

SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34-67582; File No. SR-NASDAQ-2012-092)

August 2, 2012

Self-Regulatory Organizations; The NASDAQ Stock Market LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change Relating to Options on the MSCI EM and MSCI EAFE Indexes

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”),<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on July 24, 2012, The NASDAQ Stock Market LLC (“NASDAQ” or “Exchange”) filed with the Securities and Exchange Commission (“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 LLC (“NASDAQ” or “Exchange”) proposes to amend the rules of The NASDAQ Options Market LLC (“NOM”) at Sections 2, 3, 5, 10, 11 and 13 of Chapter XIV, entitled “Index Rules” to list and trade options on the MSCI EM Index based upon the Full Value MSCI Emerging Markets (“EM”) Index (“MSCI EM Index”) and the MSCI EAFE (Europe, Australasia, and the Far East) Index based upon the Full Value MSCI EAFE Index (“MSCI EAFE Index”).<sup>3</sup>

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.

---

<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 17 CFR 240.19b-4.

<sup>3</sup> NASDAQ has entered into a license agreement with MSCI Inc. to list these products.

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 purpose of the proposed rule change is to amend Sections 2 (Definitions), 3 (Designation of A Broad-Based Index), 5 (Position Limits for Broad-Based Index Options), 10 (Trading Sessions) and 11 (Terms of Index Options Contracts) of Chapter XIV, entitled “Index Rules” to list and trade P.M.-cash-settled, European-style options, on the MSCI EM and MSCI EAFE Indexes. The Exchange also proposes to amend Section 13 (Disclaimers) of Chapter XIV to add detailed information pertaining to the indexes as required by the licensor including, but not limited to, liability and other representations on the part of MSCI Inc.

The MSCI EM Index is a free float-adjusted market capitalization index<sup>4</sup> that is designed to measure equity market performance of emerging markets. The MSCI EM Index consists of component securities from the following twenty-one (21) emerging market countries: Brazil, Chile, China, Colombia, Czech Republic, Egypt, Hungary, India, Indonesia, Korea, Malaysia, Mexico, Morocco, Peru, Philippines, Poland, Russia, South Africa, Taiwan, Thailand, and Turkey.

---

<sup>4</sup> The free float adjusted market capitalization is used to calculate the weights of the securities in the indices. MSCI defines the free float of a security as the proportion of shares outstanding that is deemed to be available for purchase in the public equity markets by international investors.

The MSCI EAFE Index is a free float-adjusted market capitalization index that is designed to measure the equity market performance of developed markets, excluding the U.S. and Canada. The MSCI EAFE Index consists of component securities from the following twenty-two (22) developed market countries: Australia, Austria, Belgium, Denmark, Finland, France, Germany, Greece, Hong Kong, Ireland, Israel, Italy, Japan, the Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland, and the United Kingdom.

#### Index Design and Composition

The MSCI EM Index is designed to measure equity market performance in the global emerging markets. The index is maintained by MSCI Inc. (“MSCI”).<sup>5</sup> The index was launched on December 31, 1987. The MSCI EAFE Index is designed to measure international equity performance. It consists of component securities from countries that represent developed markets outside of North America: Europe, Australasia and the Far East. The Index, similar to the MSCI EM Index, is maintained by MSCI. The Index was launched on December 31, 1969.

The MSCI EM Index and the MSCI EAFE Index are reviewed on a semi-annual basis. The index review is based on MSCI’s Global Investable Markets Indices Methodology. A description of the methodology is available at [http://www.msci.com/eqb/methodology/meth\\_docs/MSCI\\_May12\\_IndexCalcMethodology.pdf](http://www.msci.com/eqb/methodology/meth_docs/MSCI_May12_IndexCalcMethodology.pdf).

The MSCI EM Index consists of large and midcap components from countries classified by MSCI as “emerging markets.” The MSCI EAFE Index consists of large and midcap components from countries classified by MSCI as developed and excludes North America.

---

<sup>5</sup> MSCI is a provider of investment decision support tools.

