SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-67122; File No. SR-NASDAQ-2012-067)

June 5, 2012

Self-Regulatory Organizations; The NASDAQ Stock Market LLC; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to Update the NASDAQ Options Market Message Traffic Mitigation Rule

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 May 29, 2012, 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 Commission a proposal for the NASDAQ Options Market ("NOM" or "Exchange") to update its quote mitigation rule. Specifically, NASDAQ proposes to amend Chapter VI, Section 17, Message Traffic Mitigation, by deleting paragraph (c) and renumbering paragraphs (d) and (e).

The text of the proposed rule change is available from NASDAQ's website at http://nasdaq.cchwallstreet.com/Filings, at NASDAQ's principal office, and at the Commission's Public Reference Room.

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1 15 U.S.C. 78s(b)(1).

2 17 CFR 240.19b-4.

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 the proposed rule change is to update NOM rules to eliminate a message traffic mitigation provision that NASDAQ no longer intends to implement. Currently, Chapter VI, Section 17 provides that for the purpose of message traffic mitigation, based on NOM's traffic with respect to target traffic levels and in accordance with NOM's overall objective of reducing both peak and overall traffic, certain strategies may be implemented, which are listed in paragraphs (a) – (d). Of course, because NOM is a newer options market, launching in 2008 with a certain suite of products and participants, NOM did not immediately face message traffic concerns requiring mitigation under this rule. Accordingly, NOM has not employed all of these features to date. Specifically, paragraph (c) has never been employed.

At this time, NASDAQ proposes to eliminate one aspect of its traffic mitigation rule that provides that NOM will prioritize price update messages and send out price updates before sending size update messages; the rule further provides that this functionality will be applied to all options series listed on NOM and in conjunction with the previously described replace on queue functionality[3] will ensure that NOM quote update messages are the most current and relevant available.[4] NASDAQ believes that the concept in paragraph (c) of "prioritizing" messages is not necessary because the replace on queue functionality in paragraph (b) accomplishes the same goal of mitigation.

Specifically, NASDAQ proposes to remove paragraph (c), because if the replace on queue functionality in paragraph (b) is operating, paragraph (c) cannot operate to prioritize price update messages over size update messages. The latest update message would have already been sent due to the replacement on queue functionality, which replaces the updated size message for the original message. For example, if the following three quotes in an options series are outbound as follows:

First message	$1.00 bid for 10 contracts
Second message	$1.01 bid for 5 contracts
Third message	$1.01 bid for 6 contracts

In this situation, the operation of paragraph (b) would result in only the third message being sent, as it replaced both the first and second messages. In contrast, the operation of paragraph (c) would result in the second message being sent, because it is a price update; the third message would also be sent, because the prioritizing concept in paragraph (c) only prevents size changes from being sent if they are followed by a price change. Thus, two messages rather than one are sent if paragraph (c) is operating.

Similarly, if the fourth message was $1.05 bid for 6 contracts, the operation of paragraph (b) would still result in only the last (fourth) message being sent, as it replaced the first, second

3 The replace on queue functionality is a process by which an outbound quote message that has not been sent, but is about to be sent, will not be sent if a more current quote message for the same series is available for sending. See Chapter VI, Section 17(b).

4 See Chapter VI, Section 17(c).

and third messages. The operation of paragraph (c) would again result in more messages being sent, because the second, third and fourth messages would be sent.

Because paragraph (b) operated to only send the last message, there is no point to then applying paragraph (c). Paragraph (b) has already caused only the most recent message to be sent, leaving no messages to prioritize. In fact, NASDAQ believes that not only does paragraph (b) result in fewer messages being sent, it results in the most relevant message being sent - the most recent. Accordingly, NASDAQ believes that deleting paragraph (c) will not result in any additional message traffic and that NOM's message mitigation program is sufficient without paragraph (c). Furthermore, paragraph (b) covers what paragraph (c) would mitigate, such that paragraph (c) is duplicative and, thus, in deleting it, the ultimate effect of the message traffic mitigation rule remains the same. No more messages will be sent by deleting paragraph (c). In fact, the same number of messages will be sent even if paragraph (c) is deleted.

NASDAQ believes that the operation of the other provisions in the rule should provide sufficient methods of message traffic mitigation should the need arise going forward. Specifically, delisting pursuant to paragraph (a), the replace on queue functionality in paragraph (b), and the size update restriction in paragraph (d) are different types of mitigation focused on different types of message traffic, which form a strong traffic mitigation program. When paragraph (c) is deleted, NOM's mitigation program will be equally solid, because paragraph (b) will accomplish more traffic mitigation than what paragraph (c) can accomplish, as explained above. Moreover, no additional quotes will go out with paragraph (c) deleted; the same number of messages will be sent.

2. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act[5] in general, and furthers the objectives of Section 6(b)(5) of the Act[6] in particular, in that it 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 facilitating transactions in securities, and to remove impediments to and perfect the mechanisms of a free and open market and a national market system, and, in general, to protect investors and the public interest, because the Exchange is not required to make this particular mitigation strategy available and has instead, other types of mitigation strategies available in Chapter VI, Section 17, as described above. These other mitigation strategies, together, protect investors and the public interest, and promote just and equitable principles of trade by addressing any message traffic issues that may arise while deleting a duplicative provision that has no effect on message traffic mitigation.

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

The Exchange does not believe that the proposed rule change will impose any burden on competition 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

Written comments were neither solicited nor received.

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;

5 15 U.S.C. 78f(b).

6 15 U.S.C. 78f(b)(5).

and (iii) become operative for 30 days after the date of the filing, or such shorter time as the Commission may designate, it has become effective pursuant to 19(b)(3)(A) of the Act[7] and Rule 19b-4(f)(6)[8] thereunder.

At any time within 60 days of the filing of the 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-2012-067 on the subject line.

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7 15 U.S.C. 78s(b)(3)(A).

8 17 CFR 240.19b-4(f)(6). In addition, Rule 19b-4(f)(6) requires a self-regulatory organization to give the Commission written notice of its intent to file the proposed rule change at least five business days prior to the date of filing of the proposed rule change, or such shorter time as designated by the Commission. The Exchange has satisfied this requirement. 17 CFR 240.19b-4(f)(6).

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-2012-067. 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 website (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 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 to File Number SR-NASDAQ-2012-067 and should be submitted on or before [insert date 21 days from publication in the Federal Register].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.[9]

Kevin M. O'Neill
Deputy Secretary

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9 17 CFR 200.30-3(a)(12).