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 proposal to offer the Equity Trade Journal for Clearing service and assess a related fee.

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 * Sean Last Name * Bennett

Title * Associate General Counsel

E-mail * sean.bennett@nasdaqomx.com

Telephone * (301) 978-8499 Fax (301) 978-8472

Signature

Pursuant to the requirements of the Securities Exchange Act of 1934,

has duly caused this filing to be signed on its behalf by the undersigned thereunto duly authorized officer.

Date 11/15/2012

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 ("Nasdaq" or "Exchange"), is filing with the Securities and Exchange Commission ("Commission") a proposed rule change to establish the Equity Trade Journal for Clearing Firms service under Rule 7060, and assess a related fee.

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

* * * * *

**7060. Equity Trade Journal for Clearing Firms**

The Equity Trade Journal for Clearing Firms service is accessed via NasdaqTrader.com and provides member clearing firms with daily and ad hoc reports of correspondent trading activity associated with the subscribing member firm’s clearing number. Equity Trade Journal for Clearing Firms is offered at no cost beginning November 15, 2012, and according to the following fee schedule beginning January 2, 2013:

<table>
<thead>
<tr>
<th>Tier</th>
<th>Number of Correspondent MPIDs</th>
<th>Monthly Fee</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tier 1</td>
<td>daily reports for 1-10 correspondent MPIDs</td>
<td>$750/month</td>
</tr>
<tr>
<td>Tier 2</td>
<td>daily reports for 11-20 correspondent MPIDs</td>
<td>$1,000/month</td>
</tr>
<tr>
<td>Tier 3</td>
<td>daily reports for 21-30 correspondent MPIDs</td>
<td>$1,250/month</td>
</tr>
<tr>
<td>Tier 4</td>
<td>daily reports for 31-40 correspondent MPIDs</td>
<td>$1,500/month</td>
</tr>
<tr>
<td>Tier 5</td>
<td>daily reports for 41 or more correspondent MPIDs</td>
<td>$1,750/month</td>
</tr>
</tbody>
</table>

* * * * *

(b) Not applicable.

(c) Not applicable.

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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 on July 10, 2012. Exchange staff will advise the Board of Directors of the Exchange of any action taken pursuant to delegated authority. No other action by the Exchange is necessary for the filing of the rule change. The Exchange is proposing to offer the new service on November 15, 2012, and begin assessing the proposed monthly fee beginning January 2, 2013.

Questions regarding this rule filing may be directed to T. Sean Bennett, Associate General Counsel, The NASDAQ OMX Group, Inc., at (301) 978-8499 (telephone) or (301) 978-8472 (fax).

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

(a) Purpose

Nasdaq is proposing to offer The Equity Trade Journal for Clearing Firms (“ETJ Clearing”) service, a new service offered to clearing member firms that provides daily and ad hoc reports of correspondent trading activity associated with the subscribing member firm’s clearing number.³ Specifically, the ETJ Clearing service provides a subscribing member firm a report of all trade activity done on Nasdaq, FINRA ORF, and FINRA/NASDAQ TRF on a given day, segregated by correspondent MPID.⁴ Daily

³ Clearing member firms have unique clearing numbers that their correspondents use to identify the clearing firm associated with each trade.

⁴ Member firms have at least one MPID, also known as a market participant identifier, and often multiple MPIDs. MPIDs are special identifiers used by NASDAQ to identify member firms’ transaction and quoting activity. Trades assigned to an MPID may be associated with one or more clearing member firms.
reports are provided for trading activity occurring the prior trading day and ad hoc reports cover trading activity that occurred for a selected full day’s trading. ETJ Clearing reports are stored and accessible for thirty days on NasdaqTrader.com’s FTP site, and can also be downloaded and stored by the subscribing member firm so that it has a historical repository of trade information for compliance and other purposes.

The ETJ Clearing service can only be accessed via NasdaqTrader.com. Nasdaq plans on offering the service at no cost beginning November 15, 2012, and to assess a monthly tiered fee, beginning January 2, 2013. The proposed ETJ Clearing service fee is divided into five tiers based on the total number of correspondent MPIDs subscribed for coverage by the service. The first tier provides daily reports for up to ten correspondent MPIDs for a monthly fee of $750, the second tier provides daily reports for eleven to twenty correspondent MPIDs for a monthly fee of $1,000, the third tier provides daily reports for twenty-one to thirty correspondent MPIDs for a monthly fee of $1,250, the fourth tier provides daily reports for thirty-one to forty correspondent MPIDs for a monthly fee of $1,500, and the fifth tier provides daily reports for forty-one or more correspondent MPIDs for a monthly fee of $1,750. As noted, the tiers are based on the total number of correspondent MPID subscribed, so for example, if a member clearing firm subscribes thirty correspondent MPIDs to the service it would be assessed a monthly fee of $1,250 per month. A member clearing firm that subscribes thirty-one correspondent MPIDs to the service, however, would be assessed a monthly fee of $1,500.

