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Required fields are shown with yellow backgrounds and asterisks.

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
Form 19b-4

File No.* SR - 2012 - * 092
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 *	Amendment *	Withdrawal	Section 19(b)(2) *	Section 19(b)(3)(A) *	Section 19(b)(3)(B) *
☑	☐	☐	☐	☑	☐

Rule

Pilot	Extension of Time Period for Commission Action *	Date Expires *	19b-4(f)(1)	19b-4(f)(2)	19b-4(f)(3)	19b-4(f)(4)	19b-4(f)(5)	19b-4(f)(6)
☐	☐		☐	☐	☐	☐	☐	☑

Exhibit 2 Sent As Paper Document ☐

Exhibit 3 Sent As Paper Document ☐

Description

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

Relating to MSCI EM and MSCI EAFE index options

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 * Angela Last Name * Dunn
Title * Associate General Counsel
E-mail * angela.dunn@nasdaqomx.com
Telephone * (215) 496-5692 Fax

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 07/24/2012

By Edward S. Knight
(Name *)

Executive Vice President and General Counsel
(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) Add Remove View	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) Add Remove View	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 Add Remove View 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 Add Remove View 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 Add Remove View	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 Add Remove View	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 Add Remove View	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 "Exchange") is filing with the Securities and Exchange Commission ("Commission") a proposed rule change to amend the rules of The NASDAQ Options Market LLC ("NOM") at Sections 2, 3, 5, 10, 11 and 13 of Chapter XIV, entitled "Index Rules" to list and trade options on the MSCI EM Index based upon the Full Value MSCI Emerging Markets ("EM") Index ("MSCI EM Index") and the MSCI EAFE (Europe, Australasia, and the Far East) Index based upon the Full Value MSCI EAFE Index ("MSCI EAFE Index").[3]

A draft notice of the proposed rule change for publication in the Federal Register is attached hereto as Exhibit 1, a copy of the contract specifications is attached as Exhibit 3 and a copy of the applicable portion of the Exchange's Rules is attached hereto as Exhibit 5.

(b) Inapplicable.

(c) Inapplicable.

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 the NASDAQ on August 19, 2011. Exchange staff will advise the Board of Directors of any action taken pursuant to

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1 15 U.S.C. 78s(b)(1).

2 17 CFR 240.19b-4.

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

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

Questions and comments on the proposed rule change may be directed to Angela Saccomandi Dunn, Associate General Counsel, at (215) 496-5692.

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

a. Purpose

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

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

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

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

Index Design and Composition

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

The MSCI EM Index and the MSCI EAFE Index are reviewed on a semi-annual basis. The index review is based on MSCI's Global Investable Markets Indices Methodology. A description of the methodology is available at http://www.msci.com/eqb/methodology/meth_docs/MSCI_May12_IndexCalcMethodology.pdf. The MSCI EM Index consists of large and midcap components from countries classified by MSCI as "emerging markets." The MSCI EAFE Index consists of large and

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5 MSCI is a provider of investment decision support tools.

midcap components from countries classified by MSCI as developed and excludes North America.

Index Calculation and Index Maintenance

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

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6 Additional information about the methodology for calculating the MSCI EM and the MSCI EAFE Indexes can be found at: http://www.msci.com/eqb/methodology/meth_docs/MSCI_May12_IndexCalcMethodology.pdf.

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

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

The MSCI EM Index and the MSCI EAFE Index are monitored and maintained by MSCI. Adjustments to these indexes are made on a daily basis with respect to corporate events and dividends. The MSCI EM Index and the MSCI EAFE Index are generally updated on a quarterly basis in February, May, August and November of each year to reflect amendments to shares outstanding and free float and full index reviews are conducted on a semi-annual basis in May and November of each year for purposes of rebalancing the indexes.

Exercise and Settlement Value

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

Contract Specifications

MSCI EM Index

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

The Exchange also notes that the MSCI EM Index is a broad-based index as designated in Chapter XIV, Section 3.[10] In addition, the Exchange proposes to create specific listing and maintenance standards for options on the MSCI EM Index in Chapter XIV, Section 3. Specifically, in proposed Chapter XIV, Section 3(d)(i)(1) through (10) the Exchange proposes to require that the following conditions are satisfied: (1) The index is broad-based, as defined in Chapter XIV, Section 2(j); (2) Options on the index are designated as P.M.-settled index options; (3) The index is capitalization-weighted, price-weighted, modified capitalization-weighted or equal dollar-weighted; (4) The index consists of 500 or more component securities; (5) All of the component securities of the index will have a market capitalization of greater than $100 million; (6) No single component security accounts for more than fifteen percent (15%) of the weight of the index, and the five highest weighted component securities in the index do not, in the

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

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

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

aggregate, account for more than fifty percent (50%) of the weight of the MSCI EM Index; (7) Non-U.S. component securities (stocks or ADRs) that are not subject to comprehensive surveillance agreements do not, in the aggregate, represent more than twenty-two and a half percent (22.5%) of the weight of the index; (8) The current index value is widely disseminated at least once every fifteen (15) seconds by one or more major market data vendors during the time options on the index are traded on the Exchange; (9) The Exchange reasonably believes it has adequate system capacity to support the trading of options on the index, based on a calculation of the Exchange's current Independent System Capacity Advisor (ISCA) allocation and the number of new messages per second expected to be generated by options on such index; and (10) The Exchange has written surveillance procedures in place with respect to surveillance of trading of options on the index.

