A rule change to clarify the maximum time afforded to a market maker in which to rejoin the market after an excused withdrawal under Rule 4619.

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.

Executive Vice President and General Counsel

Edward S Knight,
| 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). |
| Add | Remove | View |
| 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. |
| Add | Remove | View |
| 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. |
| Add | Remove | View |
| 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. |
| Add | Remove | View |
| 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. |
| Add | Remove | View |
| 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 rule change to clarify the maximum time afforded to a market maker in which to rejoin the market after an excused withdrawal under Rule 4619.

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

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4619. Withdrawal of Quotations and Passive Market Making

(a) – (f) No change.

(g) A Nasdaq Market Maker that wishes to reinstate its quotations in a security after an excused withdrawal pursuant to Rule 4619 shall contact Nasdaq to notify Nasdaq of its intention to be reinstated. Upon confirmation by Nasdaq that the market maker is reinstated, the market maker will have no longer than ten minutes to meet its market making obligations under Rule 4613.

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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 NASDAQ pursuant to authority delegated by the Board of Directors of NASDAQ on July 10, 2012. NASDAQ staff will advise the Board of Directors of NASDAQ of any action taken pursuant to delegated authority. No other action by NASDAQ 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

NASDAQ is proposing to amend Rule 4619 to clarify the maximum permissible time afforded an Exchange market maker in which to resume making a market in a security after an excused withdrawal under the rule. When a NASDAQ market maker is ready to resume market making after an excused withdrawal, it informs NASDAQ of its intent to resume. NASDAQ in turn confirms receipt of such notice and updates the market maker’s registration status in the relevant security or securities. If the market maker uses NASDAQ’s automated quotation refresh functionality (“AQR”), NASDAQ

3 A request to reinstate market making after an excused withdrawal may be submitted to NASDAQ by phone, e-mail, or facsimile.

4 Rules 4613(a)(2)(F) and (G). NASDAQ adopted AQR as part of an effort to address issues uncovered by the aberrant trading that occurred on May 6, 2010. AQR is designed to help Exchange market makers meet their market making obligations for each stock in which they are registered to continuously maintain a two-sided quotation within a designated percentage of the National Best Bid and National Best Offer, as appropriate. See Securities Exchange Act Release No.
will, concurrent with the receipt of notice, commence automated quoting thereby satisfying the member firm’s market making obligations. A market maker not using AQR is responsible for reentering the market upon providing notice to NASDAQ of its intent to do so. Until November 2012, nearly all NASDAQ market makers used AQR and the majority of NASDAQ market makers continue to use AQR at this time.

NASDAQ is retiring AQR effective February 25, 2013\(^5\), and is requiring market makers to either use the Market Maker Peg Order\(^6\) or develop an alternative means to meet their market making obligations. As a consequence, market makers have begun to opt out of AQR and NASDAQ anticipates many more will do so as the AQR sunset date approaches. For the handful of market makers that do not use AQR currently, NASDAQ provides a reasonable time for the market maker to rejoin the market after providing notice of its intent to do so. NASDAQ monitors this timeframe and in no case has a market maker taken longer than ten minutes to rejoin the market after providing notice.

A consequence of AQR’s retirement is that, thereafter, all NASDAQ market makers will no longer automatically resume market making concurrent with notice to the Exchange of their intent to do so after an excused withdrawal under Rule 4619. Accordingly, the Exchange is proposing to amend Rule 4619 to provide Exchange market makers with up to ten minutes to rejoin the market after NASDAQ confirms that the market maker is reinstated in the security or securities subject to an excused withdrawal.

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\(^6\) Rule 4751(f)(15).
under Rule 4619. After expiration of the ten-minute period, a market maker’s obligations under Rule 4613 will apply. NASDAQ believes that ten minutes is a reasonable amount of time for a market maker to rejoin the market, and that it provides a definite time after which a market maker’s obligations under Rule 4613 begin. NASDAQ notes that, for some market makers, the ten minute time-frame proposed herein may be more than adequate to allow them to rejoin the market after receiving confirmation from NASDAQ. NASDAQ believes that small market makers may not have as efficient and automated processes to rejoin the market as compared to larger market making firms. Consequently, the proposed ten minute timeframe is reasonably adequate for such small market makers, but not excessive. Moreover, in light of the fact that AQR was widely-adopted by NASDAQ market makers and its imminent retirement, the process proposed herein will be new to the vast majority of Exchange market makers.