## Index Calculation and Index Maintenance

The base index value of the MSCI EM Index was 100 as of December 31, 1987. The base index value of the MSCI EAFE Index was 100 as of December 31, 1969. On June 1, 2012, the index value of the MSCI EM Index was 893.86. On June 1, 2012, the index value of the MSCI EAFE Index was 1312.34. The MSCI EM Index and the MSCI EAFE Index are calculated in U.S. Dollars on a real time basis from the open of the first market on which the components are traded to the closing of the last market on which the components are traded. The methodology used to calculate the value of the MSCI EM Index and the MSCI EAFE Index is similar to the methodology used to calculate the value of other well-known market-capitalization weighted indexes.<sup>6</sup> The level of the MSCI EM and EAFE Indexes reflect the free float-adjusted market value of the component stocks relative to a particular base date and is computed by dividing the total market value of the companies in each index by its respective index divisor.<sup>7</sup>

Static data is distributed daily to clients through MSCI as well as through major quotation vendors, including Bloomberg L.P. (“Bloomberg”), FactSet Research Systems, Inc. (“FactSet”) and Thomson Reuters (“Reuters”). Real time data is distributed at least every 15 seconds using MSCI’s real-time calculation engine to Reuters, Bloomberg, SIX Telekurs and FactSet.

The MSCI EM Index and the MSCI EAFE Index are monitored and maintained by MSCI. Adjustments to these indexes are made on a daily basis with respect to corporate events

---

<sup>6</sup> Additional information about the methodology for calculating the MSCI EM and the MSCI EAFE Indexes can be found at: [http://www.msci.com/eqb/methodology/meth\\_docs/MSCI\\_May12\\_IndexCalcMethodology.pdf](http://www.msci.com/eqb/methodology/meth_docs/MSCI_May12_IndexCalcMethodology.pdf).

<sup>7</sup> A divisor is an arbitrary number chosen at the starting date of an index to fix the index starting value. The divisor is adjusted periodically when capitalization amendments are made to the constituents of the index in order to allow the index value to remain comparable over time. Without a divisor the index value would change when corporate actions took place and would not reflect the true value of an underlying portfolio based upon the index.

and dividends. The MSCI EM Index and the MSCI EAFE Index are generally updated on a quarterly basis in February, May, August and November of each year to reflect amendments to shares outstanding and free float and full index reviews are conducted on a semi-annual basis in May and November of each year for purposes of rebalancing the indexes.

#### Exercise and Settlement Value

The settlement value for expiring options on the MSCI EM Index and the MSCI EAFE Index would be based on the closing prices of the component stocks on the last trading day prior to expiration, usually a Friday. The last trading day for expiring contracts is the last business day prior to expiration, usually the third Friday of the expiration month. The index multiplier is \$100. The Options Clearing Corporation would be the issuer and guarantor.

#### Contract Specifications

##### MSCI EM Index

The MSCI EM Index is a broad-based index, as defined in Chapter XIV, Section 2(j).<sup>8</sup> Options on the MSCI EM Index would be European-style and P.M. cash-settled.<sup>9</sup> The Exchange's standard trading hours for index options (9:30 a.m. to 4:15 p.m. Eastern Time), as set forth in Chapter XIV, Section 10, would apply to options on the MSCI EM Index. The expiration date for this index option is the Saturday following the third Friday of the expiration month.

The Exchange also notes that the MSCI EM Index is a broad-based index as designated in Chapter XIV, Section 3.<sup>10</sup> In addition, the Exchange proposes to create specific listing and

---

<sup>8</sup> See Chapter XIV, Section 2(j) which defines a broad-based index as representative of a stock market as a whole or of a range of companies in unrelated industries.

<sup>9</sup> See proposed text at Chapter XIV, Section 3 and Section 11(a)(6).

<sup>10</sup> See Chapter XIV, Section 3 for the designation of a broad-based index.

maintenance standards for options on the MSCI EM Index in Chapter XIV, Section 3.

