


Required fields are shown with yellow backgrounds and asterisks.

Page 1 of * 29	SECURITIES AND EXCHANGE COMMISSION WASHINGTON, D.C. 20549 Form 19b-4		File No.* SR - 2012 - * 058	Amendment No. (req. for Amendments *)
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 checked="" type="checkbox"/>	Section 19(b)(3)(A) * <input type="checkbox"/>
			Section 19(b)(3)(B) * <input type="checkbox"/>	
			Rule	
Pilot <input type="checkbox"/>	Extension of Time Period for Commission Action * <input type="checkbox"/>	Date Expires * <input type="text"/>	<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 type="checkbox"/> 19b-4(f)(6)
Exhibit 2 Sent As Paper Document <input type="checkbox"/>		Exhibit 3 Sent As Paper Document <input type="checkbox"/>		
Description Provide a brief description of the proposed rule change (limit 250 characters, required when Initial is checked *). Relating to Alpha Index-Linked Securities				
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 *	Carla	Last Name *	Behnfeldt	
Title *	Associate General Counsel			
E-mail *	Carla.behnfeldt@nasdaqomx.com			
Telephone *	(215) 496-5208	Fax	<input type="text"/>	
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	05/01/2012			
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.				

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 the Proposed Rule Change

(a) The NASDAQ Stock Market LLC (“NASDAQ”), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)¹ and Rule 19b-4 thereunder,² proposes to adopt Nasdaq Rule 5712, Alpha Index-Linked Securities, providing for the listing, trading and delisting of securities linked to the performance of certain specified NASDAQ OMX Alpha Indexes as set forth below.

A notice of the proposed rule change for publication in the Federal Register is attached hereto as Exhibit 1. 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 the Board of Directors of NASDAQ on April 26, 2012. No other action by the Exchange is necessary for the filing of the rule change.

Questions and comments on the proposed rule change may be directed to Carla Behnfeldt, Associate General Counsel, at (215) 496-5208.

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

a. Purpose

The purpose of this proposed rule change is to provide for the listing and trading on NASDAQ of Equity Index-Linked Securities (as defined in Exchange Rule 5710) linked, on an unleveraged basis, to the following Alpha Indexes owned and maintained by NASDAQ OMX

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

Group Inc.: GOOG vs. SPY (GOOSY) and AAPL vs. SPY (AVSPY) (together, the “Specified Alpha Indexes”). These Alpha Indexes are relative performance based equity indexes maintained by The NASDAQ OMX Group.³

Currently, Nasdaq Rule 5710 provides for the listing and trading of Equity Index-Linked Securities. In particular, Nasdaq Rule 5710(k)(i)(A) provides for the listing and trading pursuant to Commission Rule 19b-4(e) of Equity Index-Linked Securities with respect to which the underlying indexes have at least 10 component securities and either (1) have been reviewed and approved for the trading of options or other derivatives by the Commission under Section 19(b)(2) of the Act and rules thereunder and the conditions set forth in the Commission's approval order, including comprehensive surveillance sharing agreements for non-U.S. stocks, continue to be satisfied, or (2) meet specific index criteria set forth in Rule 5710(k)(i)(A)(2). NASDAQ Alpha Indexes do not contain at least 10 component securities and therefore do not meet these requirements, even if they have been reviewed and approved for the trading of options by the Commission under Section 19(b)(2) of the Act, and therefore are ineligible for listing and trading pursuant to Rule 5710(k)(i)(A).

This proposed rule change would therefore add new Exchange Rule 5712 which provides that NASDAQ will consider for listing and trading Equity Index-Linked Securities that are

³ The Commission has previously approved the listing and trading of options on certain Alpha Indexes (“Alpha Index Options”) on NASDAQ OMX PHLX (“PHLX”). See Securities Exchange Act Release No. 63860 (February 7, 2011), 76 FR 7888 (February 11, 2011) (SR-Phlx-2010-176), approving options on the following Alpha Indexes: AAPL/SPY, AMZN/SPY, CSCO/SPY, F/SPY, GE/SPY, GOOG /SPY, HPQ/SPY, IBM/SPY, INTC/SPY, KO/SPY, MRK/SPY, MSFT/SPY, ORCL/SPY, PFE/SPY, RIMM/SPY, T/SPY, TGT/SPY, VZ/SPY and WMT/SPY. The Commission subsequently approved options on the following Alpha Indexes in which the Target Component, as well as the Benchmark Component, is an ETF share: DIA/SPY, EEM/SPY, EWJ/SPY, EWZ/SPY, FXI/SPY, GLD/SPY, IWM/SPY, QQQ/SPY, SLV/SPY, TLT/SPY, XLE/SPY and XLF/SPY. See Securities Exchange Act Release No. 65149 (August 17, 2011), 76 FR 52729 (August 23, 2011) (SR-Phlx-2011-89),