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

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

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

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

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

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

MSCI EAFE Index

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

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

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

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

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

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

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

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

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

Exchange Rules that apply to the trading of options on broad-based indexes also would apply to options on the Full Value MSCI EM Index and the Full Value MSCI EAFE Index. The trading of these options also would be subject to, among others, Exchange Rules governing margin requirements and trading halt procedures for index

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

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

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

options.[20] Pursuant to proposed Chapter XIV, Section 5, the Exchange notes that the position limits for the MSCI EM Index option and the MSCI EAFE Index option will be 25,000 contracts on the same side of the market.[21] The Exchange proposes to apply existing index option margin requirements for the purchase and sale of options on the MSCI EM Index and the MSCI EAFE Index.[22]

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

Pursuant to Chapter XIV, Section 11, the Exchange proposes to open at least one expiration month and one series for each class of index options open for trading on the Exchange.[26] New series of index options contracts may be added up to the fifth business

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

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

22 See Chapter XII, Section 3.

23 See Chapter IV, Section 6.

24 See Chapter VI, Section 5(a).

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

26 See Chapter XIV, Section 11.

day prior to expiration.[27] When new series of index options with a new expiration date are opened for trading, or when additional series of index options in an existing expiration date are opened for trading as the current value of the underlying index to which such series relate moves substantially from the exercise prices of series already opened, the exercise prices of such new or additional series shall be reasonably related to the current value of the underlying index at the time such series are first opened for trading.[28]

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

NOM may open for trading additional series of the same class of index options as the current index value of the underlying index moves substantially from the exercise price of those index options that already have been opened for trading on NOM. The exercise price of each series of index options opened for trading on NOM shall be reasonably

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[27] See Chapter XIV, Section 11(c)(2).

[28] See Chapter XIV, Section 11(c)(3). In the case of all classes of index options, the term "reasonably related to the current value of the underlying index" shall have the meaning set forth in Chapter XIV, Section 11(c)(4) below.

related to the current index value of the underlying index to which such series relates at or about the time such series of options is first opened for trading on NOM.[29]

Options on the MSCI EM Index and the MSCI EAFE Index would be subject to the same rules that presently govern all Exchange index options, including sales practice rules, margin requirements and trading rules. These Exchange Rules are designed to protect public customer trading.

The Exchange proposes to require a 25,000 position and exercise limit for the MSCI EM and MSCI EAFE index options.[30] Specifically, Chapter XI, Section 7 prohibits a NASDAQ Options Order Entry Firm ("OEF") from accepting a Public Customer order to purchase or write an options contract unless the Public Customer's account has been approved for options transactions in accordance with Chapter XI, Section 7.[31] Additionally, Chapter XI, Section 9, regarding suitability, is designed to ensure that options are only sold to Public Customers capable of evaluating and bearing the risks associated with trading in this instrument.[32] Further, Chapter XI, Section 10 (Discretionary Accounts) permits OEFs to exercise discretionary power with respect to trading in options contracts in a Public Customer's account only if the OEF has received

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

30 See proposed text at Chapter XIV, Section 5(d).

31 See Chapter XI, Section 7 (Opening of Accounts).

32 See Chapter XI, Section 9 (Suitability of Recommendations).

prior written authorization and the account had been accepted in writing by a Registered Options and Security Futures Principal.[33] Finally, Chapter XI, Section 8 (Supervision of Accounts), Chapter XI, Section 11 (Confirmation to Public Customers), and Chapter XI, Section 15 (Delivery of Current Options Disclosure Documents and Prospectus) will also apply to trading in options on the MSCI EM Index and MSCI EAFE Index.

Surveillance and Capacity

The Exchange represents that it has an adequate surveillance program in place for options on the MSCI EM Index and the MSCI EAFE Index and intends to apply those same procedures that it applies to the Exchange's other index options. Additionally, the Exchange is a member of the Intermarket Surveillance Group ("ISG") under the Intermarket Surveillance Group Agreement, dated June 20, 1994. The members of the ISG include all of the national securities exchanges. ISG members work together to coordinate surveillance and share information regarding the stock and options markets. In addition, the major futures exchanges are affiliated members of the ISG, which allows for the sharing of surveillance information for potential intermarket trading abuses. In addition, the Exchange is an affiliate member of the International Organization of Securities Commissions (“IOSCO”). IOSCO has members from over 100 different countries. Each of the countries from which there is a component security in the MSCI EM Index and the MSCI EAFE Index is a member of IOSCO. These members regulate more than 90 percent of the world's securities markets. Additionally, the Exchange has entered into various Information Sharing Agreements and/or Memoranda of

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[33] See Chapter XI, Section 10.

Understandings with various stock exchanges. Given the capitalization of these indexes and the deep and liquid markets for the securities underlying both the MSCI EM Index and the MSCI EAFE Index, the concerns for market manipulation and/or disruption in the underlying markets are greatly reduced. There is also an active trading volume for the ETFs on the MSCI EM Index, and additionally the MSCI EAFE ETF is one of the top ten ETFs in the United States based on assets and volume.

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

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

b. Statutory Basis

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

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34 See proposed text at Chapter XIV, Section 13.

35 15 U.S.C. 78f(b).

36 15 U.S.C. 78f(b)(5).

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

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

The trading of these options also would be subject to, among others, Exchange Rules governing margin requirements[37] and trading halt procedures for index options.[38] The Exchange would apply the same position limits, namely 25,000 contracts on the same side of the market for the MSCI EM Index option and the MSCI EAFE Index

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[37] See Chapter XIII, Sec. 3 (Margin Requirements).

[38] See Chapter XIV, Sec. 10 (Trading Sessions).

option, as is the case today for these same index options on Phlx. The Exchange proposes to apply existing index option margin requirements for the purchase and sale of options on the MSCI EM Index and the MSCI EAFE Index.

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

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

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

The Exchange does not believe that the proposed rule change will impose any burden on competition not necessary or appropriate in furtherance of the purposes of the Act. To the contrary, the Exchange believes that listing these products on NOM will provide investors with another venue to trade options on the MSCI EM and MSCI EAFE Indexes.

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

Not applicable

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[39] and Rule 19b-4(f)(6)[40] 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. Options on the MSCI EM and MSCI EAFE indexes are traded on Phlx.

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 proposed rule change, or such shorter time as designated by the Commission. The Exchange has satisfied this requirement. Furthermore, a proposed rule change filed pursuant to Rule 19b-4(f)(6) under the Act[41] normally does not become operative for 30 days after the date of its filing. However, Rule 19b-4(f)(6)[42] permits the Commission to designate a shorter time if such action is consistent with the protection of investors and the public interest. The Exchange has requested that the Commission

[39] 15 U.S.C. 78s(b)(3)(A).

[40] 17 CFR 240.19b-4(f)(6).

[41] 17 CFR 240.19b-4(f)(6).

