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

Filing 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) *  

Date Expires *  

Pilot  

Notice of proposed change pursuant to the Payment, Clearing, and Settlement Act of 2010  
Security-Based Swap Submission pursuant to the Securities Exchange Act of 1934

Section 806(e)(1)  Section 806(e)(2)  Section 3C(b)(2)  

Exhibit 2 Sent As Paper Document  Exhibit 3 Sent As Paper Document

Description

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


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 action.

First Name * Jurij  
Last Name * Trypunenko  
Title * Associate General Counsel  
E-mail * jurij.trypunenko@nasdaqomx.com  
Telephone * (301) 978-8132  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.  

(Title *)

Date 12/20/2012  
By Edward S. Knight

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 the 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 (“SEC” or “Commission”) a proposal to amend Chapter VI, Section 5 (Minimum Increments) of the rules of the NASDAQ Options Market (“NOM”) to: extend through June 30, 2013, the Penny Pilot Program in options classes in certain issues (“Penny Pilot” or “Pilot”), and to change the date when delisted classes may be replaced in the Penny Pilot.\(^3\)

   The Exchange requests that the Commission waive the 30-day operative delay period contained in Exchange Act Rule 19b-4(f)(6)(iii)\(^4\) to the extent needed for timely industry-wide implementation of the proposal.

   A notice of the proposed rule change for publication in the Federal Register is attached hereto as Exhibit 1. The text of the amended Exchange rule is set forth immediately below.

   Proposed new language is underlined and proposed deleted language is [bracketed].

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NASDAQ Stock Market Rules
Options Rules

Chapter VI Trading Systems

Sec. 5 Minimum Increments

(a) The Board may establish minimum quoting increments for options contracts traded on NOM. Such minimum increments established by the Board will be designated as a stated policy, practice, or interpretation with respect to the administration of this Section within the meaning of Section 19 of the Exchange Act and will be filed with the SEC as a rule change for effectiveness upon filing. Until such time as the Board makes a change in the increments, the following principles shall apply:

(1) – (2) No Change.

(3) For a pilot period scheduled to expire on [December 31, 2012]June 30, 2013, if the options series is trading pursuant to the Penny Pilot program one (1) cent if the options series is trading at less than $3.00, five (5) cents if the options series is trading at $3.00 or higher, unless for QQQQs, SPY and IWM where the minimum quoting increment will be one cent for all series regardless of price. A list of such options shall be communicated to membership via an Options Trader Alert (“OTA”) posted on the Exchange’s web site.

The Exchange may replace any pilot issues that have been delisted with the next most actively traded multiply listed options classes that are not yet included in the pilot, based on trading activity for the six month period beginning [December]June 1, [2011]2012, and ending [May 31]November 30, 2012. The replacement issues may be added to the pilot on the second trading day following [July]January 1, [2012]2013.

(b) No Change.

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(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 and comments on the proposed rule change may be directed to Jurij Trypupenko, Associate General Counsel, NASDAQ OMX, at (301) 978-8132.

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

   a. **Purpose**

   The purpose of this filing is to amend Chapter VI, Section 5 to: extend the Penny Pilot through June 30, 2013, and to change the date when delisted classes may be replaced in the Penny Pilot.

   Under the Penny Pilot, the minimum price variation for all participating options classes, except for the Nasdaq-100 Index Tracking Stock (“QQQQ”), the SPDR S&P 500 Exchange Traded Fund (“SPY”) and the iShares Russell 2000 Index Fund (“IWM”), is $0.01 for all quotations in options series that are quoted at less than $3 per contract and $0.05 for all quotations in options series that are quoted at $3 per contract or greater. QQQQ, SPY and IWM are quoted in $0.01 increments for all options series. The Penny Pilot is currently scheduled to expire on December 31, 2012.

