A proposed rule change to retire the automated quote management functionality described under NASDAQ Rules 4613(a)(2)(F) and (G) on January 16, 2013 and make conforming changes to Rule 4751(f)(15).
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C.  20549

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

**Form 19b-4 Information**

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**

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 1A - Notice of Proposed Rule Change, Security-Based Swap Submission, or Advance Notice by Clearing Agencies**

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, security-based swap submission, or advance notice 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**

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**

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**

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**

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**

If the self-regulatory organization is amending only part of the text of a lengthy proposed rule change, it may, with the Commission's permission, file only those portions of the text of the proposed rule change in which changes are being made if the filing (i.e. partial amendment) is clearly understandable on its face. Such partial amendment shall be clearly identified and marked to show deletions and additions.
1. **Text of Proposed Rule Change**

(a) Pursuant to the provisions of Section 19(b)(1) under the Securities Exchange Act of 1934 (“Act”),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 retire the automated quote management functionality described under NASDAQ Rules 4613(a)(2)(F) and (G) on January 16, 2013 and make conforming changes to Rule 4751(f)(15). A notice of the proposed rule change for publication in the Federal Register is attached hereto as Exhibit 1.

The text of the proposed rule change is below. Proposed new language is underlined; proposed deletions are in brackets.³

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4613. Market Maker Obligations

A member registered as a Market Maker shall engage in a course of dealings for its own account to assist in the maintenance, insofar as reasonably practicable, of fair and orderly markets in accordance with this Rule.

(a) Quotation Requirements and Obligations

   (1) No change.

   (2) Pricing Obligations. For NMS stocks (as defined in Rule 600 under Regulation NMS) a Market Maker shall adhere to the pricing obligations established by this Rule during Regular Trading Hours; provided, however, that such pricing obligations (i) shall not commence during any trading day until after the first regular way transaction on the primary listing market in the security, as reported by the responsible single plan processor, and (ii) shall be suspended during a trading halt, suspension, or pause, and shall not re-commence until after the first regular way transaction on the primary listing market in the security following such halt, suspension, or pause, as reported by the responsible single plan processor.

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³ The text of the proposed rule change is available from NASDAQ’s website at http://nasdaq.chcwallstreet.com/Filings/, at NASDAQ’s principal office, and at the Commission’s Public Reference Room.
(A) – (E) No change.

(F) Reserved.[Quotation Creation and Adjustment. For each Issue in which a Market Maker is registered, the System shall, in the absence of a quotation that complies with this Rule entered by that Market Maker, automatically create a quotation for display to comply with this Rule. System-created compliant displayed quotations will thereafter be allowed to rest and not be further adjusted by the System unless the relationship between the quotation and its related National Best Bid or National Best Offer, as appropriate, shrinks to the greater of: (a) 4 percentage points, or, (b) one-quarter the applicable percentage necessary to trigger an individual stock trading pause as described in NASDAQ Rule 4120(a)(11), or expands to within that same percentage less 0.5%, whereupon the System will immediately re-adjust and display the Market Maker’s quote to the appropriate Designated Percentage set forth in section (D) above. Quotations originally entered by Market Makers which have not been modified by the System upon entry or after resting on the book shall be allowed to move freely towards the National Best Bid or National Best Offer, as appropriate, for potential execution. A Market Maker may opt out of this service at any time by informing Nasdaq of its desire to cease the service. Nasdaq will reinitiate service upon a Market Maker’s request.]

(G) Reserved.[Quotation Refresh After Execution. In the event of an execution against a System created compliant quotation, the Market Maker shall have its quote refreshed by the System on the executed side of the market at the applicable Designated Percentage away from the then National Best Bid (Offer) (or if no National Best Bid (Offer), the last reported sale). A Market Maker may opt out of this service at any time by informing Nasdaq of its desire to cease the service. Nasdaq will reinitiate service upon a Market Maker’s request.]

(H) - (K) No change.

(b) – (e) No change.

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4751. Definitions

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

(a) – (e) No change.

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

(1) - (14) No change.

