

Required fields are shown with yellow backgrounds and asterisks.

Page 1 of * 15	SECURITIES AND EXCHANGE COMMISSION WASHINGTON, D.C. 20549 Form 19b-4	File No.* SR - 2012 - * 041 Amendment No. (req. for Amendments *)
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Proposed Rule Change by NASDAQ Stock Market  
Pursuant to Rule 19b-4 under the Securities Exchange Act of 1934

Initial * <input checked="" type="checkbox"/>	Amendment * <input type="checkbox"/>	Withdrawal <input type="checkbox"/>	Section 19(b)(2) * <input type="checkbox"/>	Section 19(b)(3)(A) * <input checked="" type="checkbox"/>	Section 19(b)(3)(B) * <input type="checkbox"/>
Pilot <input type="checkbox"/> Extension of Time Period for Commission Action * <input type="checkbox"/> Date Expires * <input type="text"/>			Rule		
			<input type="checkbox"/> 19b-4(f)(1)	<input type="checkbox"/> 19b-4(f)(4)	
			<input type="checkbox"/> 19b-4(f)(2)	<input type="checkbox"/> 19b-4(f)(5)	
			<input type="checkbox"/> 19b-4(f)(3)	<input checked="" type="checkbox"/> 19b-4(f)(6)	

Exhibit 2 Sent As Paper Document <input type="checkbox"/>	Exhibit 3 Sent As Paper Document <input type="checkbox"/>
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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 amend Rule 4751f4 to provide that Primary Pegged Orders with an offset amount will not be displayed.

**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 \* Amy Last Name \* Horton  
 Title \* Associate General Counsel  
 E-mail \* amy.horton@nasdaqomx.com  
 Telephone \* (301) 978-8077 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 03/23/2012  
 By Edward S. Knight Executive Vice President and General Counsel  
 (Name \*) (Title \*)

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,**

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

For complete Form 19b-4 instructions please refer to the EFFS website.

**Form 19b-4 Information (required)**

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The self-regulatory organization must provide all required information, presented in a clear and comprehensible manner, to enable the public to provide meaningful comment on the proposal and for the Commission to determine whether the proposal is consistent with the Act and applicable rules and regulations under the Act.

**Exhibit 1 - Notice of Proposed Rule Change (required)**

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The Notice section of this Form 19b-4 must comply with the guidelines for publication in the Federal Register as well as any requirements for electronic filing as published by the Commission (if applicable). The Office of the Federal Register (OFR) offers guidance on Federal Register publication requirements in the Federal Register Document Drafting Handbook, October 1998 Revision. For example, all references to the federal securities laws must include the corresponding cite to the United States Code in a footnote. All references to SEC rules must include the corresponding cite to the Code of Federal Regulations in a footnote. All references to Securities Exchange Act Releases must include the release number, release date, Federal Register cite, Federal Register date, and corresponding file number (e.g., SR-[SRO]-xx-xx). A material failure to comply with these guidelines will result in the proposed rule change being deemed not properly filed. See also Rule 0-3 under the Act (17 CFR 240.0-3)

**Exhibit 2 - Notices, Written Comments, Transcripts, Other Communications**

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Exhibit Sent As Paper Document

Copies of notices, written comments, transcripts, other communications. If such documents cannot be filed electronically in accordance with Instruction F, they shall be filed in accordance with Instruction G.

**Exhibit 3 - Form, Report, or Questionnaire**

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Exhibit Sent As Paper Document

Copies of any form, report, or questionnaire that the self-regulatory organization proposes to use to help implement or operate the proposed rule change, or that is referred to by the proposed rule change.

**Exhibit 4 - Marked Copies**

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The full text shall be marked, in any convenient manner, to indicate additions to and deletions from the immediately preceding filing. The purpose of Exhibit 4 is to permit the staff to identify immediately the changes made from the text of the rule with which it has been working.

**Exhibit 5 - Proposed Rule Text**

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The self-regulatory organization may choose to attach as Exhibit 5 proposed changes to rule text in place of providing it in Item I and which may otherwise be more easily readable if provided separately from Form 19b-4. Exhibit 5 shall be considered part of the proposed rule change.

