Proposed Rule Change by NASDAQ Stock Market

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

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Extension of Time Period for Commission Action *

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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 relating to listing of strike prices.

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 * Angola

Last Name * Dunn

Title * Associate General Counsel

E-mail * angela.dunn@nasdaqomx.com

Telephone * (215) 495-5692

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 02/13/2012

By Edward S. Knight

Executive Vice President and General Counsel

(Note *)

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.

Edward S Knight,
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 the Proposed Rule Change**

(a) Pursuant to the provisions of Section 19(b)(1) under the Securities Exchange Act of 1934 (“Act”)\(^1\) and Rule 19b-4 thereunder,\(^2\) The NASDAQ Stock Market LLC (“NASDAQ” or the “Exchange”) is filing with the Securities and Exchange Commission (“Commission”) a proposed rule change to amend Chapter IV, Section 6 (Series of Options Open for Trading) to permit the listing of strike prices in $0.50 intervals where the strike price is less than $75, and of strike prices in $1.00 intervals where the strike price is between $75 and $150 for option series used to calculate volatility indexes.

A notice of the proposed rule change for publication in the Federal Register is attached hereto as Exhibit 1 and the text of the proposed Rule is attached hereto as Exhibit 5.

(b) Not applicable.

(c) Not applicable.

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

The proposed rule change was approved by senior management of NASDAQ pursuant to authority delegated by the Board of Directors of NASDAQ on August 19, 2011. NASDAQ staff will advise the Board of Directors of NASDAQ of any action taken pursuant to delegated authority. No other action by NASDAQ is necessary for the filing of the rule change.

Questions regarding this rule filing may be directed to Angela Saccomandi Dunn, Associate General Counsel, at (215) 496-5692.

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

   a. **Purpose**

      The purpose of this filing is to amend Chapter IV, Section 6 to permit the listing of strike prices in $0.50 intervals where the strike price is less than $75, and of strike prices in $1.00 intervals where the strike price is between $75 and $150 for option series used to calculate volatility indexes.

      The proposal permits the listing of strike prices in $0.50 intervals and $1.00 intervals within specified strike price ranges for option series used to calculate volatility indexes. Volatility indexes are calculated and disseminated by the Chicago Board Options Exchange ("CBOE"), which also lists options on the resulting index. At this time, the Exchange has no intention of listing volatility options or selecting options on any equity securities, Exchange-Traded Fund Shares, Trust Issued Receipts, Exchange Traded Notes, Index-Linked Securities, or indexes to be the basis of a volatility index. To the extent that CBOE or another exchange selects a multiply-listed product as the basis of a volatility index, proposed Chapter IV, Section 6 would permit the Exchange to list and compete in all series listed by the CBOE or another Exchange for purposes of calculating a volatility index.

      The Exchange has analyzed its capacity and represents that it believes the Exchange and the Options Price Reporting Authority ("OPRA") have the necessary

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3 For example, CBOE calculates the CBOE Gold ETF Volatility Index ("GVZ"), which is based on the VIX methodology applied to options on the SPDR Gold Trust ("GLD"). The current filing would permit $0.50 strike price intervals for GLD options where the strike price is $75 or less. The Exchange is currently permitted to list strike prices in $1 intervals for GLD options (where the strike price is $200 or less), as well as for other exchange-traded fund ("ETF") options. See Chapter IV, Section 6.
systems capacity to handle the additional traffic associated with the listing of strike prices in $0.50 intervals where the strike price is less than $75, and strike prices in $1.00 intervals where the strike price is between $75 and $150 for option series used to calculate volatility indexes in securities selected by the CBOE or another exchange.

b. **Statutory Basis**

The Exchange believes that its proposal is consistent with Section 6(b) of the Act\(^4\) in general, and furthers the objectives of Section 6(b)(5) of the Act\(^5\) 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, by allowing the Exchange to offer a full range of all available option series in a given class, including those selected by other exchanges to be the basis of a volatility index.

While this proposal may potentially generate additional quote traffic, the Exchange does not believe that this increased traffic will become unmanageable since the proposal is restricted to a limited number of classes. Further, the Exchange does not believe that the proposal will result in a material proliferation of additional series because it is restricted to a limited number of classes.

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

The Exchange does not believe that the rule change will impose any burden on competition not necessary or appropriate in furtherance of the purposes of the Act.

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5. **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.

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

The Exchange does not consent to an extension of the time period for Commission action.

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

Pursuant to Section 19(b)(3)(A) of the Act\(^6\) and Rule 19b-4(f)(6)\(^7\) thereunder, the Exchange has designated this proposal as one that 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 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 believes that its rule change proposal is particularly appropriate for filing on an immediately effective basis under paragraph (f)(6) of Rule 19-b(4). In its recent interpretive guidance regarding the self-regulatory organization (“SRO”) rule filing process, the Commission stated that certain SRO proposals “may be filed as an immediately effective rule so long as it is based on and similar to another SRO’s rule” and raises no new policy issues.\(^8\) The rule change proposed herein is based on rule

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\(^7\) 17 CFR. 240.19b-4(f)(6).

changes to CBOE Rule 5.59 and NASDAQ OMX PHLX LLC (“Phlx”) Rule 1012 at Commentary .1210 and does not raise any new policy issues. Filings in this category are eligible to be submitted under paragraph (f)(6) of Rule 19b-4.11

A proposed rule change filed under Rule 19b-4(f)(6) normally does not become operative prior to 30 days after the date of filing. Rule 19b-4(f)(6)(iii), however, permits the Commission to designate a shorter time if such action is consistent with the protection of investors and the public interest. The Exchange requests the Commission to waive the noted operative delay so that the Exchange may, as soon as possible, have the ability to compete with CBOE, NYSE Amex LLC (“NYSE Amex”), Phlx and any other exchanges that have or propose similar rules. Such waiver would help (1) eliminate investor confusion, and address any technical or operative issues that member organizations may experience if the options exchanges had different strike prices for options selected as the basis of a volatility index, and (2) promote competition among the options exchanges. Immediate operability will permit the Exchange to list and trade strikes listed by other exchanges using a similar provision.

