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 *

Description

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

A proposed rule change relating to inbound routing from an affiliated exchange.

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 * Edith Last Name * Hallahan

Title * Principal Associate General Counsel

E-mail * edith.hallahan@nasdaqomx.com

Telephone * (215) 496-5179 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 09/28/2012

By Edward S. Knight

Executive Vice President and General Counsel

(Name *)

(Title *)

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

   (a) Pursuant to the provisions of Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”),\(^1\) and Rule 19b-4 thereunder,\(^2\) The NASDAQ Stock Market LLC (the “Exchange” or “NASDAQ”) is filing with the Securities and Exchange Commission (“Commission”) a proposed rule change to continue to accept inbound orders routed by Nasdaq Execution Services LLC (“NES”) from both the NASDAQ OMX PSX facility (“PSX”) of NASDAQ OMX PHLX LLC (“PHLX”) as well as from the NASDAQ OMX BX Equities Market of NASDAQ OMX BX, Inc. (“BX”), as described further below, for an additional six month period.

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

   (b) Not applicable.

   (c) Not applicable.

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

   The proposed rule change was approved by senior management of the Exchange pursuant to authority delegated by the Board of Directors of the Exchange (the “Board”) on July 10, 2012. Exchange staff will advise the Board of any action taken pursuant to delegated authority. No other action by the Exchange is necessary for the filing of the rule change.

   Questions regarding this rule filing may be directed to Edith Hallahan, Principal Associate General Counsel, at (215) 496-5179.

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

   a. **Purpose**

      Currently, NES is the approved outbound routing facility of BX and PSX, providing outbound routing to other market centers. The Exchange, BX and PSX have previously adopted rules to permit NASDAQ to receive inbound routes of certain orders by NES in its capacity as an order routing facility of BX and PSX. The Exchange specifically has adopted a rule to prevent potential informational advantages resulting from the affiliation between NASDAQ and NES, as related to NES’s authority to route certain orders from BX and PSX to NASDAQ. NES’s authority to route these orders to NASDAQ is subject to a pilot period ending October 6, 2012. The Exchange hereby seeks to extend the previously approved pilot period (with the attendant obligations and conditions) for an additional six months, through March 30, 2013.

   b. **Statutory Basis**

      The Exchange believes that the proposed rule change is consistent with the provisions of Section 6 of the Act, in general, and with Sections 6(b)(5) of the Act, in

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3  BX Rule 4758(b) and PHLX Rule 3315(b).


5  See NASDAQ Rule 2160(c).


particular, in that the proposal is designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in securities, to remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general, to protect investors and the public interest. Specifically, the proposed rule change will allow NASDAQ to continue to receive inbound routes of equities orders from NES, acting in its capacity as a facility of PHLX or BX, in a manner consistent with prior approvals and established protections. The Exchange believes that extending the previously approved pilot period for six months is a sufficient length of time to permit both the Exchange and the Commission to assess the impact of the Exchange’s authority to permit it to receive inbound routes of certain orders via NES (including the attendant obligations and conditions).

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

   The Exchange does not believe that the proposed rule change will result in any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act, as amended.

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

   Written comments were neither solicited nor 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 and Rule 19b-4(f)(6) thereunder, the Exchange has designated this proposal as one that effects a change that: (i) does not significantly affect the protection of investors or the public interest; (ii) does not impose any significant burden on competition; and (iii) by its terms, does not become operative for 30 days after the date of the filing, or such shorter time as the Commission may designate if consistent with the protection of investors and the public interest. The proposal is not controversial and does not significantly affect the protection of investors or the public interest, because it seeks to extend for a limited period a currently operating pilot program so as to allow the Exchange and the Commission to assess the impact of the Exchange’s authority to permit it to receive inbound routes of certain orders via NES (including the attendant obligations and conditions).

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 normally does not become operative for 30 days after the date of its filing. However, Rule 19b-4(f)(6) permits the Commission to designate a shorter time if such

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action is consistent with the protection of investors and the public interest. The Exchange requests a waiver of the 30 day period in order for the proposal to become operative on or about October 6, 2012 in order for the pilot program to continue without disruption, which should avoid confusion, consistent with the protection of investors and the public interest.

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

Not applicable.

