

Required fields are shown with yellow backgrounds and asterisks.

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| Page 1 of * 19 | SECURITIES AND EXCHANGE COMMISSION<br>WASHINGTON, D.C. 20549<br>Form 19b-4 | File No.* SR - 2013 - * 068 | Amendment No. (req. for Amendments *) |
|----------------|--|-----------------------------|---------------------------------------|

Filing by NASDAQ Stock Market  
Pursuant to Rule 19b-4 under the Securities Exchange Act of 1934

|   |                                      |                                     |   |   |  |
|---|--------------------------------------|-------------------------------------|---|---|--|
| Initial * <input checked="" type="checkbox"/>                             | Amendment * <input type="checkbox"/> | Withdrawal <input type="checkbox"/> | Section 19(b)(2) * <input type="checkbox"/> | Section 19(b)(3)(A) * <input checked="" type="checkbox"/> | Section 19(b)(3)(B) * <input type="checkbox"/> |
| Pilot <input type="checkbox"/>  |                                      |                                     | Rule  |   |  |
| Extension of Time Period for Commission Action * <input type="checkbox"/> |                                      | Date Expires * <input type="text"/> | <input type="checkbox"/> 19b-4(f)(1)        | <input type="checkbox"/> 19b-4(f)(4)                      |  |
|   |                                      |                                     | <input type="checkbox"/> 19b-4(f)(2)        | <input type="checkbox"/> 19b-4(f)(5)                      |  |
|   |                                      |                                     | <input type="checkbox"/> 19b-4(f)(3)        | <input checked="" type="checkbox"/> 19b-4(f)(6)           |  |

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| Notice of proposed change pursuant to the Payment, Clearing, and Settlement Act of 2010<br>Section 806(e)(1) <input type="checkbox"/> Section 806(e)(2) <input type="checkbox"/> | Security-Based Swap Submission pursuant to the Securities Exchange Act of 1934<br>Section 3C(b)(2) <input type="checkbox"/> |
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| Exhibit 2 Sent As Paper Document <input type="checkbox"/> | Exhibit 3 Sent As Paper Document <input type="checkbox"/> |
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**Description**

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

A proposed rule change to modify NASDAQ's rule governing modification of orders in the event of an issuer corporate action related to a dividend, payment or distribution, and to make related clarifications to rule text

**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 \* John      Last Name \* Yetter

Title \* Vice President

E-mail \* john.yetter@nasdaqomx.com

Telephone \* (301) 978-8497      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 04/17/2013      Executive Vice President and General Counsel

By Edward S. Knight     

(Name \*)

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.

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

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

**Form 19b-4 Information \***

Add Remove View

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 \***

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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**

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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**

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Exhibit Sent As Paper Document

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**

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Exhibit Sent As Paper Document

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**

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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**

Add Remove View

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**

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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”)<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> The NASDAQ Stock Market LLC (“NASDAQ” or “Exchange”) is filing with the Securities and Exchange Commission (“Commission”) a proposed rule change to modify NASDAQ’s rule governing modification of orders in the event of an issuer corporate action related to a dividend, payment or distribution, and to make related clarifications to rule text. The text of the proposed rule change is attached as Exhibit 5.

(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 John M. Yetter, Vice President and Deputy General Counsel, The NASDAQ OMX Group, at (301) 978-8497.

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<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 17 CFR 240.19b-4.

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

a. Purpose

NASDAQ Rule 4761 addresses the treatment of quotes/orders in securities that are the subject of issuer corporate actions related to a dividend, payment or distribution (a "corporate action"). The rule applies to any trading interest that is carried on the Nasdaq Market Center book overnight.<sup>3</sup> The rule contemplates a range of possible adjustments that, depending on the nature of the corporate action, might result in the cancellation of the order or an adjustment to its price and/or size to reflect the expected impact of the corporate action, effective on the ex-date of the corporate action. NASDAQ believes that the rule, as currently written, is excessively complex, since the rule contemplates that quotes/orders receive different adjustments depending on the nature and magnitude of the corporate action, whether the trading interest is a quote or order, and whether the trading interest is on the buy or sell side.<sup>4</sup> Moreover, the current rule contemplates active management of quotes/orders by NASDAQ, thereby causing it to assume responsibilities that may be borne more appropriately by its members. Accordingly, NASDAQ proposes to amend the rule to provide that in the event of any corporate action, NASDAQ will cancel open quote/orders on the ex-date of the action, thereby imposing on the member that entered the order the responsibility for determining whether it wishes to reenter the

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<sup>3</sup> NASDAQ notes that the use of such good-'till-cancelled trading interest is not prevalent, and that the majority of quotes/orders expire by their terms at the end of regular market hours.