Furthermore, Rule 19b-4(f)(6)(iii) requires a self-regulatory organization to give the Commission written notice of its intent to file a proposed rule change under that subsection at least five business days prior to the date of filing, or such shorter time as designated by the Commission. The Exchange has provided such notice.


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: (i) necessary or appropriate in the public interest; (ii) for the protection of investors; or (iii) 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.

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

The proposed rule change is based on a rule change by CBOE, NYSE Amex and Phlx. 12

9. **Exhibits**

1. Notice of proposed rule for publication in the Federal Register.


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SECURITIES AND EXCHANGE COMMISSION  
(Release No.                  ; File No. SR-NASDAQ-2012-026)  
February __, 2012  

Self-Regulatory Organizations; Notice of Filing and Immediate Effectiveness of  
Proposed Rule Change by The NASDAQ Stock Market LLC Relating to Listing of Strike  
Prices  

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 February 13, 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,  
II, and III, below, which Items have been prepared by the 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  

The NASDAQ Stock Market LLC proposes to amend Chapter IV, Section 6  
(Series of Options Open for Trading) to permit the listing of strike prices in $0.50  
intervals where the strike price is less than $75, and of strike prices in $1.00 intervals  
where the strike price is between $75 and $150 for option series used to calculate  
volatility indexes.  

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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.

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 this filing is to amend Chapter IV, Section 6 to permit the listing of strike prices in $0.50 intervals where the strike price is less than $75, and of strike prices in $1.00 intervals where the strike price is between $75 and $150 for option series used to calculate volatility indexes.

The proposal permits the listing of strike prices in $0.50 intervals and $1.00 intervals within specified strike price ranges for option series used to calculate volatility indexes. Volatility indexes are calculated and disseminated by the Chicago Board Options Exchange (“CBOE”), which also lists options on the resulting index.³ At this

³ For example, CBOE calculates the CBOE Gold ETF Volatility Index ("GVZ"), which is based on the VIX methodology applied to options on the SPDR Gold Trust ("GLD"). The current filing would permit $0.50 strike price intervals for GLD options where the strike price is $75 or less. The Exchange is currently permitted to list strike prices in $1 intervals for GLD options (where the strike
time, the Exchange has no intention of listing volatility options or selecting options on any equity securities, Exchange-Traded Fund Shares, Trust Issued Receipts, Exchange Traded Notes, Index-Linked Securities, or indexes to be the basis of a volatility index. To the extent that CBOE or another exchange selects a multiply-listed product as the basis of a volatility index, proposed Chapter IV, Section 6 would permit the Exchange to list and compete in all series listed by the CBOE or another Exchange for purposes of calculating a volatility index.

The Exchange has analyzed its capacity and represents that it believes the Exchange and the Options Price Reporting Authority (“OPRA”) have the necessary systems capacity to handle the additional traffic associated with the listing of strike prices in $0.50 intervals where the strike price is less than $75, and strike prices in $1.00 intervals where the strike price is between $75 and $150 for option series used to calculate volatility indexes in securities selected by the CBOE or another exchange.

2. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act\(^4\) in general, and furthers the objectives of Section 6(b)(5) of the Act\(^5\) 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, by

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allowing the Exchange to offer a full range of all available option series in a given class, including those selected by other exchanges to be the basis of a volatility index.

While this proposal may potentially generate additional quote traffic, the Exchange does not believe that this increased traffic will become unmanageable since the proposal is restricted to a limited number of classes. Further, the Exchange does not believe that the proposal will result in a material proliferation of additional series because it is restricted to a limited number of classes.

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 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 19(b)(3)(A) of the Act\(^6\) and Rule 19b-4(f)(6)\(^7\) thereunder.

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\(^7\) 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
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-2012-026 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-2012-026. 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 proposed rule change, or such shorter time as designated by the Commission. The Exchange has satisfied this requirement.
Commission will post all comments on the Commission’s Internet Web site

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-2012-026 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.8

Kevin M. O’Neill
Deputy Secretary

New text is underlined.

NASDAQ Stock Market Rules

Options Rules

Chapter IV Securities Traded on NOM

Sec. 6 Series of Options Contracts Open for Trading
(a) – (g) No Change

Supplementary Material to Section 6

.01 (a) No Change

(b) For series of options on Exchange-Traded Fund Shares that satisfy the criteria set forth in Chapter IV, Section 3(i) of these Rules, the interval of strike prices may be $1 or greater where the strike price is $200 or less or $5 or greater where the strike price is over $200.

(i) $0.50 and $1 Intervals for Options Used to Calculate Volatility Indexes. Notwithstanding the provisions of this Rule, the Exchange may open for trading series at $0.50 or greater strike price intervals where the strike price is less than $75 and $1.00 or greater strike price intervals where the strike price is between $75 and $150 for options that are used to calculate a volatility index.

(c) –(e) No Change

.02 - .07 No Change

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