[42] 17 CFR 240.19b-4(f)(6).

waive the 30-day operative delay and designate the proposed rule change to become operative upon filing. The Exchange desires to list these index options to provide investors another venue to trade these products. Phlx currently lists options on the MSCI EM and MSCI EAFE Indexes.[43] This filing is similar to filings made by Phlx.[44] Waiver of the operative delay period is consistent with the protection of investors and the public interest in that it will allow the Exchange to similarly list and trade options on the MSCI EM and MSCI EAFE Indexes similar to Phlx.

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

The proposed rule change is based on the rules of Phlx.[45]

9. Exhibits

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

3. Contract Specifications.

5. Proposed Rule Text

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43 See Securities Exchange Act Release No. 66420 (February 17, 2012), 77 FR 11177 (February 24, 2012) (SR-Phlx-2011-179) (order granting approval relating to the listing and trading of MSCI EM Index options) and 66861 (April 26, 2012), 77 FR 26056 (May 2, 2012) (SR-Phlx-2012-28) (order granting approval relating to the listing and trading of MSCI EAFE Index options).

44 See notes 43 and 45.

45 See note 43. See also Securities Exchange Act Release No. 67071 (May 29, 2012), 77 FR 33013 (June 4, 2012) (SR-Phlx-2012-67).

Exhibit 1

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

July __, 2012

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

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 July 24, 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 (“NASDAQ” or “Exchange”) proposes to amend the rules of The NASDAQ Options Market LLC (“NOM”) at Sections 2, 3, 5, 10, 11 and 13 of Chapter XIV, entitled “Index Rules” to list and trade options on the MSCI EM Index based upon the Full Value MSCI Emerging Markets (“EM”) Index (“MSCI EM Index”) and the MSCI EAFE (Europe, Australasia, and the Far East) Index based upon the Full Value MSCI EAFE Index (“MSCI EAFE Index”).[3]

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1 15 U.S.C. 78s(b)(1).

2 17 CFR 240.19b-4.

3 NASDAQ has entered into a license agreement with MSCI Inc. to list these

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

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products.

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

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

Index Design and Composition

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

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

5 MSCI is a provider of investment decision support tools.

East. The Index, similar to the MSCI EM Index, is maintained by MSCI. The Index was launched on December 31, 1969.

The MSCI EM Index and the MSCI EAFE Index are reviewed on a semi-annual basis. The index review is based on MSCI's Global Investable Markets Indices Methodology. A description of the methodology is available at http://www.msci.com/eqb/methodology/meth_docs/MSCI_May12_IndexCalcMethodology.pdf. The MSCI EM Index consists of large and midcap components from countries classified by MSCI as "emerging markets." The MSCI EAFE Index consists of large and midcap components from countries classified by MSCI as developed and excludes North America.

Index Calculation and Index Maintenance

The base index value of the MSCI EM Index was 100 as of December 31, 1987. The base index value of the MSCI EAFE Index was 100 as of December 31, 1969. On June 1, 2012, the index value of the MSCI EM Index was 893.86. On June 1, 2012, the index value of the MSCI EAFE Index was 1312.34. The MSCI EM Index and the MSCI EAFE Index are calculated in U.S. Dollars on a real time basis from the open of the first market on which the components are traded to the closing of the last market on which the components are traded. The methodology used to calculate the value of the MSCI EM Index and the MSCI EAFE Index is similar to the methodology used to calculate the value of other well-known market-capitalization weighted indexes.[6] The level of the

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6 Additional information about the methodology for calculating the MSCI EM and the MSCI EAFE Indexes can be found at: http://www.msci.com/eqb/methodology/meth_docs/MSCI_May12_IndexCalcMethodology.pdf.

MSCI EM and EAFE Indexes reflect the free float-adjusted market value of the component stocks relative to a particular base date and is computed by dividing the total market value of the companies in each index by its respective index divisor.[7]

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

The MSCI EM Index and the MSCI EAFE Index are monitored and maintained by MSCI. Adjustments to these indexes are made on a daily basis with respect to corporate events and dividends. The MSCI EM Index and the MSCI EAFE Index are generally updated on a quarterly basis in February, May, August and November of each year to reflect amendments to shares outstanding and free float and full index reviews are conducted on a semi-annual basis in May and November of each year for purposes of rebalancing the indexes.

Exercise and Settlement Value

The settlement value for expiring options on the MSCI EM Index and the MSCI EAFE Index would be based on the closing prices of the component stocks on the last

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

trading day prior to expiration, usually a Friday. The last trading day for expiring contracts is the last business day prior to expiration, usually the third Friday of the expiration month. The index multiplier is $100. The Options Clearing Corporation would be the issuer and guarantor.

Contract Specifications

MSCI EM Index

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

The Exchange also notes that the MSCI EM Index is a broad-based index as designated in Chapter XIV, Section 3.[10] In addition, the Exchange proposes to create specific listing and maintenance standards for options on the MSCI EM Index in Chapter XIV, Section 3. Specifically, in proposed Chapter XIV, Section 3(d)(i)(1) through (10) the Exchange proposes to require that the following conditions are satisfied: (1) The index is broad-based, as defined in Chapter XIV, Section 2(j); (2) Options on the index are designated as P.M.-settled index options; (3) The index is capitalization-weighted,

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

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

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

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

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

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

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

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

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

In addition, similar to other broad based index options, the Exchange proposes various maintenance requirements, which require continual compliance and periodic compliance.

MSCI EAFE Index

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

The Exchange also notes that the MSCI EAFE Index is a broad-based index as designated in Chapter XIV, Section 3.[16] In addition, the Exchange proposes to create specific listing and maintenance standards for options on the MSCI EAFE Index in Chapter XIV, Section 3. Specifically, in proposed Chapter XIV, Section 3(e)(i)(1) through (10), the Exchange proposes to require that the following conditions are satisfied: (1) The index is broad-based, as defined in Chapter XIV, Section 2(j); (2) Options on the index are designated as P.M.-settled index options; (3) The index is capitalization-weighted, price-weighted, modified capitalization-weighted or equal dollar-weighted; (4)

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

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

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

The index consists of 500 or more component securities; (5) All of the component securities of the index will have a market capitalization of greater than $100 million; (6) No single component security accounts for more than fifteen percent (15%) of the weight of the index, and the five highest weighted component securities in the index do not, in the aggregate, account for more than fifty percent (50%) of the weight of the MSCI EAFE Index; (7) Non-U.S. component securities (stocks or ADRs) that are not subject to comprehensive surveillance agreements do not, in the aggregate, represent more than twenty percent (20%) of the weight of the index; (8) The current index value is widely disseminated at least once every fifteen (15) seconds by one or more major market data vendors during the time options on the index are traded on the Exchange; (9) The Exchange reasonably believes it has adequate system capacity to support the trading of options on the index, based on a calculation of the Exchange's current Independent System Capacity Advisor (ISCA) allocation and the number of new messages per second expected to be generated by options on such index; and (10) The Exchange has written surveillance procedures in place with respect to surveillance of trading of options on the index.

