Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the “Act”)\(^1\) and Rule 19b-4 thereunder,\(^2\) notice is hereby given that, on May 3, 2011, The NASDAQ Stock Market LLC (“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 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 Securities and Exchange Commission (“Commission”) a proposal for the NASDAQ Options Market (“NOM”) to amend Chapter VI, Trading Systems, Section 1, Definitions, to adopt a “One-cancels-the-other” order type, as described further below.

This change is scheduled to be implemented on NOM on or about August 1, 2011; the Exchange will announce the implementation schedule by Options Trader Alert, once the rollout schedule is finalized.

The text of the proposed rule change is available at [nasdaq.cchwallstreet.com](http://nasdaq.cchwallstreet.com), at NASDAQ’s principal office, and at the Commission’s Public Reference Room.

---


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 introduce a new order type to assist Market Makers with their market making requirements under NOM rules. Currently, on NOM, an Options Market Maker is a Participant\(^3\) registered with NASDAQ as a Market Maker.\(^4\) Market Makers on NOM have certain obligations such as maintaining two-sided markets and participating in transactions that are “reasonably calculated to contribute to the maintenance of a fair and orderly market."\(^5\) The Exchange recently amended its rules to: (a) require market maker assignment by option rather than by series; (b) adopt a $5 quotation spread parameter; and (c) amend the quoting requirement for Market Makers.\(^6\)

\(^3\) The term "Options Participant" or "Participant" means a firm or organization that is registered with the Exchange pursuant to Chapter II of the NOM Rules for purposes of participating in options trading on NOM as a "Nasdaq Options Order Entry Firm" or "Nasdaq Options Market Maker."

\(^4\) See NOM Rules, Chapter VII, Section 2.

\(^5\) See NOM Rules, Chapter VII, Section 5(a).

Today, Market Makers comply with their obligation to make a two-sided market by submitting orders into the NOM System, because NOM is designed as an order-driven system. For example, in the current rules, the terms “bid,” “offer,” and “quote” are defined in terms of an order, and the term "quote" generally refers to the bid/offer of a Market Maker. These terms would remain the same.

Under this proposal, Market Makers will continue to be able to submit orders to fulfill their two-sided market making obligation, but will also be able to submit a two-sided order, called a “one-cancels-the-other” order, consisting of both a bid and an offer; specifically, it consists of a buy order and a sell order treated as a unit. The new “one-cancels-the-other” order is part of a technological enhancement intended to offer to Market Makers a two-sided alternative, rather than having to enter two separate orders each with a bid or offer. Accordingly, the Exchange proposes to amend its rules to reflect the new two-sided order. Specifically, the new order type is being added to Chapter VI, Section 1(e) as new subparagraph (9).

Because NOM Rules require that when there is a bid from a Market Maker there must also be an offer, in the case of the new two-sided order, if after entry into the System either the bid or offer side is fully executed, the side that is unexecuted is canceled and returned to the entering Market Maker. Similarly, the new two-sided order is not routable.

The Exchange believes that this new order type is a useful, additional method of entering orders for Market Makers; the new order type should aid Market Makers in complying with their continuous quoting obligations by using this two-sided order rather than two separate orders. Market Maker obligations are not changing in this proposal.

See NOM Rules, Chapter VII, Section 6(b), which provides that a Market Maker that enters a bid (offer) in a series in which he is registered on NOM must enter an offer (bid).
2. **Statutory Basis**

The Exchange believes that its proposal is consistent with Section 6(b) of the Act\(^8\) in general, and furthers the objectives of Section 6(b)(5) of the Act\(^9\) 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. The Exchange believes that the proposal is appropriate and reasonable, because it offers an additional method for Market Makers to comply with their quoting obligations. The Exchange also believes that the proposal is consistent with the obligation in Section 6(b)(5) that the proposal not be designed to permit unfair discrimination between customers, issuers, brokers, or dealers. Although the new order type is only available to Market Makers, only Market Makers are required by the Exchange’s rules to provide a continuous, two-sided market, which the new order type is intended to facilitate. It is not unfairly discriminatory because it is intended to assist Market Makers in complying with their continuous quoting obligations, including providing two-sided markets.

**B. Self-Regulatory Organization’s Statement on Burden on Competition**

NASDAQ does not believe that the proposed rule change will result in any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act, as amended.

**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; 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 Section 19(b)(3)(A) of the Act\(^\text{10}\) and Rule 19b-4(f)(6)\(^\text{11}\) 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:


\(^{11}\) 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.
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-2011-065 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-2011-065. 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 such 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-2011-065 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.\textsuperscript{12}

Elizabeth M. Murphy
Secretary

\textsuperscript{12} 17 CFR 200.30-3(a)(12).