9. Exhibits

1. Completed notice of proposed rule change for publication in the Federal Register.
Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”), and Rule 19b-4 thereunder, notice is hereby given that on September 28, 2012, The NASDAQ Stock Market LLC (“NASDAQ” or “Exchange”) filed with the Securities and Exchange Commission (“Commission”) the proposed rule change as described in Items I, II, and III below, which Items have been prepared by the Exchange. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

I. Self-Regulatory Organization’s Statement of the Terms of the Substance of the Proposed Rule Change

The Exchange proposes to continue to accept inbound orders routed by Nasdaq Execution Services LLC (“NES”) from both the NASDAQ OMX PSX facility (“PSX”) of NASDAQ OMX PHLX LLC (“PHLX”) as well as from the NASDAQ OMX BX Equities Market of NASDAQ OMX BX, Inc. (“BX”), as described further below, for an additional six month period. The text of the proposed rule change is available at http://nasdaq.cchwallstreet.com, at the Exchange’s principal office, 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 and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. The Exchange has prepared summaries, set forth in Sections A, B, and C below, of the most significant aspects of such statements.

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

1. Purpose

Currently, NES is the approved outbound routing facility of BX and PSX, providing outbound routing to other market centers. The Exchange, BX and PSX have previously adopted rules to permit NASDAQ to receive inbound routes of certain orders by NES in its capacity as an order routing facility of BX and PSX. The Exchange specifically has adopted a rule to prevent potential informational advantages resulting from the affiliation between NASDAQ and NES, as related to NES’s authority to route certain orders from BX and PSX to NASDAQ. NES’s authority to route these orders to NASDAQ is subject to a pilot period ending October 6, 2012. The Exchange hereby

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3 BX Rule 4758(b) and PHLX Rule 3315(b).


5 See NASDAQ Rule 2160(c).

seeks to extend the previously approved pilot period (with the attendant obligations and conditions) for an additional six months, through March 30, 2013.

2. **Statutory Basis**

The Exchange believes that the proposed rule change is consistent with the provisions of Section 6 of the Act,\(^7\) in general, and with Sections 6(b)(5) of the Act,\(^8\) in particular, in that the proposal is designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in securities, to remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general, to protect investors and the public interest. Specifically, the proposed rule change will allow NASDAQ to continue to receive inbound routes of equities orders from NES, acting in its capacity as a facility of PHLX or BX, in a manner consistent with prior approvals and established protections. The Exchange believes that extending the previously approved pilot period for six months is a sufficient length of time to permit both the Exchange and the Commission to assess the impact of the Exchange’s authority to permit it to receive inbound routes of certain orders via NES (including the attendant obligations and conditions).


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

The Exchange does not believe that the proposed rule change will result in any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act, as amended.

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

Written comments were neither solicited nor received.

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

Because the foregoing proposed rule change does not: (i) significantly affect the protection of investors or the public interest; (ii) impose any significant burden on competition; and (iii) become operative for 30 days from the date on which it was filed, or such shorter time as the Commission may designate, it has become effective pursuant to Section 19(b)(3)(A) of the Act\(^9\) and subparagraph (f)(6) of Rule 19b-4 thereunder.\(^{10}\)

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 change should be approved or disapproved.

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\(^{10}\) 17 CFR 240.19b-4(f)(6).
IV. Solicitation of Comments

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

Electronic comments:

- Use the Commission's Internet comment form (http://www.sec.gov/rules/sro.shtml); or
- Send an e-mail to rule-comments@sec.gov. Please include File Number SR-NASDAQ-2012-112 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-2012-112. This file number should be included on the subject line if e-mail is used.

To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission’s Internet Web site (http://www.sec.gov/rules/sro.shtml). Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for website viewing and printing in the Commission’s Public Reference Room on official business days between the hours of 10:00 a.m. and 3:00 p.m.
Copies of such filing also will be available for inspection and copying at the principal offices of the Exchange. All comments received will be posted without change; the Commission does not edit personal identifying information from submissions. You should submit only information that you wish to make available publicly.

All submissions should refer to File Number SR-NASDAQ-2012-112, 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.\(^\text{11}\)

Kevin M. O’Neill  
Deputy Secretary

\(^{11}\) 17 CFR 200.30-3(a)(12).