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

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

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

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

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

Exchange Rules that apply to the trading of options on broad-based indexes also would apply to options on the Full Value MSCI EM Index and the Full Value MSCI EAFE Index. The trading of these options also would be subject to, among others, Exchange Rules governing margin requirements and trading halt procedures for index options.[20] Pursuant to proposed Chapter XIV, Section 5, the Exchange notes that the position limits for the MSCI EM Index option and the MSCI EAFE Index option will be 25,000 contracts on the same side of the market.[21] The Exchange proposes to apply existing index option margin requirements for the purchase and sale of options on the MSCI EM Index and the MSCI EAFE Index.[22]

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

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

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

22 See Chapter XII, Section 3.

23 See Chapter IV, Section 6.

24 See Chapter VI, Section 5(a).

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

Pursuant to Chapter XIV, Section 11, the Exchange proposes to open at least one expiration month and one series for each class of index options open for trading on the Exchange.[26] New series of index options contracts may be added up to the fifth business day prior to expiration.[27] When new series of index options with a new expiration date are opened for trading, or when additional series of index options in an existing expiration date are opened for trading as the current value of the underlying index to which such series relate moves substantially from the exercise prices of series already opened, the exercise prices of such new or additional series shall be reasonably related to the current value of the underlying index at the time such series are first opened for trading.[28]

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

NOM may open for trading additional series of the same class of index options as the current index value of the underlying index moves substantially from the exercise price

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26 See Chapter XIV, Section 11.

27 See Chapter XIV, Section 11(c)(2).

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

of those index options that already have been opened for trading on NOM. The exercise price of each series of index options opened for trading on NOM shall be reasonably related to the current index value of the underlying index to which such series relates at or about the time such series of options is first opened for trading on NOM.[29]

Options on the MSCI EM Index and the MSCI EAFE Index would be subject to the same rules that presently govern all Exchange index options, including sales practice rules, margin requirements and trading rules. These Exchange Rules are designed to protect public customer trading.

The Exchange proposes to require a 25,000 position and exercise limit for the MSCI EM and MSCI EAFE index options.[30] Specifically, Chapter XI, Section 7 prohibits a NASDAQ Options Order Entry Firm ("OEF") from accepting a Public Customer order to purchase or write an options contract unless the Public Customer's account has been approved for options transactions in accordance with Chapter XI, Section 7.[31] Additionally, Chapter XI, Section 9, regarding suitability, is designed to ensure that options are only sold to Public Customers capable of evaluating and bearing the risks

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

30 See proposed text at Chapter XIV, Section 5(d).

31 See Chapter XI, Section 7 (Opening of Accounts).

associated with trading in this instrument.[32] Further, Chapter XI, Section 10 (Discretionary Accounts) permits OEFs to exercise discretionary power with respect to trading in options contracts in a Public Customer's account only if the OEF has received prior written authorization and the account had been accepted in writing by a Registered Options and Security Futures Principal.[33] Finally, Chapter XI, Section 8 (Supervision of Accounts), Chapter XI, Section 11 (Confirmation to Public Customers), and Chapter XI, Section 15 (Delivery of Current Options Disclosure Documents and Prospectus) will also apply to trading in options on the MSCI EM Index and MSCI EAFE Index.

Surveillance and Capacity

The Exchange represents that it has an adequate surveillance program in place for options on the MSCI EM Index and the MSCI EAFE Index and intends to apply those same procedures that it applies to the Exchange's other index options. Additionally, the Exchange is a member of the Intermarket Surveillance Group ("ISG") under the Intermarket Surveillance Group Agreement, dated June 20, 1994. The members of the ISG include all of the national securities exchanges. ISG members work together to coordinate surveillance and share information regarding the stock and options markets. In addition, the major futures exchanges are affiliated members of the ISG, which allows for the sharing of surveillance information for potential intermarket trading abuses. In addition, the Exchange is an affiliate member of the International Organization of Securities Commissions (“IOSCO”). IOSCO has members from over 100 different countries. Each of the countries from which there is a component security in the MSCI

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32 See Chapter XI, Section 9 (Suitability of Recommendations).

33 See Chapter XI, Section 10.

EM Index and the MSCI EAFE Index is a member of IOSCO. These members regulate more than 90 percent of the world's securities markets. Additionally, the Exchange has entered into various Information Sharing Agreements and/or Memoranda of Understandings with various stock exchanges. Given the capitalization of these indexes and the deep and liquid markets for the securities underlying both the MSCI EM Index and the MSCI EAFE Index, the concerns for market manipulation and/or disruption in the underlying markets are greatly reduced. There is also an active trading volume for the ETFs on the MSCI EM Index, and additionally the MSCI EAFE ETF is one of the top ten ETFs in the United States based on assets and volume.

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

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

2. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act[35] in general, and furthers the objectives of Section 6(b)(5) of the Act[36] in particular, in that it will permit trading in options on Full Value MSCI EM Index and the Full Value MSCI EAFE Index pursuant to rules designed to prevent fraudulent and manipulative

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34 See proposed text at Chapter XIV, Section 13.

35 15 U.S.C. 78f(b).

36 15 U.S.C. 78f(b)(5).

acts and practices, to protect investor and the public interest, and to promote just and equitable principles of trade.

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

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

The trading of these options also would be subject to, among others, Exchange Rules governing margin requirements[37] and trading halt procedures for index options.[38]

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[37] See Chapter XIII, Sec. 3 (Margin Requirements).