linked to the Specified Alpha Indexes and that meet the criteria specified therein (the “Alpha Index-Linked Securities”).

Alpha Index Calculation

The Alpha Indexes measure relative total returns of one stock or one exchange-traded fund (“ETF”) share versus another ETF share (each such combination of two components is referred to as an “Alpha Pair”).⁴ The first component identified in an Alpha Pair (the “Target Component”) is measured against the second component identified in the Alpha Pair (the “Benchmark Component”).

In order to calculate an Alpha Index, NASDAQ measures the total return performance of the Target Component relative to the total return performance of the Benchmark Component, based upon prices of transactions on the primary listing exchange of the Benchmark Component and the Target Component. The value of each Alpha Index was initially set at 100.00.⁵

To calculate any Alpha Index, NASDAQ first calculates a daily total return for both the Target Component and the Benchmark Component of the Alpha Pair. To calculate the daily total return today of a Target Component or a Benchmark Component, respectively, the previous trading day’s closing market price for the Target Component or Benchmark Component, respectively, would be subtracted from today’s closing market price for the Target Component or Benchmark Component, respectively, to determine a price difference (the “Price Difference”).

⁴ As noted above, the Commission has previously approved 31 Alpha Indexes for options trading. The NASDAQ OMX Group currently maintains and calculates three additional Alpha Indexes, for a total of 34, and may develop additional Alpha Indexes in the future. At this time, the Exchange proposes to list and trade only those Alpha Index-Linked Securities that are linked to the Specified Alpha Indexes identified herein. The Exchange may in the future request Commission approval to list and trade Alpha Index -Linked Securities based upon other Alpha Indexes.

⁵ The total return measures performance (rate of return) of price appreciation plus dividends over any given evaluation period.

The Price Difference would be added to any declared dividend, if today were an “ex-dividend” date, to yield the Price Plus Dividend Difference for the Target Component or the Benchmark Component, respectively.

The Price Plus Dividend Difference for the Target Component or Benchmark Component is then divided by the previous trading day’s closing market price for the Target Component or Benchmark Component, and the result is rounded to four decimal places to yield the total daily return.

To calculate all Alpha Indexes, the total daily return for the Target Component and for the Benchmark Component is then added to the whole number one. This figure for the Target Component is then divided by the comparable figure for the Benchmark Component, and then multiplied by the previous trading day’s closing Alpha Index value. The resulting level depicts the Target Component’s total return performance for that day compared to the Benchmark Component’s total return performance for that day.

The following example illustrates the Alpha Index calculation for ABC stock as against SPY.⁶

Step 1.) For both ABC and SPY, the previous trading day’s closing market price is subtracted from today’s closing market price with the result added to any dividend declared today as the “ex-dividend” date. For example, today’s closing price for ABC (214.01) minus the previous day’s closing price (210.73) equals 3.28. Today is not an ex-dividend date for ABC; therefore, nothing is added to 3.28. Similarly, today’s closing price for SPY (113.33) minus the

⁶ Daily total return values and Alpha Index values will be updated based upon prices of each reported transaction in the primary listing market. In the example below, today’s closing prices are used simply for purposes of illustration.

previous trading day's closing price (111.44) equals 1.89. Today is not an ex-dividend date for SPY; therefore, nothing is added to 1.89.

Step 2.) The step one result is divided by the previous trading day's closing market price and the new result is rounded, using simple rounding, to four decimal places to yield the daily total return. For ABC, 3.28 would be divided by 210.73 to yield a daily total return of 0.0156. Similarly, for SPY, 1.89 would be divided by 111.44 and yield a daily total return of 0.0170.

