

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-63341; File No. SR-NASDAQ-2010-147)

November 18, 2010

Self-Regulatory Organizations; The NASDAQ Stock Market LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Modify Two Aspects of the Rules and Operation of The NASDAQ Options Market

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 10, 2010, The NASDAQ Stock Market LLC (the “Exchange” or “NASDAQ”) 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 Exchange has designated the proposed rule change as constituting a non-controversial rule change under Rule 19b-4(f)(6) under the Act,³ which renders the proposal effective upon filing with the Commission. 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

The Exchange is filing this proposed rule change to modify two aspects of the rules and operation of the NASDAQ Options Market (“NOM”): (1) to eliminate the Closing Cross set forth in Chapter VI, Section 9 of the rules; and (2) to increase the maximum order size from 9,999 to 999,999 contracts in Chapter VI, Section 1 of the rules. The text of the proposed rule change is available at <http://nasdaq.cchwallstreet.com/>, at the Exchange’s principal office, and at the Commission’s Public Reference Room.

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ 17 CFR 240.19b-4(f)(6).

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

The NASDAQ Options Market (“NOM”), the options trading facility of The NASDAQ Stock Market LLC, has been fully operational for just over two years. After assessing NOM’s performance, NASDAQ has identified two minor changes to NOM’s operation: (1) eliminating the Closing Cross set forth in Chapter VI, Section 9 of the rules; and (2) increasing the maximum order size from 9,999 to 999,999 contracts in Chapter VI, Section 1 of the rules. NASDAQ believes that neither of these changes will have a material impact on the operation of NOM or of NOM members.

1. Eliminating the NOM Closing Cross

NASDAQ’s proposal to transport the closing cross from NASDAQ’s equities market to NOM was intended to determine whether a standard closing cross could aid price discovery and liquidity in a derivative product. Although a few market participants experimented with the NOM Closing Cross just after launch, the Closing Cross never attracted meaningful liquidity. The Closing Cross has not been used by any market participant in any options class for quite

some time. Accordingly, NASDAQ is proposing to eliminate that functionality from the technology and from the rule book (Chapter VI, Section 9) governing NOM.

2. Increasing the Maximum Order Size

NASDAQ members have requested the ability to enter orders into the system of greater than 9,999 contracts. The existing limit on order size was a technological constraint that can easily be modified. Accordingly, NASDAQ proposes to modify the system and downstream processes and data feeds to accept orders of up to 999,999 contracts. Following this change, NOM will match the maximum order size currently in place at other options exchanges.⁴

NASDAQ has safeguards in place to protect the market from inadvertent entry of large orders. Each member that requests connectivity through an order entry port is required to specify the maximum order size for its individual port.⁵ NASDAQ sets the default maximum order size at 2,500 contracts. Members are permitted to deviate from the default maximum order size but NASDAQ members are required to have processes and procedures in place to ensure the proper entry and monitoring of orders entered into NASDAQ systems. Prior to implementing this change, NASDAQ will issue an alert to members to ensure that they have policies and procedures in place to employ the new functionality in a prudent fashion.

2. Statutory Basis

NASDAQ believes that the proposed rule change is consistent with the provisions of Section 6 of the Act,⁶ in general, and with Section 6(b)(5) of the Act,⁷ in particular, in that the

⁴ See, e.g., BATS Exchange Rule 21.1(e) (“The term “Order Size” shall mean the number of contracts up to 999,999 associated with the Order”); CBOE Regulatory Circular RG 10-43 (March 26, 2010) at <https://www.cboe.org/publish/RegCir/RegCir10-043.pdf>.

⁵ See NASDAQ Options Port Request Form at http://www.nasdaqtrader.com/content/AdministrationSupport/AgreementsTrading/options_portrequest.pdf.

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. The proposed rule changes should enhance the NOM market as described above based on NASDAQ's experience operating NOM for two years.

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

The proposed rule change does not impose any burden on competition that is not 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

The Exchange has not solicited, and does not intend to solicit, comments on this proposed rule change. The Exchange has not received any unsolicited written comments from members or other interested parties.

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

Because the foregoing proposed rule change does not: (i) significantly affect the protection of investors or the public interest; (ii) impose any significant burden on competition; and (iii) become operative for 30 days from the date on which it was filed, or such shorter time

⁶ 15 U.S.C. 78f.

⁷ 15 U.S.C. 78f(b)(5).

as the Commission may designate, it has become effective pursuant to Section 19(b)(3)(A) of the Act⁸ and Rule 19b-4(f)(6) thereunder.⁹

At any time within 60 days of the filing of such 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 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-2010-147 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-2010-147. 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

⁸ 15 U.S.C. 78s(b)(3)(A).

⁹ 17 CFR 240.19b-4(f)(6).

comments on the Commission's Internet website (<http://www.sec.gov/rules/sro.shtml>). Copies of the submission,¹⁰ 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, 100 F Street, NE, Washington, DC 20549, on official business days between the hours of 10:00 a.m. and 3:00 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

¹⁰ The text of the proposed rule change is available on Exchange's website at <http://nasdaq.cchwallstreet.com/>, on the Commission's website at <http://www.sec.gov>, at NASDAQ, and at the Commission's Public Reference Room.

to File Number SR-NASDAQ-2010-147 and should be submitted on or before [insert date 21 days after publication in the Federal Register].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.¹¹

Florence E. Harmon
Deputy Secretary

¹¹ 17 CFR 200.30-3(a)(12).