NASDAQ stresses that the proposed timeframe sets a maximum time allowable for a market maker to reenter the market, and that it expects member firms to reenter at the earliest time possible after receiving confirmation from NASDAQ that it is reinstated. Once the market maker reenters the market its obligations under Rule 4613 begin, even if the time is less than ten minutes from receiving notice from NASDAQ. The Exchange will monitor use of this timeframe and may adjust the length of time if it appears to be excessive.

b. Statutory Basis

The statutory basis for the proposed rule change is Section 6(b)(5) of the Act,\(^7\) which requires the rules of an exchange to promote just and equitable principles of trade,\(^7\)
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 provides
Exchange market makers with clarity on the maximum permissible time for a market
maker reenter the market after receiving confirmation of its re-registration from the
Exchange. With this information, Exchange market makers are aware of when their
obligations under Rule 4613 begin and thus can avoid inadvertent violation of Exchange
rules.

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. To the contrary, the proposed rule change will promote
competition by providing further clarity to Exchange market making obligations, thus
allowing market makers to make more informed market making decisions and ensuring
all Exchange market makers are aware of when their Rule 4613 obligations begin.
Moreover, by placing an express limit on the time afforded to market makers to rejoin the
market, market makers will be incentivized to adopt procedures to timely rejoin the
market.

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

Not applicable.

6. Extension of Time Period for Commission Action

The Exchange does not consent to an extension of time.
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 requests that the Commission waive the 30-day pre-operative waiting period contained in Rule 19b-4(f)(6)(iii) under the Act. The Exchange requests this waiver because the current operative date of the changes made to NASDAQ’s rules to retire AQR is February 25, 2013 and thereafter Exchange market makers will have no means to automatically resume market making concurrent with its notice to NASDAQ of its intent to do so. Exchange market makers are in the process of developing alternative means to manage their quote by February 25, 2013, and some market makers are already doing so. By waiving the pre-operative period, the Exchange is able to file, and have immediately operative, the ten minute grace period so that market makers will understand what their obligation is in terms of re-entering the market. Accordingly, NASDAQ

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believes 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. Security-Based Swap Submissions Filed Pursuant to Section 3C of the Act

Not applicable.

10. Advance Notices Filed Pursuant to Section 806(e) of the Payment, Clearing and Settlement Supervision Act

Not applicable.

11. 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 a Proposed Rule Change to Clarify the Maximum Time Afforded to a Market Maker to Rejoin the Market After an Excused Withdrawal Under Rule 4619

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 February 25, 2013, 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 clarify what is the maximum time afforded to a market maker to rejoin the market after an excused withdrawal under Rule 4619. The Exchange will implement the proposed changes as soon as the rule change is operative.

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

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4619. Withdrawal of Quotations and Passive Market Making

(a) – (f) No change.

(g) A Nasdaq Market Maker that wishes to reinstate its quotations in a security after an excused withdrawal pursuant to Rule 4619 shall contact Nasdaq to notify Nasdaq of its intention to be reinstated. Upon confirmation by Nasdaq that the market maker is reinstated, the market maker will have no longer than ten minutes to meet its market making obligations under Rule 4613.

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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

NASDAQ is proposing to amend Rule 4619 to clarify the maximum permissible time afforded an Exchange market maker in which to resume making a market in a security after an excused withdrawal under the rule. When a NASDAQ market maker is ready to resume market making after an excused withdrawal, it informs NASDAQ of its intent to resume. NASDAQ in turn confirms receipt of such notice and updates the
market maker’s registration status in the relevant security or securities. If the market
maker uses NASDAQ’s automated quotation refresh functionality (“AQR”), NASDAQ will, concurrent with the receipt of notice, commence automated quoting thereby satisfying the member firm’s market making obligations. A market maker not using AQR is responsible for reentering the market upon providing notice to NASDAQ of its intent to do so. Until November 2012, nearly all NASDAQ market makers used AQR and the majority of NASDAQ market makers continue to use AQR at this time.

