Proposed Rule Change by NASDAQ Stock Market

Pursuant to Rule 19b-4 under the Securities Exchange Act of 1934

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<th>Initial *</th>
<th>Amendment *</th>
<th>Withdrawal</th>
<th>Section 19(b)(2) *</th>
<th>Section 19(b)(3)(A) *</th>
<th>Section 19(b)(3)(B) *</th>
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Extension of Time Period for Commission Action * Date Expires *

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<th>Pilot</th>
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Description

Provide a brief description of the proposed rule change (limit 250 characters, required when Initial is checked *).

A proposed rule change to extend the pilot period of amendments to NASDAQ Rule 11890, governing clearly erroneous executions, so that the pilot will now expire on July 31, 2012.

Contact Information

Provide the name, telephone number and e-mail address of the person on the staff of the self-regulatory organization prepared to respond to questions and comments on the proposed rule change.

First Name * Sean Last Name * Bennett
Title * Assistant General Counsel
E-mail * sean.bennett@nasdaqomx.com
Telephone * (301) 978-8499 Fax (301) 978-8472

Signature

Pursuant to the requirements of the Securities Exchange Act of 1934,

has duly caused this filing to be signed on its behalf by the undersigned thereunto duly authorized officer.

Date 01/12/2012
By Edward S. Knight Executive Vice President and General Counsel
(Name *)

NOTE: Clicking the button at right will digitally sign and lock this form. A digital signature is as legally binding as a physical signature, and once signed, this form cannot be changed.
If the self-regulatory organization is amending only part of the text of a lengthy proposed rule change, it may, with the Commission's permission, file only those portions of the text of the proposed rule change in which changes are being made if the filing (i.e., partial amendment) is clearly understandable on its face. Such partial amendment shall be clearly identified and marked to show deletions and additions.
1. **Text of Proposed Rule Change**

Pursuant to the provisions of Section 19(b)(1) under the Securities Exchange Act of 1934 (“Act”), and Rule 19b-4 thereunder, The NASDAQ Stock Market LLC (“Exchange”) is filing with the Securities and Exchange Commission (“Commission”) a proposal to extend the pilot period of amendments to NASDAQ Rule 11890, governing clearly erroneous executions, so that the pilot will now expire on July 31, 2012.

(a) The text of the proposed rule change is below. Proposed new language is underlined; proposed deletions are in brackets.

**11890. Clearly Erroneous Transactions**

The provisions of paragraphs (C), (c)(1), (b)(i), and (b)(ii) of this Rule, as amended on September 10, 2010, shall be in effect during a pilot period set to end on July 31, 2012 [January 31, 2012]. If the pilot is not either extended or approved permanent by July 31, 2012 [January 31, 2012], the prior versions of paragraphs (C), (c)(1), and (b) shall be in effect.

(a) – (f) No change.

2. **Procedures of the Self-Regulatory Organization**

The proposed rule change was approved by senior management of the Exchange pursuant to authority delegated by the Board of Directors of the Exchange on May 29, 2010. Exchange staff will advise the Board of Directors of the Exchange of any action taken pursuant to delegated authority. No other action by the Exchange is necessary for the filing of the rule change.

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Questions regarding this rule proposal may be directed to T. Sean Bennett, Assistant General Counsel, The NASDAQ OMX Group, at (301) 978-8499 (telephone) or (301) 978-8472 (fax).