Step 3.) The step two results above are added to the whole number one. For ABC, the daily total return of 0.0156 would be added to 1 for a result of 1.0156. For SPY the daily total return of 0.0170 would be added to 1 for a result of 1.0170.

Step 4.) In order to calculate the Alpha Index, the 1.0156 ABC figure is divided by the 1.0170 SPY figure and then multiplied by the previous trading day's closing Alpha Index value. Thus, assuming in the example that the previous trading day's closing Alpha Index value was 100.00, today's closing Alpha Index value would be 99.86 ($1.0156/1.0170 \times 100.00 = 99.86$). The 99.86 index level reflects that ABC's total return performance today versus yesterday was -.14% relative to SPY.

In the case of a corporate event which eliminates one of the underlying components of an Alpha Pair, NASDAQ will cease calculation of the Alpha Index for that Alpha Pair in which case NASDAQ will commence delisting or removal proceedings pursuant to Rule 5712(c). In the case of a corporate event such as a two-for-one stock split that affects the price of one of the underlying components, NASDAQ will make an appropriate one-time adjustment to the price of the underlying component used in the calculation to ensure that the Alpha Index continues to reflect the daily total return of the component. For example, on the effective date of the two-for-one stock split, NASDAQ will multiply the resulting stock price by two in order to reconstitute

the economic value of the stock on the day before the effective date. On the day following the effective date, the Alpha Index formula will revert to the base formula to compare daily returns.

To be eligible for listing, values of all Alpha Indexes underlying Alpha Index-Linked Securities must be disseminated at least once every second over the NASDAQ OMX Global Index Data Service (“GIDS”).⁷

Requirements with Respect to the Security

Alpha Index-Linked Securities listed and traded under proposed Rule 5712 would be required to meet the requirements of Exchange Rule 5710(a) – (j). Effectively, the only provision of Rule 5710 which would not apply to Alpha Index- Linked Securities is subsection (k), which specifies the index criteria for eligibility for listing and trading under Commission Rule 19b-4(e) as well as certain continued listing and delisting criteria. Pursuant to Rule 5712(a), all other provisions of Rule 5710 applicable to Equity Index-Linked Securities eligible for listing and trading pursuant to Rule 19b-4(e) shall apply to Alpha Index-Linked Securities.

Alpha Index Components

Proposed Nasdaq Rule 5712 would permit the listing and trading of Alpha Index- Linked Securities only on the Specified Alpha Indexes with respect to which the Target Component and Benchmark Component meet certain criteria. Specifically, at the initial listing of the Alpha Index –Linked Security, options on the Target Component and the Benchmark Component of the Alpha Index must also be listed and traded on the NASDAQ Options Market and must meet the requirements of Chapter IV, Section 3, Criteria for Underlying Securities, of the NASDAQ Options Market rules. Additionally, both the Target Component’s and the Benchmark

⁷ See <http://www.nasdaqtrader.com/Trader.aspx?id=globalindexDS> for a description of the NASDAQ OMX Global Index Data Service.

Component's trading volume (in all markets in which the Target Component or the Benchmark Component is traded) must have averaged at least 2,250,000 shares per day in the preceding twelve months.⁸ No Alpha Index-Linked Security will be listed unless and until options overlying each of the Alpha Index component securities have been listed and traded on a national securities exchange with an average daily options trading volume during the three previous months of at least 10,000 contracts.⁹

Following the initial listing of the Alpha Index- Linked Security, options on both the Target Component and the Benchmark Component of the Alpha Index must continue to meet the continued listing standards set forth by Chapter IV, Section 4, Withdrawal of Approval of Underlying Securities, of the NASDAQ Options Market rules. Additionally, both the Target Component's and the Benchmark Component's trading volume (in all markets in which the Target Component or Benchmark Component is traded) must have averaged at least 2,000,000 shares per day in the preceding twelve months.¹⁰ Following the listing of an Alpha Index- Linked Security, options on each of the component securities of the Alpha Index must continue to meet the options average daily volume standard set forth in Rule 5712(a)(ii).¹¹

Delisting of Alpha Index-Linked Securities

Rule 5712(c) provides for delisting of Alpha Index-Linked Securities. Delisting or removal proceedings will be commenced (unless the Commission has approved the continued

⁸ The 2,250,000 shares per day volume requirement is the same volume requirement applicable to Target Components and Benchmark Components of Alpha Index Options listed on PHLX.