NASDAQ is retiring AQR effective February 25, 2013, and is requiring market makers to either use the Market Maker Peg Order or develop an alternative means to meet their market making obligations. As a consequence, market makers have begun to opt out of AQR and NASDAQ anticipates many more will do so as the AQR sunset date approaches. For the handful of market makers that do not use AQR currently, NASDAQ provides a reasonable time for the market maker to rejoin the market after providing

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4 Rules 4613(a)(2)(F) and (G). NASDAQ adopted AQR as part of an effort to address issues uncovered by the aberrant trading that occurred on May 6, 2010. AQR is designed to help Exchange market makers meet their market making obligations for each stock in which they are registered to continuously maintain a two-sided quotation within a designated percentage of the National Best Bid and National Best Offer, as appropriate. See Securities Exchange Act Release No. 63255 (November 5, 2010), 75 FR 69484 (November 12, 2010) (SR-NASDAQ-2010-115, et al.).


6 Rule 4751(f)(15).
notice of its intent to do so. NASDAQ monitors this timeframe and in no case has a market maker taken longer than ten minutes to rejoin the market after providing notice.

A consequence of AQR’s retirement is that, thereafter, all NASDAQ market makers will no longer automatically resume market making concurrent with notice to the Exchange of their intent to do so after an excused withdrawal under Rule 4619. Accordingly, the Exchange is proposing to amend Rule 4619 to provide Exchange market makers with up to ten minutes to rejoin the market after NASDAQ confirms that the market maker is reinstated in the security or securities subject to an excused withdrawal under Rule 4619. After expiration of the ten-minute period, a market maker’s obligations under Rule 4613 will apply. NASDAQ believes that ten minutes is a reasonable amount of time for a market maker to rejoin the market, and that it provides a definite time after which a market maker’s obligations under Rule 4613 begin. NASDAQ notes that, for some market makers, the ten minute time-frame proposed herein may be more than adequate to allow them to rejoin the market after receiving confirmation from NASDAQ. NASDAQ believes that small market makers may not have as efficient and automated processes to rejoin the market as compared to larger market making firms. Consequently, the proposed ten minute timeframe is reasonably adequate for such small market makers, but not excessive. Moreover, in light of the fact that AQR was widely-adopted by NASDAQ market makers and its imminent retirement, the process proposed herein will be new to the vast majority of Exchange market makers.

NASDAQ stresses that the proposed timeframe sets a maximum time allowable for a market maker to reenter the market, and that it expects member firms to reenter at the earliest time possible after receiving confirmation from NASDAQ that it is reinstated.
Once the market maker reenters the market its obligations under Rule 4613 begin, even if the time is less than ten minutes from receiving notice from NASDAQ. The Exchange will monitor use of this timeframe and may adjust the length of time if it appears to be excessive.

2. **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 provides Exchange market makers with clarity on the maximum permissible time for a market maker reenter the market after receiving confirmation of its re-registration from the Exchange. With this information, Exchange market makers are aware of when their obligations under Rule 4613 begin and thus can avoid inadvertent violation of Exchange rules.

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. To the contrary, the proposed rule change will promote competition by providing further clarity to Exchange market making obligations, thus allowing market makers to make more informed market making decisions and ensuring all Exchange market makers are aware of when their Rule 4613 obligations begin.

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Moreover, by placing an express limit on the time afforded to market makers to rejoin the market, market makers will be incentivized to adopt procedures to timely rejoin the market.

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\(^8\) and subparagraph (f)(6) of Rule 19b-4 thereunder.\(^9\)

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, as amended, 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-2013-037 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-2013-037. 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-2013-037, 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