3. **Self-Regulatory Organization’s Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change**

   a. **Purpose**

   On September 10, 2010, the Commission approved, for a pilot period to end December 10, 2010, a proposed rule change submitted by the Exchange, together with related rule changes of the BATS Exchange, Inc., NASDAQ OMX BX, Inc., Chicago Board Options Exchange, Incorporated, Chicago Stock Exchange, Inc., EDGA Exchange, Inc., EDGX Exchange, Inc., International Securities Exchange LLC, New York Stock Exchange LLC, NYSE Amex LLC, NYSE Arca, Inc., and National Stock Exchange, Inc., to amend certain of their respective rules to set forth clearer standards and curtail discretion with respect to breaking erroneous trades.\(^3\) The changes were adopted to address concerns that the lack of clear guidelines for dealing with clearly erroneous transactions may have added to the confusion and uncertainty faced by investors on May 6, 2010. On December 7, 2010, the Exchange filed an immediately effective filing to extend the existing pilot program for four months, so that the pilot would expire on April 11, 2011.\(^4\) On March 31, 2011, the Exchange filed an immediately effective filing to extend the existing pilot program for four months, so that the pilot would expire on the earlier of August 11, 2011 or the date on which a limit up / limit down mechanism to

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address extraordinary market volatility, if adopted, applies.\textsuperscript{5} On August 5, 2011, the Exchange filed an immediately effective filing removed language from the rule that tied the expiration of the pilot to the adoption of a limit up / limit down mechanism to address extraordinary market volatility, and further extended the pilot period, so that the pilot would expire on January 31, 2012.\textsuperscript{6} On August 8, 2011, the Exchange filed an immediately effective filing to amend Rule 11890 so that it would continue to operate in the same manner after changes to the single stock trading pause process became effective.\textsuperscript{7}

The Exchange believes that the pilot program has been successful in providing greater transparency and certainty to the process of breaking erroneous trades. The Exchange also believes that an additional extension of the pilot is warranted so that it may continue to monitor the effects of the pilot on the markets and investors, and consider appropriate adjustments, as necessary.

Accordingly, the Exchange is filing to further extend the pilot program until July 31, 2012.

b. Statutory Basis

The statutory basis for the proposed rule change is Section 6(b)(5) of the Securities Exchange Act of 1934 (the “Act”),\textsuperscript{8} which requires the rules of an exchange to promote just and equitable principles of trade, to remove impediments to and perfect the


\textsuperscript{8} 15 U.S.C. 78f(b)(5).
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 change also is designed to support the principles of Section 11A(a)(1) of the Act in that it seeks to assure fair competition among brokers and dealers and among exchange markets. The Exchange believes that the proposed rule meets these requirements in that it promotes transparency and uniformity across markets concerning decisions to break erroneous trades.

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

   The Exchange 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.

5. **Self-Regulatory Organization’s Statement on Comments on the Proposed Rule Change Received from Members, Participants, or Others**

   Not applicable.

6. **Extension of Time Period for Commission Action**

   The Exchange does not consent to an extension of time.

7. **Basis for Summary Effectiveness Pursuant to Section 19(b)(3) or for Accelerated Effectiveness Pursuant to Section 19(b)(2)**

   The foregoing rule change has become effective pursuant to Section 19(b)(3)(A) of the Act and Rule 19b-4(f)(6) thereunder in that it effects a change that: (i) does not significantly affect the protection of investors or the public interest; (ii) does not impose any significant burden on competition; and (iii) by its terms, does not become operative

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for 30 days after the date of the filing, or such shorter time as the Commission may designate if consistent with the protection of investors and the public interest.

The Exchange requests that the Commission waive the 30-day pre-operative waiting period contained in Exchange Act Rule 19b-4(f)(6)(iii).\(^{12}\) The Exchange requests this waiver because it will allow the change to be operative beginning with the first trading day after January 31, 2012, thus allowing the pilot program to continue, uninterrupted. Because similar rule filings are being proposed by multiple market centers, the Exchange believes that extension of this pilot will continue the transparency and uniformity regarding decisions to break erroneous trades provided by the pilot. In particular, the Exchange adopted the pilot rule to address concerns that a lack of clear and uniform guidance concerning breaking of erroneous trades may have added to the confusion and uncertainty faced by investors on May 6, 2010. Further, the Exchange believes that the waiver of the 30-day pre-operative period will serve to avoid investor confusion likely to result from a temporary period during which the pilot is not in operation. As such, the Exchange believes that implementation of proposal should not be delayed, so that it may become operative beginning with the first trading day after January 31, 2012.

