

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-68124; File No. SR-NASDAQ-2012-121)

October 31, 2012

Self-Regulatory Organizations; The NASDAQ Stock Market LLC; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to Apply the Position Limit Exemption Rules of NASDAQ OMX PHLX LLC For Certain Index Options

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 October 18, 2012, The NASDAQ Stock Market LLC (“NASDAQ” or “Exchange”) 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 the Exchange. 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 NASDAQ Stock Market [sic] to amend NASDAQ Options Market LLC (“NOM”)³ Rules at Chapter XIV, Sections 5 (Position Limits for Broad-Based Index Options) and 7 (Position Limits for Industry and Micro-Narrow Based Index Options) to apply the position limit exemption rules of NASDAQ OMX PHLX LLC (“Phlx”) for certain broad-based index options and industry and micro-narrow based index options.

The text of the proposed rule change is available on the Exchange’s Website at <http://www.nasdaq.cchwallstreet.com>, at the principal office of the Exchange, and at the Commission’s Public Reference Room.

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ NOM is NASDAQ’s facility for executing and routing standardized equity and index options.

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. 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 Exchange is proposing to amend Chapter XIV, Sections 5 (Position Limits for Broad-Based Index Options) and Section 7 (Position Limits for Industry and Micro-Narrow Based Index Options) of the NASDAQ Rules to permit NASDAQ Options Market LLC (“NOM”) Options Participants to utilize position limit exemptions,⁴ which are currently available on Phlx with respect to certain index options discussed below.

Currently, Chapter XIV, Sections 5 and 7 state that NOM Options Participants shall comply with the applicable rules of the Chicago Board Options Exchange, Incorporated (“CBOE”) with respect to position limits, both for broad-based and industry or micro-narrow index options. The Exchange recently filed to list options on several Phlx proprietary and non-proprietary indexes on NOM, which are not listed on CBOE: MSCI EM, MSCI EAFE, PHLX Oil Service SectorSM index (OSX), PHLX Semiconductor SectorSM Index (SOX) and PHLX Housing SectorTM Index (HGX)⁵ (collectively “MSCI and PHLX Indexes”). In each of these

⁴ This would include all rules relating to exemptions. See Phlx Rule 1001A Position Limits.

⁵ See Securities Exchange Act Release Nos. 67582 (August 2, 2012), 77 FR 47455 (August

filings, the Exchange sought to list and trade the MSCI and PHLX Indexes on NOM by amending the NOM rules to provide for the same position limits that are applied currently on Phlx for options overlying the MSCI and PHLX Indexes.⁶ Both filings intended that options on the MSCI and PHLX Indexes would be listed and traded on NOM as they are on Phlx.⁷ Both filings added new sections to Chapter XIV, Sections 5 and 7 to specify the applicable position limits because options on the MSCI and PHLX Indexes were not listed on another exchange other than Phlx.⁸

Unlike index options that are listed on CBOE, where applicable CBOE rules relating to position limits, including exemptions from position limits, are incorporated by reference in NOM's rules, all applicable Phlx rules relating to position limits for the MSCI and PHLX Indexes, including specifically position limit exemptions, are not incorporated by reference in NOM's rules.⁹ Rather, only the specified position limits for these indexes as set forth in Phlx's rules are replicated in NOM's rules.¹⁰

The Exchange is proposing to incorporate by reference the entirety of Phlx's rules relating to position limits with respect to options overlying the MSCI and PHLX Indexes. This

8, 2012) (SR-NASDAQ-2012-092) (an immediately effective filing relating to option [sic] on the MSCI EM and MSCI EAFE Index [sic]) and 67105 (June 4, 2012), 77 FR 34110 (June 8, 2012) (SR-NASDAQ-2012-065) (an immediately effective filing relating to strike price intervals and position limits for OSX, SOX and HGX).

⁶ Id. Today, this does not include the application of Phlx exemptions.

⁷ Id.

⁸ Id.

⁹ See Phlx Rules [sic] 1001A Position Limits. See also NOM Rules at Chapter XIV, Section 5(d) and Section 7(d) which replicate the Phlx position limits for the MSCI and Phlx Indexes within the NOM Rules.

¹⁰ See Phlx Rules [sic] 1001A Position Limits. See also NOM Rules at Chapter XIV, Section 7(d) and (e) which replicate the Phlx position limits for Phlx Indexes within the NOM Rules.

would allow NOM Options Participants desiring to trade options on the MSCI and PHLX Indexes to avail themselves of the same exemptions as Phlx members receive today.