Specifically, in proposed Chapter XIV, Section 3(d)(i)(1) through (10) the Exchange proposes to require that the following conditions are satisfied: (1) The index is broad-based, as defined in Chapter XIV, Section 2(j); (2) Options on the index are designated as P.M.-settled index options; (3) The index is capitalization-weighted, price-weighted, modified capitalization-weighted or equal dollar-weighted; (4) The index consists of 500 or more component securities; (5) All of the component securities of the index will have a market capitalization of greater than \$100 million; (6) No single component security accounts for more than fifteen percent (15%) of the weight of the index, and the five highest weighted component securities in the index do not, in the aggregate, account for more than fifty percent (50%) of the weight of the MSCI EM Index; (7) Non-U.S. component securities (stocks or ADRs) that are not subject to comprehensive surveillance agreements do not, in the aggregate, represent more than twenty-two and a half percent (22.5%) of the weight of the index; (8) The current index value is widely disseminated at least once every fifteen (15) seconds by one or more major market data vendors during the time options on the index are traded on the Exchange; (9) The Exchange reasonably believes it has adequate system capacity to support the trading of options on the index, based on a calculation of the Exchange's current Independent System Capacity Advisor (ISCA) allocation and the number of new messages per second expected to be generated by options on such index; and (10) The Exchange has written surveillance procedures in place with respect to surveillance of trading of options on the index.

Additionally, the Exchange proposes to require the following maintenance requirements, as set forth in proposed Chapter XIV, Section 3(d)(ii), for the MSCI EM Index options: (1) the conditions set forth in subparagraphs (d)(i)(1), (2), (3), (4), (7), (8), (9) and (10) must continue to

be satisfied. The conditions set forth in subparagraphs (d)(i)(5) and (6), must be satisfied only as of the first day of January and July in each year; and (2) the total number of component securities in the index may not increase or decrease by more than thirty-five percent (35%) from the number of component securities in the index at the time of its initial listing.

The Exchange believes that the modified initial listing requirements are appropriate for trading options on the MSCI EM Index for various reasons. The Exchange believes that a P.M. settlement<sup>11</sup> is appropriate given the nature of this index, which encompasses multiple markets around the world. Specifically, the MSCI EM Index components open with the start of trading in Asia at 7:00 p.m. Eastern Time (prior day) and close with the end of trading in Mexico and Peru at 4:00 p.m. Eastern Time (the next day) as closing prices from Brazil, Chile, Peru and Mexico, including late prices,<sup>12</sup> are accounted for in the closing calculation. The closing index level value is distributed by MSCI around 6:00 p.m. Eastern Time each trading day.<sup>13</sup> The index has a higher market capitalization requirement than other broad based indexes. The MSCI EM Index currently contains more than 800 components and no single component comprises more than 5% of the index, making it not easily subject to market manipulation. Therefore, because the MSCI EM Index has a large number of component securities, representative of many countries, and trades a large volume with respect to ETFs today, the Exchange believes that the initial listing requirements are appropriate to trade options on this index. In addition, similar to other broad

---

<sup>11</sup> The settlement value of a P.M.-settled index option is based on closing prices of the component securities.

<sup>12</sup> Late prices indicate that while the last real-time stock tick comes in at 4 p.m. Eastern Time, the index will stay open for another few minutes to allow any late price information to be obtained. At 4:30 p.m. Eastern Time the final foreign currency rates are applied and the last real-time index value is disseminated.

<sup>13</sup> NYSE Liffe futures based on the MSCI EM Index utilize these P.M. closing prices.

based index options, the Exchange proposes various maintenance requirements, which require continual compliance and periodic compliance.

#### MSCI EAFE Index

The MSCI EAFE Index is a broad-based index, as defined in Chapter XIV, Section 2(j). Options on the MSCI EAFE Index would be European-style and P.M.-cash-settled.<sup>14</sup> The Exchange's standard trading hours for index options (9:30 a.m. to 4:15 p.m. Eastern), as set forth in Chapter XIV, Section 10 would apply to options on the MSCI EAFE Index, with one exception. With respect to the MSCI EAFE Index, on the last trading day prior to expiration, transactions may be effected on the Exchange until 11:00 a.m. Eastern Time.<sup>15</sup> The expiration date for this index option is the Saturday following the third Friday of the expiration month.