8. Proposed Rule Change Based on Rules of Another Self-Regulatory Organization of the Commission

The proposed rule changes are part of a market-wide effort designed to provide transparency and finality with respect to clearly erroneous transactions.

9. **Exhibits**

   1. Completed notice of proposed rule change for publication in the *Federal Register*. 
Self-Regulatory Organizations; The NASDAQ Stock Market LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Extend the Pilot Period of Amendments to the Clearly Erroneous Rule

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 January 12, 2012, The NASDAQ Stock Market LLC ("Exchange"), 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 the Substance of the Proposed Rule Change

The Exchange proposes to extend the pilot period of recent amendments to Rule 11890, concerning clearly erroneous transactions, so that the pilot will now expire on July 31, 2012.

The text of the proposed rule change is below. Proposed new language is underlined; proposed deletions are in brackets.

* * * * *

11890. Clearly Erroneous Transactions

The provisions of paragraphs (C), (e)(1), (b)(i), and (b)(ii) of this Rule, as amended on September 10, 2010, shall be in effect during a pilot period set to end on July 31.


2012[January 31, 2012]. If the pilot is not either extended or approved permanent by July 31, 2012[January 31, 2012], the prior versions of paragraphs (C), (c)(1), and (b) shall be in effect.

(a) – (f) No change.

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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


transactions may have added to the confusion and uncertainty faced by investors on May 6, 2010. On December 7, 2010, the Exchange filed an immediately effective filing to extend the existing pilot program for four months, so that the pilot would expire on April 11, 2011. On March 31, 2011, the Exchange filed an immediately effective filing to extend the existing pilot program for four months, so that the pilot would expire on the earlier of August 11, 2011 or the date on which a limit up / limit down mechanism to address extraordinary market volatility, if adopted, applies. On August 5, 2011, the Exchange filed an immediately effective filing removed language from the rule that tied the expiration of the pilot to the adoption of a limit up / limit down mechanism to address extraordinary market volatility, and further extended the pilot period, so that the pilot would expire on January 31, 2012. On August 8, 2011, the Exchange filed an immediately effective filing to amend Rule 11890 so that it would continue to operate in the same manner after changes to the single stock trading pause process became effective.

The Exchange believes that the pilot program has been successful in providing greater transparency and certainty to the process of breaking erroneous trades. The Exchange also believes that an additional extension of the pilot is warranted so that it

may continue to monitor the effects of the pilot on the markets and investors, and consider appropriate adjustments, as necessary.

Accordingly, the Exchange is filing to further extend the pilot program until July 31, 2012.

2. **Statutory Basis**

The statutory basis for the proposed rule change is Section 6(b)(5) of the Securities Exchange Act of 1934 (the “Act”),\(^8\) which requires the rules of an exchange 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. The proposed rule change also is designed to support the principles of Section 11A(a)(1)\(^9\) of the Act in that it seeks to assure fair competition among brokers and dealers and among exchange markets. The Exchange believes that the proposed rule meets these requirements in that it promotes transparency and uniformity across markets concerning decisions to break erroneous trades.

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

The Exchange 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.

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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 as the Commission may designate, it has become effective pursuant to Section 19(b)(3)(A)(ii) of the Act\(^\text{10}\) and subparagraph (f)(6) of Rule 19b-4 thereunder.\(^\text{11}\)

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. The Exchange has provided the Commission 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.

IV. **Solicitation of Comments**

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether the proposed rule change, as amended, is consistent with the Act. Comments may be submitted by any of the following methods:

- **Electronic comments:**

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• 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-2012-011 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-2012-011. 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 Web site (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 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 offices 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-2012-011, 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.12

Kevin M. O’Neill
Deputy Secretary