⁹ See Rule 5712(a).

¹⁰ The 2,000,000 shares per day continued listing volume requirement is the same continued listing volume requirement applicable to Target Components and Benchmark Components of Alpha Index Options listed on PHLX.

¹¹ See Rule 5712(b).

trading) with respect to any Alpha Index-Linked Security that was listed pursuant to Rule 5712 if any of the standards set forth in Rule 5712(b) with respect to the underlying Alpha Index are not continuously maintained. Additionally, NASDAQ will commence delisting or removal proceedings (unless the Commission has approved the continued trading of the subject Alpha Index-Linked Security) under any of the following circumstances: (i) if the aggregate market value or principal amount of the Alpha Index-Linked Securities publicly held is less than \$400,000; (ii) if the value of the underlying Alpha Index is no longer calculated or widely disseminated on at least a 15-second basis, provided, however, that if the official index value does not change during some or all of the period when trading is occurring on NASDAQ then the last calculated official index value must remain available throughout NASDAQ trading hours; or (iii) if such other event shall occur or condition exists which in the opinion of NASDAQ makes further dealings on NASDAQ inadvisable. These provisions proposed with respect to delisting track, to the extent applicable, the Rule 5730(k)(i)(B) delisting provisions applicable to Equity Index-Linked Securities listed pursuant to Commission Rule 19b-4(e).

Trading Rules and Procedures

Trading in Alpha Index-Linked Securities will be governed by the same trading rules and procedures that apply to other Equity Index-Linked Securities listed pursuant to Nasdaq Rule 5710. Moreover, pursuant to Nasdaq Rule 5710(i), FINRA will implement on behalf of NASDAQ written surveillance procedures for Alpha Index-Linked Securities. Surveillance for manipulation will be in place for the launch of Alpha Index-Linked Securities. Pursuant to Nasdaq Rule 5710(j), Alpha Index-Linked Securities will be treated as equity instruments and for purposes of fee determination shall be deemed and treated as Other Securities. Pursuant to Nasdaq Rule 5710(h), if the value of an Alpha Index is not being disseminated as required, the

Exchange may halt trading during the day on which such interruption occurs and will halt trading no later than the beginning of trading following the trading day when the interruption commenced if such interruption persists at this time.

b. Statutory Basis

The proposed rule change is consistent with section 6(b) of the Act,¹² in general, and furthers the objectives of section 6(b)(5),¹³ particular, in that it is designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, and 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.

Specifically, NASDAQ believes that the proposed rule change would expand the investment choices available to market participants. NASDAQ's listing requirements as proposed herein are generally the same as those previously approved for listing Equity Index-Linked Securities on NASDAQ pursuant to Rule 19b-4(e), supplemented by listing standards tailored specifically to Equity Index-Linked Securities based upon Alpha Indexes, and, consequently, the proposed rule change is consistent with the protection of investors and the public interest. Additionally, the proposal is designed to prevent fraudulent and manipulative acts and practices, as the proposed Alpha Index-Linked Securities are subject to existing, previously-approved NASDAQ rules governing trading in Equity Index-Linked Securities. The proposal also furthers the objectives of Section 6(b)(5) in that Nasdaq Rule 2310, which imposes suitability obligations on NASDAQ members with respect to recommending transactions to customers, will apply to Alpha Index-Linked Securities. Finally, FINRA, on behalf of

¹² 15 U.S.C. 78f(b).

¹³ 15 U.S.C. 78f(b)(5).

NASDAQ, will have in place surveillance procedures that are adequate to properly monitor trading in the Alpha Index-Linked Securities and to deter and detect violations of Exchange rules and applicable federal securities laws. The Exchange may obtain information via the Intermarket Surveillance Group “ISG” from other exchanges that are members of ISG or with which the Exchange has entered into a comprehensive surveillance sharing agreement.

The proposal is also designed to promote just and equitable principles of trade by way of initial and continued listing standards which, if not maintained, will result in the discontinuation of trading in the affected products. These requirements, together with the applicable NASDAQ equity trading rules (which apply to the proposed Alpha Index-Linked Securities), ensure that no investor would have an unfair advantage over another respecting the trading of the products. On the contrary, all investors will have the same access to, and use of, information concerning the products and trading in the products, all to the benefit of public customers and the marketplace as a whole.