   The Exchange proposes to extend the time period of the Penny Pilot through June 30, 2013, and to provide revised dates for adding replacement issues to the Penny Pilot. The Exchange proposes that any Penny Pilot Program issues that have been delisted may be replaced on the second trading day following January 1, 2013. The replacement issues
will be selected based on trading activity for the six month period beginning June 1, 2012, and ending November 30, 2012.\(^5\)

This filing does not propose any substantive changes to the Penny Pilot Program; all classes currently participating in the Penny Pilot will remain the same and all minimum increments will remain unchanged. The Exchange believes the benefits to public customers and other market participants who will be able to express their true prices to buy and sell options have been demonstrated to outweigh the potential increase in quote traffic.

b. **Statutory Basis**

The Exchange believes that its proposal is consistent with Section 6(b) of the Act\(^6\) in general, and furthers the objectives of Section 6(b)(5) of the Act\(^7\) in particular, in that it 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 facilitating transactions in securities, and to remove impediments to and perfect the mechanism of a free and open market and a national market system. In particular, the proposed rule change, which extends the Penny Pilot for an additional six months through June 30, 2013, will enable public customers and other market participants to express their true prices to buy and sell options for the benefit of all market participants. The Exchange is also changing the date for replacing Penny Pilot issues that were deleted.

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\(^5\) The replacement issues will be announced to the Exchange’s membership via an Options Trader Alert (OTA) posted on the Exchange’s web site.


\(^7\) 15 U.S.C. 78f(b)(5).
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, this proposal is pro-competitive because it allows Penny Pilot issues to be traded on the Exchange.

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)**

The Exchange believes that the foregoing proposed rule change may take effect upon filing with the Commission pursuant to Section 19(b)(3)(A)\(^8\) of the Act and Rule 19b-4(f)(6)(iii) thereunder\(^9\) 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.

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: (i) necessary or appropriate in the public interest; (ii) for the protection of investors; or (iii) otherwise in furtherance of the purposes of the Act. If

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the Commission takes such action, the Commission shall institute proceedings to determine whether the proposed rule should be approved or disapproved.

A proposed rule change filed under Rule 19b-4(f)(6) normally does not become operative prior to 30 days after the date of filing. Rule 19b-4(f)(6)(iii), however, permits the Commission to designate a shorter time if such action is consistent with the protection of investors and the public interest. The Exchange requests that the Commission waive the operative delay to the extent needed for timely industry-wide implementation of the proposal. The waiver would allow Penny Pilot issues to be traded without interruption on the Exchange and would allow replacement of Penny Pilot classes that have been delisted, consistently with industry practice.

Furthermore, Rule 19b-4(f)(6)(iii) requires a self-regulatory organization to give the Commission written notice of its intent to file a proposed rule change under that subsection at least five business days prior to the date of filing, or such shorter time as designated by the Commission. The Exchange has provided such notice.

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

   Not applicable.

9. Exhibits

   1. Notice of proposed rule for publication in the Federal Register.
Self-Regulatory Organizations; The NASDAQ Stock Market LLC; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change Relating to Extension of the Exchange’s Penny Pilot Program and Replacement of Penny Pilot Issues That Have Been Delisted

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 December 20, 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 NASDAQ. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

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

NASDAQ is filing with the Commission a proposal for the NASDAQ Options Market (“NOM”) to amend Chapter VI, Section 5 (Minimum Increments) of the rules of NOM to: extend through June 30, 2013, the Penny Pilot Program in options classes in certain issues (“Penny Pilot” or “Pilot”), and to change the date when delisted classes may be replaced in the Penny Pilot.\(^3\)


The Exchange requests that the Commission waive the 30-day operative delay period contained in Exchange Act Rule 19b-4(f)(6)(iii)\(^4\) to the extent needed for timely industry-wide implementation of the proposal.

Proposed new language is underlined and proposed deleted language is [bracketed].

### NASDAQ Stock Market Rules
### Options Rules

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### Chapter VI Trading Systems

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### Sec. 5 Minimum Increments

(a) The Board may establish minimum quoting increments for options contracts traded on NOM. Such minimum increments established by the Board will be designated as a stated policy, practice, or interpretation with respect to the administration of this Section within the meaning of Section 19 of the Exchange Act and will be filed with the SEC as a rule change for effectiveness upon filing. Until such time as the Board makes a change in the increments, the following principles shall apply:

(1) – (2) No Change.