(15) “Market Maker Peg Order” is a limit order that, upon entry, the bid or offer is automatically priced by the System at the Designated Percentage away from the then current National Best Bid and National Best Offer, or if no National Best Bid or National Best Offer, at the Designated Percentage away from the last reported sale from the responsible single plan processor in order to comply with the quotation requirements for Market Makers set forth in Rule 4613(a)(2). Upon reaching the
Defined Limit, the price of a Market Maker Peg Order bid or offer will be adjusted by
the System to the Designated Percentage away from the then current National Best
Bid and National Best Offer, or, if no National Best Bid or National Best Offer, to the
Designated Percentage away from the last reported sale from the responsible single
plan processor. If a Market Maker Peg Order bid or offer moves [a specified number
of percentage points] away from the Designated Percentage towards the then current
National Best Bid or National Best Offer, as appropriate, by the greater of (a) 4
percentage points, or, (b) one-quarter the applicable percentage necessary to trigger
an individual stock trading pause as described in Rule 4120(a)(11), or expands to
within that same percentage less 0.5%[as described in Rule 4613(a)(2)(F) (Quotation
Creation and Adjustment)], the price of such bid or offer will be adjusted to the
Designated Percentage away from the then current National Best Bid and National
Best Offer, or if no National Best Bid or National Best Offer, to the Designated
Percentage away from the last reported sale from the responsible single plan
processor. In the absence of a National Best Bid or National Best Offer and if no last
reported sale, the order will be cancelled or rejected. If, after entry, the Market Maker
Peg Order is priced based on the consolidated last sale and such Market Maker Peg
Order is established as the National Best Bid or National Best Offer, the Market
Maker Peg Order will not be subsequently adjusted in accordance with this rule until
either there is a new consolidated last sale, or a new National Best Bid or new
National Best Offer is established by either a national securities exchange or
NASDAQ. Market Maker Peg Orders are not eligible for routing pursuant to Rule
4758 and are always displayed on NASDAQ. Notwithstanding the availability of
Market Maker Peg Order functionality, a Market Maker remains responsible for
entering, monitoring, and resubmitting, as applicable, quotations that meet the
requirements of Rule 4613. A new timestamp is created for the order each time that it
is automatically adjusted. For purposes of this paragraph, NASDAQ will apply the
Designated Percentage and Defined Limit as set forth in Rule 4613, subject to the
following exception. Nothing in this rule shall preclude a Market Maker from
designating a more aggressive offset from the National Best Bid or National Best
Offer than the given Designated Percentage for any individual Market Maker Peg
Order. If a Market Maker designates a more aggressive offset from the National Best
Bid or National Best Offer, the price of a Market Maker Peg Order bid or offer will
be adjusted by the System to maintain the Market Maker-designated offset from the
National Best Bid or National Best Offer, or if no National Best Bid or National Best
Offer, the order will be cancelled or rejected.

(g) – (i) No change.

* * * * *

(b) Not applicable.

(c) Not applicable.
2. Procedures of the Self-Regulatory Organization

The proposed rule change was approved by senior management of 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.

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

On August 2, 2012, the Commission approved the Exchange’s new Market Maker Peg Order, which was designed to replace the automated quotation refresh functionality (“AQR”) provided to Exchange market makers under Rules 4613(a)(2)(F) and (G). The Exchange committed to sunset AQR three months after fully implementing the Market Maker Peg Order. On October 15, 2012, the Exchange completed the implementation of the Market Maker Peg Order and, accordingly, is proposing to delete the text under Rule 4613(a)(2)(F) and (G) from the NASDAQ rulebook, effective January 16, 2013, thereby retiring AQR.


5 Id. at 47473, note 4.

6 On October 9, 2012, NASDAQ announced that the Market Maker Peg Order was available and that it would retire AQR by the end of 2012. See Equity Technical
The Exchange is also proposing to amend Rule 4751(f)(15) to include language from Rule 4613(a)(2)(F), which is currently referenced only by citation in the rule. The proposed language taken from Rule 4613(a)(2)(F) merely provides the percentage move necessary to trigger a repricing of a Market Maker Peg Order, and in no way changes how the Market Maker Peg Order operates.

b. Statutory Basis

The statutory basis for the proposed rule change is Section 6(b)(5) of the Act, which requires the rules of an exchange to promote just and equitable principles of trade, 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. The Exchange believes that the proposed rule meets these requirements in that it eliminates a duplicative function, AQR, which has been replaced with a new order type that allows member firms to better meet their minimum market maker quotation requirements and also comply with the regulatory requirements of the Market Access Rule and Regulation SHO. In seeking approval of the Market Maker Peg Order, the Exchange committed to retiring AQR at the conclusion of a three-month transition period and this proposed change merely effectuates that change.