[38] See Chapter XIV, Sec. 10 (Trading Sessions).

The Exchange would apply the same position limits, namely 25,000 contracts on the same side of the market for the MSCI EM Index option and the MSCI EAFE Index option, as is the case today for these same index options on Phlx. The Exchange proposes to apply existing index option margin requirements for the purchase and sale of options on the MSCI EM Index and the MSCI EAFE Index.

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

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

B. <u>Self-Regulatory Organization's Statement on Burden on Competition</u>

The Exchange does not believe that the proposed rule change will impose any burden on competition not necessary or appropriate in furtherance of the purposes of the Act. To the contrary, the Exchange believes that listing these products on NOM will provide investors with another venue to trade options on the MSCI EM and MSCI EAFE Indexes.

C. <u>Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received from Members, Participants, or Others</u>

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[39] and Rule 19b-4(f)(6)[40] thereunder.

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:

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39 15 U.S.C. 78s(b)(3)(A).

40 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 proposed rule change, or such shorter time as designated by the Commission. The Exchange has satisfied this requirement.

- 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-2012-092 on the subject line.

Paper comments:

- Send paper comments in triplicate to Elizabeth M. Murphy, Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549-1090.

All submissions should refer to File Number SR-NASDAQ-2012-092. This file number should be included on the subject line if e-mail is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet 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-2012-092 and should be submitted on or before [insert date 21 days from publication in the Federal Register].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.[41]

Kevin M. O'Neill
Deputy Secretary

[41] 17 CFR 200.30-3(a)(12).

Exhibit 3

Contract Specifications for MSCI EAFE Index

Description: The MSCI EAFE Index (Europe, Australasia, Far East) is a free float-adjusted market capitalization index that is designed to measure the equity market performance of developed markets, excluding the US & Canada. The MSCI EAFE Index consists of the following 22 developed market country indices: Australia, Austria, Belgium, Denmark, Finland, France, Germany, Greece, Hong Kong, Ireland, Israel, Italy, Japan, the Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland, and the United Kingdom.

Trading Symbol: MXEA

Settlement Value Symbol: N/A

CUSIP Number: 628 765 109

Exercise Style: European – may be exercised only on the last business day before expiration

Expiration Date: Saturday following the third Friday of the expiration month.

Contract Listings: The exchange shall open a minimum of one expiration month and series for each class of index options. Additional series may be opened to meet customer demand or track the market price of the underlying index.

Settlement: Cash

Settlement Value for Expiring Contracts: Based on the *closing* prices of the component stocks on the last trading day prior to expiration (usually a Friday).

Last Trading Day for Expiring Contracts: The last business day (usually a Friday) preceding the expiration date.

Index Multiplier: $100 (i.e., 1 contract = index value x 100)

Exercise (Strike) Price Intervals: The Exchange shall determine fixed-point intervals of exercise prices for index options. Generally, the exercise (strike) price interval shall be no less than $5 provided, that the Exchange may determine to list strike prices at no less than $2.50 intervals on certain indexes listed in Chapter XIV, Section 11.

Premium Quotation: One point = $100. Thus a premium quote of 2.00 is $200. The minimum change in a premium under 3 is $5.00 and the minimum change in a premium of 3 or greater is $10.00

Position Limits: 25,000 contracts on the same side of the market.

Trading Hours: 9:30 a.m. to 4:15 p.m. Eastern Time, except that on the last trading day prior to expiration transactions may be effected on the Exchange until 11:00 a.m.

Issuer and Guarantor: The Options Clearing Corporation (OCC)

<u>Contract Specifications for MSCI EM Index</u>

Description: The MSCI Emerging Markets Index is a free float-adjusted market capitalization index that is designed to measure equity market performance in the global emerging markets.

Trading Symbol: MXEF

Settlement Value Symbol: N/A

CUSIP Number: 628 76U 104

Exercise Style: European – may be exercised only on the last business day before expiration

Expiration Date: Saturday following the third Friday of the expiration month

Contract Listings: The exchange shall open a minimum of one expiration month and series for each class of index options. Additional series may be opened to meet customer demand or track the market price of the underlying index.

Settlement: Cash

Settlement Value for Expiring Contracts: Based on the *closing* prices of the component stocks on the last trading day prior to expiration.

Last Trading Day for Expiring Contracts: The last business day (usually a Friday) preceding the expiration date

Index Multiplier: $100 (i.e., 1 contract = index value x 100)

Exercise (Strike) Price Intervals: The Exchange shall determine fixed-point intervals of exercise prices for index options. Generally, the exercise (strike) price interval shall be no less than $5 provided, that the Exchange may determine to list strike price at no less than $2.50 intervals on certain indexes listed in Chapter XIV, Section 11.

Premium Quotation: One point = $100. Thus a premium quote of 2.00 is $200. The minimum change in a premium under 3 is $5.00 and the minimum change in a premium of 3 or greater is $10.00

Position Limits: 25,000 contracts on the same side of the market

Trading Hours: 9:30 a.m. to 4:15 p.m. Eastern Time

Issuer and Guarantor: The Options Clearing Corporation (OCC)

Exhibit 5

New text is underlined; deleted text is in brackets.

Options Rules

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Chapter XIV Index Rules

* * * * *

Sec. 2 Definitions

(a) The term "aggregate exercise price" means the exercise price of the options contract times the index multiplier.

(b) The term "American-style index option" means an option on an industry or market index that can be exercised on any business day prior to expiration.

(c) The term "A.M.-settled index option" means an index options contract for which the current index value at expiration shall be determined as provided in Section 11(a)(5) of this Chapter

(d) The term "call" means an options contract under which the holder of the option has the right, in accordance with the terms of the option, to purchase from the Clearing Corporation the current index value times the index multiplier.

(e) The term "current index value" with respect to a particular index options contract means the level of the underlying index reported by the reporting authority for the index, or any multiple or fraction of such reported level specified by NOM. The current index value with respect to a reduced-value long term options contract is one-tenth of the current index value of the related index option. The "closing index value" shall be the last index value reported on a business day.

(f) The term "exercise price" means the specified price per unit at which the current index value may be purchased or sold upon the exercise of the option.

(g) The term "European-style index option" means an option on an industry or market index that can be exercised only on the last business day prior to the day it expires.