The Exchange also notes that the MSCI EAFE Index is a broad-based index as designated in Chapter XIV, Section 3.<sup>16</sup> In addition, the Exchange proposes to create specific listing and maintenance standards for options on the MSCI EAFE Index in Chapter XIV, Section 3. Specifically, in proposed Chapter XIV, Section 3(e)(i)(1) through (10), the Exchange proposes to require that the following conditions are satisfied: (1) The index is broad-based, as defined in Chapter XIV, Section 2(j); (2) Options on the index are designated as P.M.-settled index options; (3) The index is capitalization-weighted, price-weighted, modified capitalization-weighted or equal dollar-weighted; (4) The index consists of 500 or more component securities; (5) All of the component securities of the index will have a market capitalization of greater than \$100 million; (6) No single component security accounts for more than fifteen percent (15%) of the weight of

---

<sup>14</sup> See text at Chapter XIV, Section 3 and Section 11(a)(6).

<sup>15</sup> See proposed text at Chapter XIV, Section 10. The expiration date for options on the MSCI EAFE index is the Saturday following the third Friday of the expiration month. These options expire each month of the calendar year.

<sup>16</sup> See Chapter XIV, Section 3 for the designation of a broad-based index.



the index, and the five highest weighted component securities in the index do not, in the aggregate, account for more than fifty percent (50%) of the weight of the MSCI EAFE Index; (7) Non-U.S. component securities (stocks or ADRs) that are not subject to comprehensive surveillance agreements do not, in the aggregate, represent more than twenty percent (20%) of the weight of the index; (8) The current index value is widely disseminated at least once every fifteen (15) seconds by one or more major market data vendors during the time options on the index are traded on the Exchange; (9) The Exchange reasonably believes it has adequate system capacity to support the trading of options on the index, based on a calculation of the Exchange's current Independent System Capacity Advisor (ISCA) allocation and the number of new messages per second expected to be generated by options on such index; and (10) The Exchange has written surveillance procedures in place with respect to surveillance of trading of options on the index.

Additionally, the Exchange proposes to require the following maintenance requirements, as set forth in proposed Chapter XIV, Section 3(e)(ii), for the MSCI EAFE Index options: (1) the conditions set forth in subparagraphs (e)(i)(1), (2), (3), (4), (7), (8), (9) and (10) must continue to be satisfied. The conditions set forth in subparagraphs (e)(i)(5) and (6), must be satisfied only as of the first day of January and July in each year; and (2) the total number of component securities in the index may not increase or decrease by more than thirty-five percent (35%) from the number of component securities in the index at the time of its initial listing.

The Exchange believes that the modified initial listing requirements are appropriate for trading options on the MSCI EAFE Index for various reasons. The Exchange believes that a

P.M. settlement<sup>17</sup> is appropriate given the nature of this index, which encompasses multiple markets around the world. Specifically, the MSCI EAFE Index components open with the start of trading in Asia at 6:00 p.m. Eastern Time (prior day) and close with the end of trading in Europe at 12:30 p.m. Eastern Time (the next day) as closing prices from Ireland are accounted for in the closing calculation. The closing index level value is distributed by MSCI between 2:00 and 2:30 p.m. Eastern Time each trading day.<sup>18</sup> The index has a higher market capitalization requirement than other broad based index options. The MSCI EAFE Index currently contains more than 900 components and no single component comprises more than 5% of the index, making it not easily subject to market manipulation. Therefore, because the MSCI EAFE Index has a large number of component securities, representative of many countries, and trades a large volume with respect to ETFs today,<sup>19</sup> the Exchange believes that the initial listing requirements are appropriate to trade options on this index. In addition, similar to other broad based indexes, the Exchange proposes various maintenance requirements, which require continual compliance and periodic compliance.

