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March 22, 2013

Elizabeth M. Murphy  
Secretary  
Securities and Exchange Commission  
100 F Street, NE  
Washington, DC 20549

**RE: File Nos. SR-NASDAQ-2013-014**

Dear Ms. Murphy:

The NASDAQ Stock Market LLC (“NASDAQ” or “Exchange”) appreciates the opportunity to respond to the comments raised by Potamus Trading, LLC with respect to the above-captioned filing. The Exchange believes that Potamus’s comments are misplaced in several respects. In its rule filing, NASDAQ proposes to offer two new routing options under which orders check the NASDAQ System for available shares and simultaneously route to other trading venues, with unexecuted shares returning to the NASDAQ book for posting. Generally, the basic premise of the comment letter is that these proposed routing strategies are complex and compete with complex routing strategies offered by brokers, and that while non-exchange brokers must adhere to best execution principles, NASDAQ is not subject to them. This premise is simply factually inaccurate.

First, the strategies provide a simple means by which NASDAQ members may check the NASDAQ book and other venues before posting to NASDAQ. They are not complex algorithmic strategies, but rather provide members with a voluntary option to seek liquidity outside of NASDAQ. As such, they are similar in concept and function to routing options already offered by NASDAQ and other exchanges. Notably, the ability to route orders to other venues is a fundamental requirement of Regulation NMS, and accordingly, requires the use of a registered broker-dealer. These strategies simply add to the choices available to market participants.

Second, the premise of the letter with respect to best execution is factually flawed. All routing from NASDAQ is performed by NASDAQ Execution Services LLC (“NES”), the wholly owned routing broker-dealer of NASDAQ. Currently, NES is the approved outbound routing facility of NASDAQ for cash equities, providing outbound routing from NASDAQ to other market centers. In addition to routing for NASDAQ, NES also provides routing services to NASDAQ OMX BX (“BX”) and NASDAQ OMX PSX (“PSX”). As a broker-dealer, NES is subject to the best execution requirements imposed by FINRA Rule 5310 and comparable exchange rules. NES has a best execution committee which conducts regular and rigorous reviews for best execution compliance. The best execution committee is responsible for performing reviews to ensure that NES is properly routing orders to destination markets in accordance with Regulation NMS and providing best execution of orders that it receives from NASDAQ, BX and PSX.

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Moreover, satisfaction of the duty of best execution does not, as suggested by the comment letter, require use of a complex algorithm. Rather, as explained by the SEC in the Regulation NMS adopting release, “the duty of best execution requires broker-dealers to periodically assess the quality of competing markets to assure that order flow is directed to the markets providing the most beneficial terms for their customer orders.”<sup>1</sup> In short, the rule requires the regular and rigorous reviews of execution quality that are performed by NES.

Finally, the letter’s comments on market structure are well beyond the limited scope of this filing. While NASDAQ believes that the Commission should, as a regular matter, review the performance of rules governing market structure, this filing simply does not provide the context within which to do so.

If you have any questions regarding these matters, please do not hesitate to contact me at (301) 978-8497.

Sincerely,

A handwritten signature in black ink, appearing to read "John M. Yetter", with a long, sweeping horizontal stroke extending to the right.

John M. Yetter

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<sup>1</sup> Securities Exchange Act Release No. 51808 (June 9, 2005) (available at <http://www.sec.gov/rules/final/34-51808.pdf>).