(h) The term "index multiplier" means the amount specified in the contract by which the current index value is to be multiplied to arrive at the value required to be delivered to the holder of a call or by the holder of a put upon valid exercise of the contract.

(i) The term "industry index" and "narrow-based index" mean an index designed to be representative of a particular industry or a group of related industries.

(j) The term "market index" and "broad-based index" mean an index designed to be representative of a stock market as a whole or of a range of companies in unrelated industries.

(k) The term "P.M.-settled index option" means an index options contract for which the current index value at expiration shall be determined as provided in Section 11(a)(6) of this Chapter.

([k]l) The term "put" means an options contract under which the holder of the option has the right, in accordance with the terms and provisions of the option, to sell to the Clearing Corporation the current index value times the index multiplier.

([l]m) The term "Quarterly Option Series" means a series in an options class that is approved for listing and trading on the Exchange in which the series is opened for trading on any business day and expires at the close of business on the last business day of a calendar quarter.

([m]n) The term "reporting authority" with respect to a particular index means the institution or reporting service designated by Nasdaq as the official source for (1) calculating the level of the index from the reported prices of the underlying securities that are the basis of the index and (2) reporting such level. The reporting authority for each index approved for options trading on NOM shall be Specified (as provided in Section 1 of this Chapter) in the Supplementary Material to this Section 2.

([n]o) The term "Short Term Option Series" means a series in an option class that is approved for listing and trading on the Exchange in which the series is opened for trading on any Thursday or Friday that is a business day and that expires on the Friday of the next business week. If a Thursday or Friday is not a business day, the series may be opened (or shall expire) on the first business day immediately prior to that Thursday or Friday, respectively.

([o]p) The term "underlying security" or "underlying securities" with respect to an index options contract means any of the securities that are the basis for the calculation of the index.

Supplementary Material to Section 2

01. The reporting authorities designated by the Exchange in respect of each index underlying an index options contract traded on the Exchange are as provided below.

Index Reporting Authority

Nasdaq 100 Index - The Nasdaq Stock Market

Mini Nasdaq 100 Index - The Nasdaq Stock Market

PHLX Oil Service Sector ^{SM} *- The Nasdaq Stock Market*

PHLX Semiconductor Sector ^{SM} *- The Nasdaq Stock Market*

PHLX Housing Sector ^{TM} *- The Nasdaq Stock Market*

MSCI EM Index - MSCI Inc.

MSCI EAFE Index -MSCI Inc.

Sec. 3 Designation of a Broad-Based Index

(a) – (c) No Change

(d) MSCI EM Index

(i) NOM may trade options on the MSCI EM Index if each of the following conditions is satisfied:

(1) The index is broad-based, as defined in Chapter XIV, Section 2(j);

(2) Options on the index are designated as P.M.-settled index options;

(3) The index is capitalization-weighted, price-weighted, modified capitalization-weighted or equal dollar-weighted;

(4) The index consists of 500 or more component securities;

(5) All of the component securities of the index will have a market capitalization of greater than $100 million;

(6) No single component security accounts for more than fifteen percent (15%) of the weight of the index, and the five highest weighted component securities in the index do not, in the aggregate, account for more than fifty percent (50%) of the weight of the MSCI EM Index;

(7) Non-U.S. component securities (stocks or ADRs) that are not subject to comprehensive surveillance agreements do not, in the aggregate, represent more than twenty-two and a half percent (22.5%) of the weight of the index;

(8) The current index value is widely disseminated at least once every fifteen (15) seconds by one or more major market data vendors during the time options on the index are traded on NOM;

(9) NOM reasonably believes it has adequate system capacity to support the trading of options on the index, based on a calculation of NOM's current Independent System Capacity Advisor (ISCA) allocation and the number of new messages per second expected to be generated by options on such index; and

(10) NOM has written surveillance procedures in place with respect to surveillance of trading of options on the index.

(ii) The following maintenance listing standards shall apply to each class of index options originally listed pursuant to paragraph (d).

(1) The conditions set forth in subparagraphs (d)(i) (1), (2), (3), (4), (7) (8), (9) and (10) must continue to be satisfied. The conditions set forth in subparagraphs (d)(i) (5) and (6) must be satisfied only as of the first day of January and July in each year;

(2) The total number of component securities in the index may not increase or decrease by more than thirty-five percent (35%) from the number of component securities in the index at the time of its initial listing.

In the event a class of index options listed on NOM fails to satisfy the maintenance listing standards set forth herein, NOM shall not open for trading any additional series of options of that class unless the continued listing of that class of index options has been approved by the Commission under Section 19(b)(2) of the Exchange Act.

(e) MSCI EAFE Index

(i) NOM may trade options on the MSCI EAFE Index if each of the following conditions is satisfied:

(1) The index is broad-based, as defined in Chapter XIV, Section 2(j);

(2) Options on the index are designated as P.M.-settled index options;

(3) The index is capitalization-weighted, price-weighted, modified capitalization-weighted or equal dollar-weighted;

(4) The index consists of 500 or more component securities;

(5) All of the component securities of the index will have a market capitalization of greater than $100 million;

(6) No single component security accounts for more than fifteen percent (15%) of the weight of the index, and the five highest weighted component securities in the index do not, in the aggregate, account for more than fifty percent (50%) of the weight of the MSCI EAFE Index;

(7) Non-U.S. component securities (stocks or ADRs) that are not subject to comprehensive surveillance agreements do not, in the aggregate, represent more than twenty percent (20%) of the weight of the index;

(8) The current index value is widely disseminated at least once every fifteen (15) seconds by one or more major market data vendors during the time options on the index are traded on NOM;

(9) NOM reasonably believes it has adequate system capacity to support the trading of options on the index, based on a calculation of the NOM's current Independent System Capacity Advisor (ISCA) allocation and the number of new messages per second expected to be generated by options on such index; and

(10) NOM has written surveillance procedures in place with respect to surveillance of trading of options on the index.

(ii) The following maintenance listing standards shall apply to each class of index options originally listed pursuant to paragraph (e).