Exchange Rules that apply to the trading of options on broad-based indexes also would apply to options on the Full Value MSCI EM Index and the Full Value MSCI EAFE Index. The trading of these options also would be subject to, among others, Exchange Rules governing margin requirements and trading halt procedures for index options.<sup>20</sup> Pursuant to proposed Chapter XIV, Section 5, the Exchange notes that the position limits for the MSCI EM Index

---

<sup>17</sup> The settlement value of a P.M.-settled index option is based on closing prices of the component securities.

<sup>18</sup> NYSE Liffe futures based on the MSCI EAFE Index utilize these P.M. closing prices.

<sup>19</sup> The MSCI EAFE ETF is one of the top ten ETFs in the United States based on assets.

<sup>20</sup> See Chapter XIII, Section 3 (Margin Requirements), Chapter XIII, Section 4 (Margin Required is Minimum) and Chapter XIV, Section 10 (Trading Sessions).

option and the MSCI EAFE Index option will be 25,000 contracts on the same side of the market.<sup>21</sup> The Exchange proposes to apply existing index option margin requirements for the purchase and sale of options on the MSCI EM Index and the MSCI EAFE Index.<sup>22</sup>

The Exchange proposes to set strike price intervals for these options at \$2.50 when the strike price of Full Value MSCI EM Index and the Full Value MSCI EAFE Index options are below \$200, and at least \$5.00 strike price intervals otherwise.<sup>23</sup> The minimum quoting increments for options contracts traded on NOM are \$0.05 for series trading below \$3.00 and \$0.10 for a series trading at or above \$3.00.<sup>24</sup> The minimum trading increment for options contracts traded on NOM is one cent for all series.<sup>25</sup>

Pursuant to Chapter XIV, Section 11, the Exchange proposes to open at least one expiration month and one series for each class of index options open for trading on the Exchange.<sup>26</sup> New series of index options contracts may be added up to the fifth business day prior to expiration.<sup>27</sup> When new series of index options with a new expiration date are opened for trading, or when additional series of index options in an existing expiration date are opened for trading as the current value of the underlying index to which such series relate moves substantially from the exercise prices of series already opened, the exercise prices of such new or

---

<sup>21</sup> See proposed text at Chapter XIV, Section 5(d). The exercise limits would also be 25,000 contracts as per Chapter XIV, Section 9 (Exercise Limits).

<sup>22</sup> See Chapter XII [sic], Section 3.

<sup>23</sup> See Chapter IV, Section 6 [sic].

<sup>24</sup> See Chapter VI, Section 5(a).

<sup>25</sup> See Chapter VI, Section 5(b). NOM, unlike NASDAQ OMX PHLX LLC (“Phlx”), has the ability to accept non-displayed pennies. See Chapter VI, Section 1(e)(6) defining Price Improving Orders.

<sup>26</sup> See Chapter XIV, Section 11.

<sup>27</sup> See Chapter XIV, Section 11(c)(2).

additional series shall be reasonably related to the current value of the underlying index at the time such series are first opened for trading.<sup>28</sup>

NOM proposes to define a P.M.-Settled Index Option at Chapter XIV, Section 11(a)(6). The last day of trading for P.M.-settled index options, which would include the options on the MSCI EM and MSCI EAFE Indexes, would be the business day prior to expiration. The current index value at expiration for these indexes would be determined by the last reported sale price of each component security. In the event that the primary market for the underlying security does not open for trading on the business day prior to expiration, the price would be the last reported sale price prior to expiration.

NOM may open for trading additional series of the same class of index options as the current index value of the underlying index moves substantially from the exercise price of those index options that already have been opened for trading on NOM. The exercise price of each series of index options opened for trading on NOM shall be reasonably related to the current index value of the underlying index to which such series relates at or about the time such series of options is first opened for trading on NOM.<sup>29</sup>

Options on the MSCI EM Index and the MSCI EAFE Index would be subject to the same rules that presently govern all Exchange index options, including sales practice rules, margin

---

<sup>28</sup> See Chapter XIV, Section 11(c)(3). In the case of all classes of index options, the term “reasonably related to the current value of the underlying index” shall have the meaning set forth in Chapter XIV, Section 11(c)(4) below.