**Partial Amendment**

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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

(a) Pursuant to the provisions of Section 19(b)(1) under the Securities Exchange Act of 1934 (“Act”),<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> The NASDAQ Stock Market LLC (“NASDAQ” or “Exchange”) is filing with the Securities and Exchange Commission (“Commission”) a proposed rule change to amend Rule 4751(f)(4) to provide that Primary Pegged Orders with an offset amount will not be displayed.

The text of the proposed rule change is below. Proposed new language is underlined.

\* \* \* \* \*

**4751. Definitions**

The following definitions apply to the Rule 4600 and 4750 Series for the trading of securities listed on Nasdaq or a national securities exchange other than Nasdaq.

(a) – (e) No change.

(f) The term "Order Type" shall mean the unique processing prescribed for designated orders that are eligible for entry into the System, and shall include:

(1)- (3) No change.

(4) "Pegged Orders" are orders that, after entry, have their price automatically adjusted by the System in response to changes in either the Nasdaq Market Center inside bid or offer or bids or offers in the national market system, as appropriate. A Pegged Order can specify that its price will equal the inside quote on the same side of the market ("Primary Peg"), the opposite side of the market ("Market Peg"), or the midpoint of the national best bid and offer ("Midpoint Peg"). A Pegged Order may have a limit price beyond which the order shall not be executed. In addition, the Primary Peg and Market Peg Orders may also establish their pricing relative to the appropriate bids or offers by the selection of one or more offset amounts that will adjust the price of the order by the offset amount selected. A Midpoint Peg Order is priced based upon the national best bid and offer, excluding the effect that the Midpoint Peg Order itself has on the inside bid or inside offer. Primary Pegged Orders with an offset amount and Midpoint Pegged Orders will never be displayed. A Midpoint Pegged Order may be executed in sub-pennies if necessary to

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

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

obtain a midpoint price. A new timestamp is created for the order each time it is automatically adjusted.

(5) – (13) No change.

(g)- (i) No change.

\* \* \* \* \*

(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. No other action by NASDAQ is necessary for the filing of the rule change.

Questions regarding this rule filing may be directed to Amy Horton, Associate General Counsel, The NASDAQ OMX Group, Inc. at (301) 978-8077 (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

NASDAQ proposes to amend Rule 4751(f)(4) to provide that Primary Pegged Orders with an offset amount will be non-displayed, a change that will improve system and inter-market price stability. Pegged Orders are orders that, once entered, adjust in price automatically, in response to changes in the inside bids or offers of the Nasdaq Market Center or the national market system, depending upon the type of Pegged Order. A Primary Pegged Order specifies that its price will equal the inside quote on the same side of the market; a Market Pegged Order will equal the inside quote on the opposite side of the market. A Midpoint Peg Order will equal the midpoint of the national best bid

and offer (“NBBO”), excluding the effect that the Midpoint Peg Order itself has on the inside bid or inside offer. As the bids and offers change, so move the Pegged Orders. A Pegged Order may have a limit price beyond which the order shall not be executed. Primary Peg and Market Peg Orders may establish their pricing relative to the appropriate bids or offers by selecting one or more offset amounts that will adjust the price of the order by the offset amount selected.

Under the Exchange’s current rule, Midpoint Pegged Orders are not displayed, while Primary and Market Pegged Orders may be displayed or not displayed, at the option of the person placing the order. The display of Primary Pegs with an offset amount can potentially result in excessive messaging when multiple venues display Pegged non-marketable Orders. In these scenarios, it is possible for the Primary Pegged Orders on each venue to react to and change in relation to each other, resulting in excessive messaging and “quote flickering”. A rule change to eliminate display of Primary Pegged Orders with an offset amount will prevent this feedback loop, adding to system stability and improving market quality.

Market participants retain the ability to display orders through other order options available under the Exchange rules, including by using Primary Pegged Orders without an offset amount or Market Pegged Orders. Because Primary Pegged Orders without an offset amount are priced at the inside quote, they do not present the same messaging problem. Rapid updates to displayed Primary Pegged Orders may still occur, but are more likely to be the result of rapid trading. Market Pegged Orders, in contrast to Primary Pegs with an offset amount, are typically priced to execute and rarely post, and thus also do not present the excessive messaging problem.