To this end, the Exchange is proposing to amend Chapter XIV, Section 5 to state that the applicable Phlx position limit rules would apply to the MSCI EAFE and MSCI EM broad-based index options. Also, the Exchange would amend Chapter XIV, Section 7 to state that the applicable Phlx position limit rules would apply to PHLX Oil Service SectorSM index (OSX), PHLX Semiconductor SectorSM Index (SOX) and PHLX Housing SectorTM Index (HGX) industry and micro-narrow based index options. The Exchange proposes to remove section (d) of Chapter XIV, Section 5 and sections (d) and (e) of Chapter XIV, Section 7 as that rule text is no longer necessary because all applicable Phlx position limit rules and exemptions would apply going forward to the MSCI and PHLX Indexes.

2. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act¹¹ in general, and furthers the objectives of Section 6(b)(5) of the Act¹² in particular, in that it is designed to promote just and equitable principles of trade, 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, by providing NOM Options Participants that desire to transact options on MSCI and PHLX Indexes the ability to avail themselves of the same position limit rules and exemptions as Phlx members. It was the intent of the Exchange to list and trade options on the MSCI and PHLX Indexes in the same manner as those index options are traded on Phlx. This would include providing the same position limit rules and exemptions on position limits as are permitted on Phlx. The Exchange believes that permitting applicable Phlx position

¹¹ 15 U.S.C. 78f(b).

¹² 15 U.S.C. 78f(b)(5).

limit exemption rules, in addition to position limits, to be applied will ensure that the same exemptions would apply to options on the MSCI and PHLX Indexes on both NOM and Phlx.

Today the CBOE rules are applied on NOM in the same manner as the Exchange proposes to apply Phlx rules relating to position limits and exemptions. Those index options which trade on CBOE and NOM are subject to applicable CBOE rules with respect to index option position limits and exemptions. The Exchange believes that because NOM does not have its own rules governing exemptions, applying the CBOE position limit rules, including exemptions, ensures that NOM Options Participants are able to trade index options in much the same manner as they are traded on CBOE, subject to the same regulatory requirements. The Exchange is proposing to similarly apply Phlx rules in the same manner with respect to the MSCI and PHLX Indexes. The Exchange believes that this filing is non-controversial because it seeks to apply the rules of another self-regulatory organization to NOM Options Participants in the same way as those rules apply today to Phlx members trading the MSCI and PHLX Indexes.

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

No written comments were either solicited or received.

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

Because the 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 after the date of the filing, or such shorter time as the Commission may

designate, the proposed rule change has become effective pursuant to Section 19(b)(3)(A) of the Act¹³ and Rule 19b-4(f)(6) thereunder.¹⁴

A proposed rule change filed pursuant to Rule 19b-4(f)(6) under the Act¹⁵ normally does not become operative for 30 days after the date of its filing. However, Rule 19b-4(f)(6)¹⁶ permits the Commission to designate a shorter time if such action is consistent with the protection of investors and the public interest. The Exchange has asked the Commission to waive the 30-day operative delay. The Exchange believes that doing so would provide NOM Options Participants with the ability to utilize position limit exemptions for the MCSI and PHLX Indexes and trade options on those indexes in the same manner as Phlx members. The Commission believes that waiving the 30-day operative delay is consistent with the protection of investors and the public interest. Therefore, the Commission hereby waives the 30-day operative delay and designates the proposal operative upon filing.¹⁷

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.

¹³ 15 U.S.C. 78s(b)(3)(A).

¹⁴ 17 CFR 240.19b-4(f)(6). As required under Rule 19b-4(f)(6)(iii), the Exchange provided the Commission with written notice of its intent to file the proposed rule change along with a brief description and the text of 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.

¹⁵ 17 CFR 240.19b-4(f)(6).

¹⁶ 17 CFR 240.19b-4(f)(6).

¹⁷ For purposes only of waiving the 30-day operative delay, the Commission has considered the proposed rule's impact on efficiency, competition, and capital formation. See 15 U.S.C. 78c(f).

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-2012-121 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-2012-121. 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-2012-121 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.¹⁸

Kevin M. O'Neill
Deputy Secretary

¹⁸ 17 CFR 200.30-3(a)(12).