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

NASDAQ 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.

5. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change

No written comments were either solicited or received.

6. Extension of Time Period for Commission Action

Do not consent.

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

Not applicable.

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

Not applicable.

9. Exhibits

1. Notice of proposed rule for publication in the Federal Register.
5. Proposed Rule Text

Exhibit 1

SECURITIES AND EXCHANGE COMMISSION
(Release No. _____ ; File No. SR-NASDAQ-2012-058)

May __, 2012

Self-Regulatory Organizations; Notice of Filing of Proposed Rule Change by The
NASDAQ Stock Market LLC Relating to Alpha Index-Linked Securities

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)¹, and Rule 19b-4² thereunder, notice is hereby given that on May 1, 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

NASDAQ proposes to adopt Nasdaq Rule 5712, Alpha Index-Linked Securities, providing for the listing, trading and delisting of securities linked to the performance of certain specified NASDAQ OMX Alpha Indexes as set forth below.

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.

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

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 proposed rule change is to provide for the listing and trading on NASDAQ of Equity Index-Linked Securities (as defined in Exchange Rule 5710) linked, on an unleveraged basis, to the following Alpha Indexes owned and maintained by NASDAQ OMX Group Inc.: GOOG vs. SPY (GOOSY) and AAPL vs. SPY (AVSPY) (together, the “Specified Alpha Indexes”). These Alpha Indexes are relative performance based equity indexes maintained by The NASDAQ OMX Group.³

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This proposed rule change would therefore add new Exchange Rule 5712 which provides that NASDAQ will consider for listing and trading Equity Index-Linked Securities that are linked to the Specified Alpha Indexes and that meet the criteria specified therein (the "Alpha Index-Linked Securities").

Alpha Index Calculation

The Alpha Indexes measure relative total returns of one stock or one exchange-traded fund ("ETF") share versus another ETF share (each such combination of two components is referred to as an "Alpha Pair").⁴ The first component identified in an

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To calculate any Alpha Index, NASDAQ first calculates a daily total return for both the Target Component and the Benchmark Component of the Alpha Pair. To calculate the daily total return today of a Target Component or a Benchmark Component, respectively, the previous trading day’s closing market price for the Target Component or Benchmark Component, respectively, would be subtracted from today’s closing market price for the Target Component or Benchmark Component, respectively, to determine a price difference (the “Price Difference”). The Price Difference would be added to any declared dividend, if today were an “ex-dividend” date, to yield the Price Plus Dividend Difference for the Target Component or the Benchmark Component, respectively.

The Price Plus Dividend Difference for the Target Component or Benchmark Component is then divided by the previous trading day’s closing market price for the

the future. At this time, the Exchange proposes to list and trade only those Alpha Index-Linked Securities that are linked to the Specified Alpha Indexes identified herein. The Exchange may in the future request Commission approval to list and trade Alpha Index-Linked Securities based upon other Alpha Indexes.

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The following example illustrates the Alpha Index calculation for ABC stock as against SPY.⁶

Step 1.) For both ABC and SPY, the previous trading day's closing market price is subtracted from today's closing market price with the result added to any dividend declared today as the "ex-dividend" date. For example, today's closing price for ABC (214.01) minus the previous day's closing price (210.73) equals 3.28. Today is not an ex-dividend date for ABC; therefore, nothing is added to 3.28. Similarly, today's closing price for SPY (113.33) minus the previous trading day's closing price (111.44) equals 1.89. Today is not an ex-dividend date for SPY; therefore, nothing is added to 1.89.

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Step 3.) The step two results above are added to the whole number one. For ABC, the daily total return of 0.0156 would be added to 1 for a result of 1.0156. For SPY the daily total return of 0.0170 would be added to 1 for a result of 1.0170.

Step 4.) In order to calculate the Alpha Index, the 1.0156 ABC figure is divided by the 1.0170 SPY figure and then multiplied by the previous trading day's closing Alpha Index value. Thus, assuming in the example that the previous trading day's closing Alpha Index value was 100.00, today's closing Alpha Index value would be 99.86 ($1.0156/1.0170 \times 100.00 = 99.86$). The 99.86 index level reflects that ABC's total return performance today versus yesterday was -.14% relative to SPY.