(1) The conditions set forth in subparagraphs (e)(i) (1), (2), (3), (4), (7) (8), (9) and (10) must continue to be satisfied. The conditions set forth in subparagraphs (e)(i) (5) and (6) must be satisfied only as of the first day of January and July in each year;

(2) The total number of component securities in the index may not increase or decrease by more than thirty-five percent (35%) from the number of component securities in the index at the time of its initial listing.

In the event a class of index options listed on NOM fails to satisfy the maintenance listing standards set forth herein, NOM shall not open for trading any additional series of options of that class unless the continued listing of that class of index options has been approved by the Commission under Section 19(b)(2) of the Exchange Act.

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Sec. 5 Position Limits for Broad-Based Index Options

(a) Options Participants shall comply with the applicable rules of the Chicago Board Options Exchange with respect to position limits for broad-based index options or with the applicable rules of NOM for broad-based index options traded on NOM but not traded on the Chicago Board Options Exchange.

(b) Index options contracts shall not be aggregated with options contracts on any stocks whose prices are the basis for calculation of the index.

(c) Positions in reduced-value index options shall be aggregated with positions in full-value indices. For such purposes, ten reduced-value contracts shall equal one contract.

(d) The position limit for option contracts on the MSCI EM and the MSCI EAFE Indexes shall be 25,000 contracts on the same side of the market.

* * * * *

Sec. 10 Trading Sessions

(a) Days and Hours of Business. Except as otherwise provided in this Rule or under unusual conditions as may be determined by Nasdaq Regulation, transactions in index options may be effected on NOM between the hours of 9:30 a.m. and 4:15 p.m. Eastern time. With respect to options on foreign indexes, Nasdaq Regulation shall determine the days and hours of business, except that transactions in options on the MSCI EAFE Index and MSCI EM Index may be effected on NOM between the hours of 9:30 a.m. and 4:15 p.m. Eastern time. With respect to the MSCI EAFE Index, transactions may be effected on NOM until 11:00 a.m. Eastern Time on the last trading day prior to expiration.

(b) To begin trading at 9:30 am, an opening shall be held in each class of index options as provided in Section 8 of Chapter VI of these Rules (Opening the Market).

(c) Instituting Halts and Suspensions. Trading on NOM in any index option shall be halted or suspended whenever trading in underlying securities whose weighted value represents more than twenty percent (20%), in the case of a broad based index, and ten percent (10%) for all other indices, of the index value is halted or suspended. Nasdaq Regulation also may halt trading in an index option when, in his or her judgment, such action is appropriate in the interests of a fair and orderly market and to protect investors. Among the facts that may be considered are the following:

(1) whether all trading has been halted or suspended in the market that is the primary market for a plurality of the underlying stocks;

(2) whether the current calculation of the index derived from the current market prices of the stocks is not available;

(3) the extent to which the opening has been completed or other factors regarding the status of the opening; and

(4) other unusual conditions or circumstances detrimental to the maintenance of a fair and orderly market are present, including, but not limited to, the activation of price limits on futures exchanges.

(d) Resumption of Trading Following a Halt or Suspension. Trading in options of a class or series that has been the subject of a halt or suspension by Nasdaq Regulation may resume if Nasdaq Regulation determines that the interests of a fair and orderly market are served by a resumption of trading. Among the factors to be considered in making this determination are whether the conditions that led to the halt or suspension are no longer present, and the extent to which trading is occurring in stocks underlying the index. At the end of a halt, trading in each class of index options shall resume as provided in Section 4 of Chapter V of these Rules (Resumption of Trading After A Halt).

(e) Circuit Breakers. Section 5 of Chapter V of these Rules (Trading Halts Due to Extraordinary Market Volatility) applies to index options trading with respect to the initiation of a marketwide trading halt commonly known as a "circuit breaker."

(f) Special Provisions for Foreign Indices. When the hours of trading of the underlying primary securities market for an index option do not overlap or coincide with those of NOM, all of the provisions as described in paragraphs (c), (d) and (e) above shall not apply except for (c)(4).

(g) Pricing When Primary Market Does Not Open. When the primary market for a security underlying the current index value of an index option does not open for trading on a given day, the price of that security shall be determined, for the purposes of calculating the current index value at expiration, based on the opening price of that security on the next day that its primary market is open for trading. This procedure shall not be used if the current index value at expiration is fixed in accordance with the Rules and By-Laws of the Clearing Corporation.

Sec. 11 Terms of Index Options Contracts

(a) General.

(1) Meaning of Premium Bids and Offers. Bids and offers shall be expressed in terms of dollars and cents per unit of the index.

(2) Exercise Prices. NOM shall determine fixed-point intervals of exercise prices for call and put options.

(3) Expiration Months. Index options contracts may expire at three (3)[-] month intervals or in consecutive months. NOM may list up to six (6) expiration months at any one time, but will not list index options that expire more than twelve (12) months out.

(4) "European-Style Exercise." The following European-style index options, some of which may be A.M.-settled as provided in paragraph (a)(5) <u>or P.M.-settled as provided in paragraph (a)(6)</u>, are approved for trading on NOM:

(i) Nasdaq 100 Index.

(ii) Mini Nasdaq 100 Index.

(iii) PHLX Oil Service Sector ^{SM}.

(iv) PHLX Housing Sector ^{TM}.

<u>(v) MSCI EM Index.</u>

<u>(vi) MSCI EAFE Index.</u>

(5) A.M.-Settled Index Options. The last day of trading for A.M.-settled index options shall be the business day preceding the last day of trading in the underlying securities prior to expiration.

The current index value at the expiration of an A.M.-settled index option shall be determined, for all purposes under these Rules and the Rules of the Clearing Corporation, on the last day of trading in the underlying securities prior to expiration, by reference to the reported level of such index as derived from first reported sale (opening) prices of the underlying securities on such day, except that:

(i) In the event that the primary market for an underlying security does not open for trading on that day, the price of that security shall be determined, for the purposes of calculating the current index value at expiration, as set forth in Section 9(g) of this Chapter, unless the current index value at expiration is fixed in accordance with the Rules and By-Laws of the Clearing Corporation; and

(ii) In the event that the primary market for an underlying security is open for trading on that day, but that particular security does not open for trading on that day, the price of that security, for the purposes of calculating the current index value at expiration, shall be the last reported sale price of the security. The following A.M.-settled index options are approved for trading on NOM:

(A) Nasdaq 100 Index.