The Commission approved the non-display of Pegged Orders when it approved the application of BATS Exchange, Inc. (“BATS”), for registration as a national securities exchange and found BATS’ proposed rules consistent with Section 6 of the Act.<sup>3</sup> BATS Rule 11.9(c)(8) provides that Pegged Orders “are not displayed on the Exchange.”<sup>4</sup>

b. Statutory Basis

The proposed rule change is consistent with Section 6(b) of the Act,<sup>5</sup> in general, and furthers the objectives of Section 6(b)(5),<sup>6</sup> 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 mechanism of a free and open market and a national market system. Non-display of Primary Pegged Orders with an offset amount will minimize excess messaging that distracts from, rather than improves transparency and stability. Market participants can elect to display orders by using other available order types. The Exchange believes that the proposed change to Rule 4751(f)(4) meets the requirements of Section 6(b)(5) of the Act<sup>7</sup> in that it will improve the stability, quality and transparency of the national market system.

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<sup>3</sup> See Securities Exchange Act Release No. 58375 (August 18, 2008) 73 FR 49498 (August 21, 2008) (File No. 10-182); see also Securities Exchange Act Release No. 57322 (February 13, 2008), 73 FR 9370 (February 20, 2008) (File No. 10-182).

<sup>4</sup> BATS Rule 11.9(c)(8).

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

<sup>6</sup> 15 U.S.C. 78f(b)(5).

<sup>7</sup> Id.

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.

5. 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.

6. Extension of Time Period for Commission Action

The Exchange does not consent at this time 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)

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A) of the Act<sup>8</sup> and Rule 19b-4(f)(6)<sup>9</sup> 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 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 the proposed rule change does not significantly affect the protection of investors or the public interest because it adopts a provision that is already in effect on another market; will operate to minimize excessive messaging and therefore maximize system and inter-market stability; and is an order type that participants may elect to use but are not mandated to use.

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<sup>8</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>9</sup> 17 CFR 240.19b-4(f)(6).

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

The Commission approved the non-display of pegged orders when it approved the application of BATS, for registration as a national securities exchange and found BATS' proposed rules consistent with Section 6 of the Act.<sup>10</sup> BATS Rule 11.9(c)(8) provides that Pegged Orders "are not displayed on the Exchange."<sup>11</sup> The BATS rule provides for non-display of both Primary and Market Pegged Orders, whereas the proposed rule retains optional display of Market Pegged Orders and those Primary Pegged Orders without an offset amount. This approach retains an option for display of Pegged Orders, while still achieving the goal of minimizing excessive messaging, since Primary Pegged Orders priced at the NBBO (i.e. without an offset amount) and Market Pegs are typically priced to execute and do not contribute significantly to the messaging problem.

9. Exhibits

1. Completed notice of proposed rule change for publication in the Federal Register.

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<sup>10</sup> See Securities Exchange Act Release No. 58375 (August 18, 2008) 73 FR 49498 (August 21, 2008) (File No 10-182); see also Securities Exchange Act Release No. 57322 (February 13, 2008), 73 FR 9370 (February 20, 2008) (File No. 10-182).

<sup>11</sup> BATS Rule 11.9(c)(8).



**EXHIBIT 1**

SECURITIES AND EXCHANGE COMMISSION  
(Release No. \_\_\_\_\_ ; File No. SR-NASDAQ-2012-041)

March \_\_\_\_, 2012

Self-Regulatory Organizations; Notice of Filing and Immediate Effectiveness of Proposed Rule Change by NASDAQ Stock Market, LLC Relating to the Non-Display of Primary Pegged Orders

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act")<sup>1</sup>, and Rule 19b-4<sup>2</sup> thereunder, notice is hereby given that on March 23, 2012, The NASDAQ Stock Market LLC (the "Exchange" or "NASDAQ") 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 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 Exchange proposes to provide that Primary Pegged Orders with an offset amount will never be displayed. The text of the proposed rule change is available on the Exchange's Website at <http://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