Update # 2012-31 (http://www.nasdaqtrader.com/TraderNews.aspx?id=ETU2012-31). Because the Market Maker Peg Order was not made available to QIX protocol users until October 15, 2012 and therefore not fully implemented, NASDAQ is retiring AQR effective January 16, 2013, three months from the full implementation of the Market Maker Peg Order.


8 Supra note 5.
4. **Self-Regulatory Organization’s Statement on Burden on Competition**

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

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

Written comments were neither solicited nor received.

6. **Extension of Time Period for Commission Action**

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 and Rule 19b-4(f)(6) thereunder in that it effects a change that: (i) does not significantly affect the protection of investors or the public interest; (ii) does not impose any significant burden on competition; and (iii) by its terms, does not become operative for 30 days after the date of the filing, or such shorter time as the Commission may designate if consistent with the protection of investors and the public interest. The Exchange 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 believes that it is appropriate to seek summary effectiveness because the proposed change is merely effectuating a change that was previously-discussed in a prior rule filing, and of which investors are aware. Accordingly, the proposed change will not significantly impact investor protection and will not impose any significant burden on competition.
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.
Self-Regulatory Organizations; The NASDAQ Stock Market LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Retire the Automated Quote Management Functionality Described Under Rules 4613(a)(2)(F) and (G), and Make Conforming Changes to Rule 4751(f)(15)

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 December 17, 2012, 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

The Exchange proposes to retire the automated quote management functionality described under Rules 4613(a)(2)(F) and (G) on January 16, 2013, and make conforming changes to Rule 4751(f)(15). 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

On August 2, 2012, the Commission approved the Exchange’s new Market Maker Peg Order, which was designed to replace the automated quotation refresh functionality (“AQR”) provided to Exchange market makers under Rules 4613(a)(2)(F) and (G). The Exchange committed to sunset AQR three months after fully implementing the Market Maker Peg Order. On October 15, 2012, the Exchange completed the implementation of the Market Maker Peg Order and, accordingly, is proposing to delete the text under Rule 4613(a)(2)(F) and (G) from the NASDAQ rulebook, effective January 16, 2013, thereby retiring AQR.

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4 Id. at 47473, note 4.
5 On October 9, 2012, NASDAQ announced that the Market Maker Peg Order was available and that it would retire AQR by the end of 2012. See Equity Technical Update # 2012-31 (http://www.nasdaqtrader.com/TraderNews.aspx?id=ETU2012-31). Because the Market Maker Peg Order was not made available to QIX protocol users until October 15, 2012 and therefore not fully implemented, NASDAQ is retiring AQR
The Exchange is also proposing to amend Rule 4751(f)(15) to include language from Rule 4613(a)(2)(F), which is currently referenced only by citation in the rule. The proposed language taken from Rule 4613(a)(2)(F) merely provides the percentage move necessary to trigger a repricing of a Market Maker Peg Order, and in no way changes how the Market Maker Peg Order operates.

2. Statutory Basis

The statutory basis for the proposed rule change is Section 6(b)(5) of the Act,\(^6\) which requires the rules of an exchange to promote just and equitable principles of trade, 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. The Exchange believes that the proposed rule meets these requirements in that it eliminates a duplicative function, AQR, which has been replaced with a new order type that allows member firms to better meet their minimum market maker quotation requirements and also comply with the regulatory requirements of the Market Access Rule and Regulation SHO. In seeking approval of the Market Maker Peg Order,\(^7\) the Exchange committed to retiring AQR at the conclusion of a three-month transition period and this proposed change merely effectuates that change.


\(^{7}\) Supra note 5.
B. **Self-Regulatory Organization’s Statement on Burden on Competition**

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

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. The 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 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-2012-140 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-2012-140. 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-2012-140, 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. ¹

Kevin M. O’Neill
Deputy Secretary

¹ 17 CFR 200.30-3(a)(12).