(B) Mini Nasdaq 100 Index.

(C) PHLX Oil Service Sector ^{SM}.

(D) PHLX Semiconductor Sector ^{SM}.

(E) PHLX Housing Sector ^{TM}.

(6) P.M. – Settled Index Options. The last day of trading for P.M.-settled index options shall be the business day prior to expiration. The current index value at expiration of the index is determined by the last reported sale price of each component security. In the event that the primary market for an underlying security does not open for trading on the business day prior to expiration, the price of that security shall be the last reported sale price prior to expiration. The following P.M.-settled index options are approved for trading on NOM:

(A) MSCI EM Index.

(B) MSCI EAFE Index.

(b) No Change

(c) Procedures for Adding and Deleting Strike Prices. The procedures for adding and deleting strike prices for index options are provided in Section 6 of Chapter IV of these Rules (Series of Options Contracts Open for Trading), as amended by the following:

(1) The interval between strike prices will be no less than $5.00[:]; provided, that in the case of the following classes of index options, the interval between strike prices will be no less than $2.50:

(i) Nasdaq 100 Index, if the strike price is less than $200.

(ii) Mini Nasdaq 100 Index, if the strike price is less than $200.

(iii) PHLX Oil Service Sector SM, if the strike price is less than $200.

(iv) PHLX Semiconductor Sector SM, if the strike price is less than $200.

(v) PHLX Housing Sector TM, if the strike price is less than $200.

(vi) MSCI EM Index, if the strike price is less than $200.

(vii) MSCI EAFE Index, if the strike price is less than $200.

(2) New series of index options contracts may be added up to the fifth business day prior to expiration.

(3) When new series of index options with a new expiration date are opened for trading, or when additional series of index options in an existing expiration date are opened for trading as the current value of the underlying index to which such series relate moves substantially from the exercise prices of series already opened, the exercise prices of such new or additional series shall be reasonably related to the current value of the underlying index at the time such series are first opened for trading. In the case of all classes of index options, the term "reasonably related to the current value of the underlying index" shall have the meaning set forth in Paragraph (c)(4) below.

(4) Notwithstanding any other provision of this paragraph (c), NOM may open for trading additional series of the same class of index options as the current index value of the underlying index moves substantially from the exercise price of those index options that already have been opened for trading on NOM. The exercise price of each series of index options opened for trading on NOM shall be reasonably related to the current index value of the underlying index to which such series relates at or about the time such series of options is first opened for trading on NOM. The term "reasonably related to the current index value of the underlying index" means that the exercise price is within thirty percent (30%) of the current index value. NOM may also open for trading additional series of index options that are more than thirty percent (30%) away from the current index value, provided that demonstrated customer interest exists for such series, as expressed by institutional, corporate, or individual customers or their brokers. Market-makers trading for their own account shall not be considered when determining customer interest under this provision.

(d) – (i) No Change

* * * * * *

Sec. 13 Disclaimers

(a) Applicability of Disclaimers. The disclaimers in paragraph (b) below shall apply to the reporting authorities identified in the Supplemental Material to Section 2 of this Chapter.

(b) Disclaimer. No reporting authority, and no affiliate of a reporting authority (each such reporting authority, its affiliates, and any other entity identified in this Rule are referred to collectively as a "Reporting Authority"), makes any warranty, express or implied, as to the results to be obtained by any person or entity from the use of an index it publishes, any opening, intraday or closing value therefore, or any data included therein or relating thereto, in connection with the trading of any options contract based thereon or for any other purpose. The Reporting Authority shall obtain information for inclusion in, or for use in the calculation of, such index from sources it believes to be reliable, but the Reporting Authority does not guarantee the accuracy or completeness of such index, any opening, intra-day or closing value therefore, or any date included therein or related thereto. The Reporting Authority hereby disclaims all warranties of merchantability or fitness for a particular purpose or use with respect to such index, any opening, intra-day, or closing value therefore, any data included therein or relating thereto, or any options contract based thereon. The Reporting Authority shall have no liability for any damages, claims, losses (including any indirect or consequential losses), expenses, or delays, whether direct or indirect, foreseen or unforeseen, suffered by any person arising out of any circumstance or occurrence relating to the person's use of such index, any opening, intra-day or closing value therefore, any data included therein or relating thereto, or any options contract based thereon, or arising out of any errors or delays in calculating or disseminating such index.

<u>(c) MSCI Disclaimers</u>

<u>(i) With respect to the MSCI EM Index, the contracts are not sponsored, endorsed, sold or promoted by MSCI Inc., any affiliate of MSCI or any other party involved in, or related to, making or compiling any Indexes. The contracts have not been passed on by MSCI, any of its affiliates or any other party involved in, or related to, making or compiling any Indexes as to their legality or suitability with respect to any person or entity. MSCI, its affiliates and any other party involved in, or related to, making or compiling the MSCI EM Index do not guarantee the originality, accuracy and/or completeness of the MSCI EM Index or any data included therein. Neither MSCI, any of its affiliates nor any other party involved in, or related to, making or compiling the MSCI EM Index makes any express or implied warranties, and expressly disclaims all warranties of merchantability and fitness for a particular purpose or use with respect to the contract, the MSCI EM Index or any data included therein. Without limiting any of the foregoing, in no event shall MSCI, any of its affiliates or any other party involved in, or related to, making or compiling the MSCI EM Index have any liability for any direct, special, punitive, indirect, or consequential damages (including lost profits), even if notified of the possibility of such damages, claims, losses or expenses relating to any futures or options contracts or caused by any errors or delays in calculating or disseminating the MSCI EM Index. Neither MSCI, any of its affiliates nor any other party involved in, or related to, making or compiling the MSCI EM Index has any obligation to take the needs of the issuers of the contracts, the owners of the contracts or NOM into consideration in determining, composing or calculating the Indexes.</u>

Neither MSCI, its affiliates nor any other party involved in, or related to, making or compiling the MSCI EM Index is responsible for or have participated in the determination of the timing of, prices at, or quantities of the contracts to be issued or in the determination or calculation of the equation by which the contracts are redeemable.

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