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

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

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

NASDAQ proposes to amend Rule 4751(f)(4) to provide that Primary Pegged Orders with an offset amount will be non-displayed, a change that will improve system and inter-market price stability. Pegged Orders are orders that, once entered, adjust in price automatically, in response to changes in the inside bids or offers of the Nasdaq Market Center or the national market system, depending upon the type of Pegged Order. A Primary Pegged Order specifies that its price will equal the inside quote on the same side of the market; a Market Pegged Order will equal the inside quote on the opposite side of the market. A Midpoint Peg Order will equal the midpoint of the national best bid and offer ("NBBO"), excluding the effect that the Midpoint Peg Order itself has on the inside bid or inside offer. As the bids and offers change, so move the Pegged Orders. A Pegged Order may have a limit price beyond which the order shall not be executed. Primary Peg and Market Peg Orders may establish their pricing relative to the appropriate bids or offers by selecting one or more offset amounts that will adjust the price of the order by the offset amount selected.

Under the Exchange's current rule, Midpoint Pegged Orders are not displayed, while Primary and Market Pegged Orders may be displayed or not displayed, at the option of the person placing the order. The display of Primary Pegs with an offset amount can potentially result in excessive messaging when multiple venues display

Pegged non-marketable Orders. In these scenarios, it is possible for the Primary Pegged Orders on each venue to react to and change in relation to each other, resulting in excessive messaging and “quote flickering”. A rule change to eliminate display of Primary Pegged Orders with an offset amount will prevent this feedback loop, adding to system stability and improving market quality.

Market participants retain the ability to display orders through other order options available under the Exchange rules, including by using Primary Pegged Orders without an offset amount or Market Pegged Orders. Because Primary Pegged Orders without an offset amount are priced at the inside quote, they do not present the same messaging problem. Rapid updates to displayed Primary Pegged Orders may still occur, but are more likely to be the result of rapid trading. Market Pegged Orders, in contrast to Primary Pegs with an offset amount, are typically priced to execute and rarely post, and thus also do not present the excessive messaging problem.

The Commission approved the non-display of Pegged Orders when it approved the application of BATS Exchange, Inc. (“BATS”), for registration as a national securities exchange and found BATS’ proposed rules consistent with Section 6 of the Act.<sup>3</sup> BATS Rule 11.9(c)(8) provides that Pegged Orders “are not displayed on the Exchange.”<sup>4</sup>

## 2. Statutory Basis

The proposed rule change is consistent with Section 6(b) of the Act,<sup>5</sup> in

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<sup>3</sup> See Securities Exchange Act Release No. 58375 (August 18, 2008) 73 FR 49498 (August 21, 2008) (File No. 10-182); see also Securities Exchange Act Release No. 57322 (February 13, 2008), 73 FR 9370 (February 20, 2008) (File No. 10-182).

<sup>4</sup> BATS Rule 11.9(c)(8).

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

general, and furthers the objectives of Section 6(b)(5),<sup>6</sup> 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 mechanism of a free and open market and a national market system. Non-display of Primary Pegged Orders with an offset amount will minimize excess messaging that distracts from, rather than improves transparency and stability. Market participants can elect to display orders by using other available order types. The Exchange believes that the proposed change to Rule 4751(f)(4) meets the requirements of Section 6(b)(5) of the Act<sup>7</sup> in that it will improve the stability, quality and transparency of the national market system.

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. Specifically, the Exchange believes that providing for non-display of Primary Pegged Orders with an offset amount will not burden competition since at least one other exchange currently offers the same attribute for pegged orders.

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.

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<sup>6</sup> 15 U.S.C. 78f(b)(5).

<sup>7</sup> Id.

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

The proposed rule change is effective upon filing pursuant to Section 19(b)(3)(A) of the Act<sup>8</sup> and Rule 19b-4(f)(6)<sup>9</sup> thereunder in that the proposed rule change: (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. NASDAQ believes that the proposed rule change does not significantly affect the protection of investors or the public interest because it adopts a provision that is already in effect on another market; will operate to minimize excessive messaging and therefore maximize system and inter-market stability; and is an order type that participants may elect to use but are not mandated to use.

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.

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<sup>8</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>9</sup> 17 CFR 240.19b-4(f)(6).

#### 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](mailto:rule-comments@sec.gov). Please include File Number SR-NASDAQ-2012-030 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-2012-041. 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, 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-2012-041 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>10</sup>

Kevin M. O'Neill  
Deputy Secretary

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<sup>10</sup> 17 CFR 200.30-3(a)(12).