The ETJ Clearing service is similar to the equity trade journal report provided under the NasdaqTrader.com Trading and Compliance Data Package service (“Data
The Data Package service provides member firms access to multiple types of historical reports concerning a member firm’s trading, including an equity trade journal report, for a fee of $175 per month (monthly maximum of 25 reports) or $225 per month (monthly maximum of 100 reports). Subscribers may receive any mix of the different reports provided by the Data Package. The equity trade journal report of the Data Package provides trade details for all of a market participant’s trades executed on Nasdaq or reported to the FINRA/NASDAQ TRF or FINRA ORF for the date requested. The data provided by the ETJ Clearing service is similar to that of the Data Package report, but requires further segregation and arrangement of the data so that it is useful for clearing member firms. Specifically, the ETJ Clearing service includes clearing numbers, and filters the data provided by clearing number to deliver only details of trades reported using the clearing firm’s dedicated clearing number. In addition, ETJ Clearing will provide potentially a higher volume of reports in relation to the data provided in the Data Package equity trade journal report because using the regular Data Package, data is only produced for one MPID per user log in. In the ETJ Clearing subscription, the clearing member firm can elect to produce several reports based on its correspondent MPIDs.

The Exchange notes that it has a low number of clearing member firms with more than forty correspondent MPIDs registered with the Exchange at this time. Should this change, Nasdaq may file a rule change to modify the fees assessed under the tiers. The proposed fee will be applied to offset the costs associated with establishing the service, responding to customer requests, configuring Nasdaq’s systems, programming to user

5 See Rule 7021.

6 Id.
specifications, and administering the service, among other things. To the extent that costs are covered by the proposed fee, the proposed fee may also provide Nasdaq with a profit.

(b) Statutory Basis

Nasdaq believes that the proposed rule change is consistent with the provisions of Section 6 of the Act, in general, and Section 6(b)(4) of the Act, in particular, because it provides for the equitable allocation of reasonable dues, fees and other charges among members and issuers and other persons using any facility or system that Nasdaq operates or controls, and it does not unfairly discriminate between customers, issuers, brokers or dealers. The Exchange believes that the proposed fee does not discriminate unfairly because only member firms that voluntarily elect to subscribe to this service will be charged the fee. The Exchange also believes that the proposed fee is equitably allocated as it decreases on a per report basis with each successive tier, representing the lower incremental cost associated with providing additional reports. The Exchange adopted a tiered fee structure to reduce the expense that would be incurred by the Exchange if it were to bill on a per report basis, which ultimately would be borne by subscribers. The proposed fee is assessed uniformly among subscribing member firms based on the number of MPIDs subscribed and the tier under which they fall.

9 For example, assuming 20 trading days in a month, a clearing member firm that subscribes 5 correspondent MPIDs to the proposed service (the mid-point of the first tier) would pay $750 per month, or $7.50 per report ($750 divided by 100 reports). If the member were to subscribe 15 MPIDs to the proposed service (the mid-point of the second tier), it would pay $1,000 per month, or $3.33 per report ($1,000 divided by 300 reports). The per-report price declines similarly when comparing both the fewest MPIDs of each tier, as well as the top number of MPIDs of each tier.
Nasdaq determined that the proposed fee is reasonable based on member firm interest in the functionality provided by the ETJ Clearing service, costs associated with developing and supporting the service, and the value that ETJ Clearing service provides to subscribing member firms. Moreover, ETJ Clearing provides data similar to that as the equity trade journal report of the Data Package, and Nasdaq has set the proposed fee similarly on a per-report basis. The information provided by ETJ Clearing service relates to the trade activity done on Nasdaq, FINRA ORF, and FINRA/NASDAQ TRF by a correspondent of the subscribing clearing member firm on a given day, segregated by correspondent MPID. A clearing member firm may elect to develop its own system to capture the information provided by the proposed service. As such, the Exchange believes that if a clearing member firm determines that the fee is not cost-efficient for its needs, it may decline to subscribe to ETJ Clearing service and access such information from other sources.

The Exchange also believes the proposed rule change is consistent with Section 6(b)(5) of the Act, which requires that the rules of an exchange be designed to prevent fraudulent and manipulative acts and practices, promote just and equitable principles of trade, foster cooperation and coordination with persons engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in securities, remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general, protect investors and the public interest. The Exchange believes the proposed rule change is consistent with these requirements because the proposed service provides subscribing clearing members firms with a useful

compliance tool with which they may access information concerning the trading activity of their correspondent firms. As such, the Exchange believes that the proposed service will further goals of the Act by providing subscribing clearing members firms with greater transparency with respect to clearing activity and facilitating compliance with member firm books and records obligations.

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)**

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A) of the Act\(^\text{11}\) and Rule 19b-4(f)(6)\(^\text{12}\) thereunder in that it effects a change that: (i) does not significantly affect the protection of investors or the public interest; (ii) does not impose any significant burden on competition; and (iii) by its terms, does not become operative for 30 days after the date of the filing, or such shorter time as the Commission may designate if consistent with the protection of investors and the public interest. The

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Exchange has provided the Commission written notice of its intent to file the proposed rule change, along with a brief description and text of the proposed rule change, at least five business days prior to the date of filing of the proposed rule.