In the case of a corporate event which eliminates one of the underlying components of an Alpha Pair, NASDAQ will cease calculation of the Alpha Index for that Alpha Pair in which case NASDAQ will commence delisting or removal proceedings pursuant to Rule 5712(c). In the case of a corporate event such as a two-for-one stock split that affects the price of one of the underlying components, NASDAQ will make an appropriate one-time adjustment to the price of the underlying component used in the calculation to ensure that the Alpha Index continues to reflect the daily total return of the component. For example, on the effective date of the two-for-one stock split, NASDAQ will multiply the resulting stock price by two in order to reconstitute the economic value of the stock on the day before the effective date. On the day following the effective date, the Alpha Index formula will revert to the base formula to compare daily returns.

To be eligible for listing, values of all Alpha Indexes underlying Alpha Index-Linked Securities must be disseminated at least once every second over the NASDAQ OMX Global Index Data Service (“GIDS”).⁷

Requirements with Respect to the Security

Alpha Index-Linked Securities listed and traded under proposed Rule 5712 would be required to meet the requirements of Exchange Rule 5710(a) – (j). Effectively, the only provision of Rule 5710 which would not apply to Alpha Index- Linked Securities is subsection (k), which specifies the index criteria for eligibility for listing and trading under Commission Rule 19b-4(e) as well as certain continued listing and delisting criteria. Pursuant to Rule 5712(a), all other provisions of Rule 5710 applicable to Equity Index-Linked Securities eligible for listing and trading pursuant to Rule 19b-4(e) shall apply to Alpha Index-Linked Securities.

Alpha Index Components

Proposed Nasdaq Rule 5712 would permit the listing and trading of Alpha Index - Linked Securities only on the Specified Alpha Indexes with respect to which the Target Component and Benchmark Component meet certain criteria. Specifically, at the initial listing of the Alpha Index –Linked Security, options on the Target Component and the Benchmark Component of the Alpha Index must also be listed and traded on the NASDAQ Options Market and must meet the requirements of Chapter IV, Section 3, Criteria for Underlying Securities, of the NASDAQ Options Market rules. Additionally, both the Target Component’s and the Benchmark Component’s trading volume (in all

⁷ See <http://www.nasdaqtrader.com/Trader.aspx?id=globalindexDS> for a description of the NASDAQ OMX Global Index Data Service.

markets in which the Target Component or the Benchmark Component is traded) must have averaged at least 2,250,000 shares per day in the preceding twelve months.⁸ No Alpha Index-Linked Security will be listed unless and until options overlying each of the Alpha Index component securities have been listed and traded on a national securities exchange with an average daily options trading volume during the three previous months of at least 10,000 contracts.⁹

Following the initial listing of the Alpha Index -Linked Security, options on both the Target Component and the Benchmark Component of the Alpha Index must continue to meet the continued listing standards set forth by Chapter IV, Section 4, Withdrawal of Approval of Underlying Securities, of the NASDAQ Options Market rules. Additionally, both the Target Component's and the Benchmark Component's trading volume (in all markets in which the Target Component or Benchmark Component is traded) must have averaged at least 2,000,000 shares per day in the preceding twelve months.¹⁰ Following the listing of an Alpha Index- Linked Security, options on each of the component securities of the Alpha Index must continue to meet the options average daily volume standard set forth in Rule 5712(a)(ii).¹¹

⁸ The 2,250,000 shares per day volume requirement is the same volume requirement applicable to Target Components and Benchmark Components of Alpha Index Options listed on PHLX.

⁹ See Rule 5712(a).

¹⁰ The 2,000,000 shares per day continued listing volume requirement is the same continued listing volume requirement applicable to Target Components and Benchmark Components of Alpha Index Options listed on PHLX.

¹¹ See Rule 5712(b).