<sup>29</sup> See Chapter XIV, Section 11(c)(4). The term “reasonably related to the current index value of the underlying index” means that the exercise price is within thirty percent (30%) of the current index value. NOM may also open for trading additional series of index options that are more than thirty percent (30%) away from the current index value, provided that demonstrated customer interest exists for such series, as expressed by institutional, corporate, or individual customers or their brokers. Market-makers trading for their own account shall not be considered when determining customer interest under this provision.

requirements and trading rules. These Exchange Rules are designed to protect public customer trading.

The Exchange proposes to require a 25,000 position and exercise limit for the MSCI EM and MSCI EAFE index options.<sup>30</sup> Specifically [sic], Chapter XI, Section 7 prohibits a NASDAQ Options Order Entry Firm (“OEF”) from accepting a Public Customer order to purchase or write an options contract unless the Public Customer’s account has been approved for options transactions in accordance with Chapter XI, Section 7.<sup>31</sup> Additionally, Chapter XI, Section 9, regarding suitability, is designed to ensure that options are only sold to Public Customers capable of evaluating and bearing the risks associated with trading in this instrument.<sup>32</sup> Further, Chapter XI, Section 10 (Discretionary Accounts) permits OEFs to exercise discretionary power with respect to trading in options contracts in a Public Customer’s account only if the OEF has received prior written authorization and the account had been accepted in writing by a Registered Options and Security Futures Principal.<sup>33</sup> Finally, Chapter XI, Section 8 (Supervision of Accounts), Chapter XI, Section 11 (Confirmation to Public Customers), and Chapter XI, Section 15 (Delivery of Current Options Disclosure Documents and Prospectus) will also apply to trading in options on the MSCI EM Index and MSCI EAFE Index.

#### Surveillance and Capacity

The Exchange represents that it has an adequate surveillance program in place for options on the MSCI EM Index and the MSCI EAFE Index and intends to apply those same procedures that it applies to the Exchange’s other index options. Additionally, the Exchange is a member of

---

<sup>30</sup> See proposed text at Chapter XIV, Section 5(d).

<sup>31</sup> See Chapter XI, Section 7 (Opening of Accounts).

<sup>32</sup> See Chapter XI, Section 9 (Suitability of Recommendations).

<sup>33</sup> See Chapter XI, Section 10.

the Intermarket Surveillance Group (“ISG”) under the Intermarket Surveillance Group Agreement, dated June 20, 1994. The members of the ISG include all of the national securities exchanges. ISG members work together to coordinate surveillance and share information regarding the stock and options markets. In addition, the major futures exchanges are affiliated members of the ISG, which allows for the sharing of surveillance information for potential intermarket trading abuses. In addition, the Exchange is an affiliate member of the International Organization of Securities Commissions (“IOSCO”). IOSCO has members from over 100 different countries. Each of the countries from which there is a component security in the MSCI EM Index and the MSCI EAFE Index is a member of IOSCO. These members regulate more than 90 percent of the world’s securities markets. Additionally, the Exchange has entered into various Information Sharing Agreements and/or Memoranda of Understandings with various stock exchanges. Given the capitalization of these indexes and the deep and liquid markets for the securities underlying both the MSCI EM Index and the MSCI EAFE Index, the concerns for market manipulation and/or disruption in the underlying markets are greatly reduced. There is also an active trading volume for the ETFs on the MSCI EM Index, and additionally the MSCI EAFE ETF is one of the top ten ETFs in the United States based on assets and volume.

The Exchange also represents that it has the necessary systems capacity to support the new options series that would result from the introduction of options on the Full Value MSCI EM Index and the Full Value MSCI EAFE Index.

Finally, the Exchange proposes to add text to provide additional detailed information pertaining to the indexes as required by the licensor, including but not limited to, liability and other representations on the part of MSCI Inc.<sup>34</sup>

---

<sup>34</sup> See proposed text at Chapter XIV, Section 13.