The Exchange requests that the Commission waive the 30-day pre-operative waiting period contained in Rule 19b-4(f)(6)(iii) under the Act.\footnote{17 CFR 240.19b-4(f)(6)(iii).} The Exchange requests this waiver because it will allow the Exchange to offer this service at no cost on November 15, 2012. As stated above, Nasdaq plans on assessing the fee for the service beginning January 2, 2013. As such, waiving the pre-operative period will allow the Exchange to offer this useful tool at the earliest time possible, allowing member firms wishing to try out the service over a full month’s use at no cost. Accordingly, offering this useful monitoring tool at no cost to member firms in less than 30 days after the date of filing this proposal is consistent with 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

Exhibit 1. Completed notice of proposed rule change for publication in the Federal Register.
Self-Regulatory Organizations; The NASDAQ Stock Market LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Offer the Equity Trade Journal for Clearing Service and Assess a Related Fee

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”),¹ and Rule 19b-4 thereunder,² notice is hereby given that on November 15, The NASDAQ Stock Market LLC (“Nasdaq” or the “Exchange”) filed with the Securities and Exchange Commission (“Commission”) a 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 Substance of the Proposed Rule Change

Nasdaq proposes to establish the Equity Trade Journal for Clearing service, and assess a related fee. Nasdaq is proposing to implement the proposed service on November 15, 2012 and implement the proposed fee on January 2, 2013. The text of the proposed rule change is available at http://nasdaq.cchwallstreet.com, at Nasdaq’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, Nasdaq 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 those 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 parts of such statements.

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

1. Purpose

Nasdaq is proposing to offer The Equity Trade Journal for Clearing Firms (“ETJ Clearing”) service, a new service offered to clearing member firms that provides daily and ad hoc reports of correspondent trading activity associated with the subscribing member firm’s clearing number.\(^3\) Specifically, the ETJ Clearing service provides a subscribing member firm a report of all trade activity done on Nasdaq, FINRA ORF, and FINRA/NASDAQ TRF on a given day, segregated by correspondent MPID.\(^4\) Daily reports are provided for trading activity occurring the prior trading day and ad hoc reports cover trading activity that occurred for a selected full day’s trading. ETJ Clearing reports are stored and accessible for thirty days on NasdaqTrader.com’s FTP site, and can also be downloaded and stored by the subscribing member firm so that it has a historical repository of trade information for compliance and other purposes.

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The Exchange notes that it has a low number of clearing member firms with more than forty correspondent MPIDs registered with the Exchange at this time. Should this change, Nasdaq may file a rule change to modify the fees assessed under the tiers. The proposed fee will be applied to offset the costs associated with establishing the service, responding to customer requests, configuring Nasdaq’s systems, programming to user specifications, and administering the service, among other things. To the extent that costs are covered by the proposed fee, the proposed fee may also provide Nasdaq with a profit.

2. **Statutory Basis**

Nasdaq believes that the proposed rule change is consistent with the provisions of Section 6 of the Act,\(^7\) in general, and Section 6(b)(4) of the Act,\(^8\) in particular, because it provides for the equitable allocation of reasonable dues, fees and other charges among


members and issuers and other persons using any facility or system that Nasdaq operates or controls, and it does not unfairly discriminate between customers, issuers, brokers or dealers. The Exchange believes that the proposed fee does not discriminate unfairly because only member firms that voluntarily elect to subscribe to this service will be charged the fee. The Exchange also believes that the proposed fee is equitably allocated as it decreases on a per report basis with each successive tier, representing the lower incremental cost associated with providing additional reports. The Exchange adopted a tiered fee structure to reduce the expense that would be incurred by the Exchange if it were to bill on a per report basis, which ultimately would be borne by subscribers. The proposed fee is assessed uniformly among subscribing member firms based on the number of MPIDs subscribed and the tier under which they fall.

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capture the information provided by the proposed service. As such, the Exchange
believes that if a clearing member firm determines that the fee is not cost-efficient for its
needs, it may decline to subscribe to ETJ Clearing service and access such information
from other sources.

The Exchange also believes the proposed rule change is consistent with Section
6(b)(5) of the Act,¹⁰ which requires that the rules of an exchange be designed to prevent
fraudulent and manipulative acts and practices, promote just and equitable principles of
trade, foster cooperation and coordination with persons engaged in regulating, clearing,
settling, processing information with respect to, and facilitating transactions in securities,
remove impediments to and perfect the mechanism of a free and open market and a
national market system, and, in general, protect investors and the public interest. The
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compliance tool with which they may access information concerning the trading activity
of their correspondent firms. As such, the Exchange believes that the proposed service
will further goals of the Act by providing subscribing clearing members firms with
greater transparency with respect to clearing activity and facilitating compliance with
member firm books and records obligations.

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)(ii) of the Act and subparagraph (f)(6) of Rule 19b-4 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. Nasdaq has provided the Commission written notice of its intent to file the proposed rule change, along with a brief description and text of the proposed rule change, at least five business days prior to the date of filing of the proposed rule change.

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-2012-130 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-2012-130. 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-2012-130, 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.¹¹

Kevin M. O’Neill
Deputy Secretary