate about whether Nasdaq, as a for profit enterprise, should be afforded the liability protections contained in Rule 4626. While the extent of exchange immunity from liability for mishandling orders is an important and complex public policy issue, we submit that any Commission consideration of this issue should be addressed at a later time and not stand in the way of Nasdaq's proposal to offer voluntary an unprecedented *increase* in the amount of compensation available to members.

For the reasons provided above, we urge the Commission to approve the Rule Filing without delay.

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If you have any questions, please do not hesitate to contact me at (312) 395-2100.

Sincerely yours,



John C. Nagel  
Managing Director and General Counsel  
Citadel Securities