Delisting of Alpha Index-Linked Securities

Rule 5712(c) provides for delisting of Alpha Index-Linked Securities. Delisting or removal proceedings will be commenced (unless the Commission has approved the continued trading) with respect to any Alpha Index-Linked Security that was listed pursuant to Rule 5712 if any of the standards set forth in Rule 5712(b) with respect to the underlying Alpha Index are not continuously maintained. Additionally, NASDAQ will commence delisting or removal proceedings (unless the Commission has approved the continued trading of the subject Alpha Index-Linked Security) under any of the following circumstances: (i) if the aggregate market value or principal amount of the Alpha Index-Linked Securities publicly held is less than \$400,000; (ii) if the value of the underlying Alpha Index is no longer calculated or widely disseminated on at least a 15-second basis, provided, however, that if the official index value does not change during some or all of the period when trading is occurring on NASDAQ then the last calculated official index value must remain available throughout NASDAQ trading hours; or (iii) if such other event shall occur or condition exists which in the opinion of NASDAQ makes further dealings on NASDAQ inadvisable. These provisions proposed with respect to delisting track, to the extent applicable, the Rule 5730(k)(i)(B) delisting provisions applicable to Equity Index-Linked Securities listed pursuant to Commission Rule 19b-4(e).

Trading Rules and Procedures

Trading in Alpha Index-Linked Securities will be governed by the same trading rules and procedures that apply to other Equity Index-Linked Securities listed pursuant to Nasdaq Rule 5710. Moreover, pursuant to Nasdaq Rule 5710(i), FINRA will implement on behalf of NASDAQ written surveillance procedures for Alpha Index-Linked

Securities. Surveillance for manipulation will be in place for the launch of Alpha Index-Linked Securities. Pursuant to Nasdaq Rule 5710(j), Alpha Index-Linked Securities will be treated as equity instruments and for purposes of fee determination shall be deemed and treated as Other Securities. Pursuant to Nasdaq Rule 5710(h), if the value of an Alpha Index is not being disseminated as required, the Exchange may halt trading during the day on which such interruption occurs and will halt trading no later than the beginning of trading following the trading day when the interruption commenced if such interruption persists at this time.

2. Statutory Basis

The proposed rule change is consistent with section 6(b) of the Act,¹² in general, and furthers the objectives of section 6(b)(5),¹³ particular, in that it is designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, and 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.

Specifically, NASDAQ believes that the proposed rule change would expand the investment choices available to market participants. NASDAQ's listing requirements as proposed herein are generally the same as those previously approved for listing Equity Index-Linked Securities on NASDAQ pursuant to Rule 19b-4(e), supplemented by listing standards tailored specifically to Equity Index-Linked Securities based upon Alpha Indexes, and, consequently, the proposed rule change is consistent with the protection of

¹² 15 U.S.C. 78f(b).

¹³ 15 U.S.C. 78f(b)(5).

investors and the public interest. Additionally, the proposal is designed to prevent fraudulent and manipulative acts and practices, as the proposed Alpha Index-Linked Securities are subject to existing, previously-approved NASDAQ rules governing trading in Equity Index-Linked Securities. The proposal also furthers the objectives of Section 6(b)(5) in that Nasdaq Rule 2310, which imposes suitability obligations on NASDAQ members with respect to recommending transactions to customers, will apply to Alpha Index-Linked Securities. Finally, FINRA, on behalf of NASDAQ, will have in place surveillance procedures that are adequate to properly monitor trading in the Alpha Index-Linked Securities and to deter and detect violations of Exchange rules and applicable federal securities laws. The Exchange may obtain information via the Intermarket Surveillance Group “ISG” from other exchanges that are members of ISG or with which the Exchange has entered into a comprehensive surveillance sharing agreement.

The proposal is also designed to promote just and equitable principles of trade by way of initial and continued listing standards which, if not maintained, will result in the discontinuation of trading in the affected products. These requirements, together with the applicable NASDAQ equity trading rules (which apply to the proposed Alpha Index-Linked Securities), ensure that no investor would have an unfair advantage over another respecting the trading of the products. On the contrary, all investors will have the same access to, and use of, information concerning the products and trading in the products, all to the benefit of public customers and the marketplace as a whole.

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

Within 45 days of the date of publication of this notice in the Federal Register or within such longer period (i) as the Commission may designate up to 90 days of such date if it finds such longer period to be appropriate and publishes its reasons for so finding or (ii) as to which the Exchange consents, the Commission shall: (a) by order approve or disapprove such proposed rule change, or (b) institute proceedings to determine whether the proposed rule change should be 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-2012-058 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-2012-058. 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-2012-058 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.¹⁴

Kevin M. O'Neill
Deputy Secretary

¹⁴ 17 CFR 200.30-3(a)(12).