(3) For a pilot period scheduled to expire on [December 31, 2012]June 30, 2013, if the options series is trading pursuant to the Penny Pilot program one (1) cent if the options series is trading at less than $3.00, five (5) cents if the options series is trading at $3.00 or higher, unless for QQQQs, SPY and IWM where the minimum quoting increment will be one cent for all series regardless of price. A list of such options shall be communicated to membership via an Options Trader Alert (“OTA”) posted on the Exchange’s web site.

The Exchange may replace any pilot issues that have been delisted with the next most actively traded multiply listed options classes that are not yet included in the pilot, based on trading activity for the six month period beginning [December]June 1, [2011]2012, and ending [May 31]November 30, 2012. The replacement issues may establish Penny Pilot); and 67325 (June 29, 2012), 77 FR 40127 (July 6, 2012)(SR-NASDAQ-2012-175)(notice of filing and immediate effectiveness extending the Penny Pilot through December 31, 2012).

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be added to the pilot on the second trading day following [July]January 1, 2012.

(b) No Change.

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The text of the proposed rule change is available from NASDAQ’s website 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 these statements may be examined at the places specified in Item IV below. NASDAQ has prepared summaries, set forth in sections A, B, and C below, of the most significant aspects of such statements.

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

1. Purpose

The purpose of this filing is to amend Chapter VI, Section 5 to: extend the Penny Pilot through June 30, 2013, and to change the date when delisted classes may be replaced in the Penny Pilot.

Under the Penny Pilot, the minimum price variation for all participating options classes, except for the Nasdaq-100 Index Tracking Stock (“QQQQ”), the SPDR S&P 500 Exchange Traded Fund (“SPY”) and the iShares Russell 2000 Index Fund (“IWM”), is $0.01 for all quotations in options series that are quoted at less than $3 per contract and $0.05 for all quotations in options series that are quoted at $3 per contract or greater.
QQQQ, SPY and IWM are quoted in $0.01 increments for all options series. The Penny Pilot is currently scheduled to expire on December 31, 2012.

The Exchange proposes to extend the time period of the Penny Pilot through June 30, 2013, and to provide revised dates for adding replacement issues to the Penny Pilot. The Exchange proposes that any Penny Pilot Program issues that have been delisted may be replaced on the second trading day following January 1, 2013. The replacement issues will be selected based on trading activity for the six month period beginning June 1, 2012, and ending November 30, 2012.\(^5\)

This filing does not propose any substantive changes to the Penny Pilot Program; all classes currently participating in the Penny Pilot will remain the same and all minimum increments will remain unchanged. The Exchange believes the benefits to public customers and other market participants who will be able to express their true prices to buy and sell options have been demonstrated to outweigh the potential increase in quote traffic.

2. **Statutory Basis**

The Exchange believes that its proposal is consistent with Section 6(b) of the Act\(^6\) in general, and furthers the objectives of Section 6(b)(5) of the Act\(^7\) in particular, in that it 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 facilitating transactions in securities, and to remove impediments to and perfect the

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\(^5\) The replacement issues will be announced to the Exchange’s membership via an Options Trader Alert (OTA) posted on the Exchange’s web site.


\(^7\) 15 U.S.C. 78f(b)(5).
mechanism of a free and open market and a national market system. In particular, the proposed rule change, which extends the Penny Pilot for an additional six months through June 30, 2013, will enable public customers and other market participants to express their true prices to buy and sell options for the benefit of all market participants. The Exchange is also changing the date for replacing Penny Pilot issues that were deleted.

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. To the contrary, this proposal is pro-competitive because it allows Penny Pilot issues to be traded on the Exchange.

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

The Exchange believes that the foregoing proposed rule change may take effect upon filing with the Commission pursuant to Section 19(b)(3)(A)8 of the Act and Rule 19b-4(f)(6)(iii) thereunder9 because the foregoing proposed rule change does not: (i) significantly affect the protection of investors or the public interest; (ii) impose any


9 17 CFR 240.19b-4(f)(6)(iii). 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.
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.

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: (i) necessary or appropriate in the public interest; (ii) for
the protection of investors; or (iii) 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:

- 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-2012-143 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-2012-143. 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

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 inspection and copying in the
Commission’s Public Reference Room. 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-2102-143 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.10

Kevin M. O’Neill
Deputy Secretary

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