## 2. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act<sup>35</sup> in general, and furthers the objectives of Section 6(b)(5) of the Act<sup>36</sup> in particular, in that it will permit trading in options on Full Value MSCI EM Index and the Full Value MSCI EAFE Index pursuant to rules designed to prevent fraudulent and manipulative acts and practices, to protect investor and the public interest, and to promote just and equitable principles of trade.

The Exchange believes that because the MSCI EM Index currently contains more than 800 components and no single component comprises more than 5% of the index, it is not easily subject to market manipulation. The MSCI EAFE Index currently contains more than 900 components and no single component comprises more than 5% of the index, therefore it is not easily subject to market manipulation. Given the capitalization of these indexes and the deep and liquid markets for the securities underlying both the MSCI EM Index and the MSCI EAFE Index, the concerns for market manipulation and/or disruption in the underlying markets are greatly reduced. There is an active trading volume for the ETFs on the MSCI EM Index, and additionally the MSCI EAFE ETF is one of the top ten in the United States based on assets and trades a large volume with respect to ETFs today.

Further, because both the MSCI EM Index and the MSCI EAFE Index have large numbers of component securities, are representative of many countries, and trade a large volume with respect to ETFs today, the Exchange believes that the respective initial listing requirements are appropriate to trade options on each of these indexes. In addition, similar to other broad based index options, the Exchange proposes various maintenance requirements, which require continual compliance and periodic compliance.

---

<sup>35</sup> 15 U.S.C. 78f(b).

<sup>36</sup> 15 U.S.C. 78f(b)(5).

The trading of these options also would be subject to, among others, Exchange Rules governing margin requirements<sup>37</sup> and trading halt procedures for index options.<sup>38</sup> The Exchange would apply the same position limits, namely 25,000 contracts on the same side of the market for the MSCI EM Index option and the MSCI EAFE Index option, as is the case today for these same index options on Phlx. The Exchange proposes to apply existing index option margin requirements for the purchase and sale of options on the MSCI EM Index and the MSCI EAFE Index.

The Exchange represents that it has an adequate surveillance program in place for options on these indexes. The Exchange also represents that it has the necessary systems capacity to support the new options series. As stated in this filing, the Exchange has rules in place designed to protect public customer trading.

With respect to the early closing of options on the MSCI EAFE Index on the last trading day prior to expiration, the Exchange believes that because these hours are similar to MSCI EAFE futures products, this would align both options and futures on the MSCI EAFE Index. The Exchange also believes that aligning the trading hours for products which trade on the MSCI EAFE Index would provide investors and market makers a greater ability to hedge.

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. To the contrary, the Exchange believes that listing these products on NOM will provide investors with another venue to trade options on the MSCI EM and MSCI EAFE Indexes.

---

<sup>37</sup> See Chapter XIII, Sec. 3 (Margin Requirements).

<sup>38</sup> See Chapter XIV, Sec. 10 (Trading Sessions).



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 foregoing proposed rule change: (1) does not significantly affect the protection of investors or the public interest; (2) does not impose any significant burden on competition; and (3) by its terms does not become operative for 30 days after the date of this filing, or such shorter time as the Commission may designate if consistent with the protection of investors and the public interest, the proposed rule change has become effective pursuant to Section 19(b)(3)(A) of the Act<sup>39</sup> and Rule 19b-4(f)(6) thereunder.<sup>40</sup>

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.

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

---

<sup>39</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>40</sup> 17 CFR 240.19b-4(f)(6). In addition, Rule 19b-4(f)(6)(iii) requires a self-regulatory organization to provide the Commission with written notice of its intent to file the proposed rule change, along with a brief description and 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. The Exchange has fulfilled this requirement.

- Send an e-mail to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include File Number SR-NASDAQ-2012-092 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-2012-092. 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-2012-092 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.<sup>41</sup>

Kevin M. O'Neill  
Deputy Secretary

---

<sup>41</sup> 17 CFR 200.30-3(a)(12).