Exhibit 5

New language is underlined; deletions are bracketed

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5712. Alpha Index-Linked Securities.

Equity Index-Linked Securities are Linked Securities, as defined in Exchange Rule 5710, that provide for the payment at maturity of a cash amount based, on an unleveraged basis, on the performance of an underlying equity index or indexes (an “Equity Reference Asset”). NASDAQ will consider for listing and trading Equity Index-Linked Securities with respect to which the Equity Reference Asset is one of the following indexes (the “Alpha Indexes”): GOOG vs. SPY (GOOSY) and AAPL vs. SPY (AVSPY). Each such Equity Index-Linked Security is referred to herein as an Alpha Index-Linked Security.

The Alpha Indexes are proprietary relative performance based indexes owned and maintained by The NASDAQ OMX Group, Inc. Each Alpha Index consists of two components. The Alpha Indexes measure relative total returns of one stock versus SPY, a non-leveraged ETF share (each such combination of two components is referred to as an “Alpha Pair”). The first component identified in an Alpha Pair (the “Target Component”) is measured against the second component identified in the Alpha Pair (the “Benchmark Component”).

(a) **Initial Listing.** Nasdaq will consider Alpha-Index Linked Securities for listing and trading provided that:

(i) the requirements set forth for Equity Index-Linked Securities in Exchange Rule 5710(a)-(j) are met; and

(ii) each Alpha Index underlying an Alpha Index-Linked Security meets the following criteria. The initial listing criteria set forth in Rule 5710(k)(i)(A) do not apply to Alpha Index-Linked Securities. Instead, at initial listing of the Alpha Index-Linked Security, options on both the Target Component and the Benchmark Component of the Alpha Index must also be listed and traded on the NASDAQ Options Market and must meet the requirements of Chapter IV, Section 3, Criteria for Underlying Securities, of the NASDAQ Options Market rules. Additionally, both the Target Component’s and the Benchmark Component’s trading volume (in all markets in which the Target Component and the Benchmark Component are traded) must have averaged at least 2,250,000 shares per day in the preceding twelve months. No Alpha Index-Linked Security will be listed unless and until options overlying each of the Target Component and the Benchmark Component have been listed and traded on a national securities exchange with an average daily options trading volume during the three previous months of at least 10,000 contracts. Finally, values of Alpha Indexes underlying Alpha Index-Linked Securities

must be disseminated at least once every second over the NASDAQ OMX Global Index Data Service (“GIDS”).

(b) Continued Listing. The continued listing criteria set forth in Rule 5710(k)(i)(B) do not apply to Alpha Index-Linked Securities. Instead, following the initial listing of the Alpha Index-Linked Security, options on both the Target Component and the Benchmark Component of the Alpha Index must continue to meet the continued listing standards set forth by Chapter IV, Section 4, Withdrawal of Approval of Underlying Securities, of the NASDAQ Options Market rules. Additionally, both the Target Component’s and the Benchmark Component’s trading volume (in all markets in which the Target Component and Benchmark Component are traded) must have averaged at least 2,000,000 shares per day in the preceding twelve months. Following the listing of an Alpha Index-Linked Security, options on each of the Target Component and Benchmark Component of the Alpha Index must continue to meet the options average daily volume standard set forth in Section (a)(ii) above.

(c) Delisting or Removal Proceedings. Delisting or removal proceedings will be commenced (unless the Commission has approved the continued trading) with respect to any Alpha Index-Linked Security if the standards set forth in Rules 5712(b) with respect to the underlying Alpha Index are not continuously maintained. Nasdaq will also commence delisting or removal proceedings (unless the Commission has approved the continued trading of the subject Alpha Index-Linked Security) under any of the following circumstances:

_____ (i) if the aggregate market value or principal amount of the Alpha Index-Linked Securities publicly held is less than \$400,000;

_____ (ii) if the value of the underlying Alpha Index is no longer calculated or widely disseminated on at least a 15-second basis, provided, however, that if the official index value does not change during some or all of the period when trading is occurring on Nasdaq then the last calculated official index value must remain available throughout Nasdaq trading hours; or

_____ (iii) if such other event shall occur or condition exists which in the opinion of Nasdaq makes further dealings on Nasdaq inadvisable.

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