<sup>4</sup> NASDAQ also notes that it has determined that several non-material discrepancies exist between the current rule text and the manner in which certain open quotes/orders are currently processed by the Nasdaq Market Center system. This filing and the system changes to implement it will eliminate these discrepancies.

order and if so, at what price and size.<sup>5</sup> The cancellation would occur immediately prior to the opening of trading at 4 a.m. on the ex-date of the corporate action, and the member would receive a cancellation notice, so that it could, if it desired, reenter the order at the commencement of trading on the ex-date.

In addition, NASDAQ is proposing to make conforming changes to Rule 4756, which currently references the fact that open orders may be adjusted under Rule 4761 without such orders losing time priority. Since under the proposed rule change, all such orders will be cancelled, the cross-reference to Rule 4761 needs to be removed. Finally, NASDAQ is proposing to address several issues with the language of Rule 4756(b) to make it clear that quotes do not necessarily remain open overnight. First, the rule is being amended to delete an obsolete reference to NASDAQ's Automatic Quote Refresh functionality, which was discontinued on February 25, 2013.<sup>6</sup> Second, NASDAQ is modifying a description of open quotes, the original intent of which is unclear and that accordingly may result in confusion. The sentence in question appears to reflect the idea that an open quote (*i.e.*, a quote designated to remain open at the end of the trading day)

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<sup>5</sup> In making this change, NASDAQ is reversing a change made in 2006, in which NASDAQ replaced a rule to purge open orders with the current rule. Securities Exchange Act Release No. 54613 (October 17, 2006), 71 FR 62325 (October 17, 2006) (SR-NASDAQ-2006-043). At the time, NASDAQ stated that many members had not programmed their systems to adjust orders themselves and therefore preferred to have NASDAQ perform the function. NASDAQ believes that the intervening evolution in the sophistication of trading systems, as well as the importance of active risk management by broker/dealers, justifies the reversion to the prior rule. NASDAQ further notes that the prior rule provided that NASDAQ would not purge orders in the event of a corporate distribution of less than \$0.01. NASDAQ is not now proposing to retain this carve-out because NASDAQ believes that it would increase the complexity of order processing without any identifiable benefit.

<sup>6</sup> Securities Exchange Act Release No. 68528 (December 21, 2012), 77 FR 77165 (December 31, 2012) (SR-NASDAQ-2012-140).

would be processed in the same manner as a System Hours GTC Order. While accurate, this statement does not reflect the fact that a quote may also accurately be described as an Attributable Order entered by a NASDAQ Market Maker or NASDAQ ECN (i.e., trading interest that is identified as having been entered by a particular market participant).

Moreover, although an Attributable Order may be entered with a time-in-force of good-'till-cancelled and thereby remain open overnight, such orders are exceedingly rare, such that almost all quotes/orders of NASDAQ Market Makers expire at the end of regular market hours. Accordingly, NASDAQ believes that the focus of the current sentence on orders remaining open might imply that all quotes remain open overnight, when as a factual matter this is almost never the case because the good-'till-cancelled time-in-force is almost never used by market participants. NASDAQ proposes to amend the sentence to provide that "Quotes will be processed as Attributable Orders, with such time-in-force designation as the Nasdaq Market Maker or Nasdaq ECN may assign." Finally, NASDAQ proposes to correct a typographical error in the rule.<sup>7</sup>

b. Statutory Basis

NASDAQ believes that the proposed rule change is consistent with the provisions of Section 6 of the Act,<sup>8</sup> in general, and with Section 6(b)(5) of the Act<sup>9</sup> in particular, in that the proposal is designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with

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<sup>7</sup> NASDAQ notes that NASDAQ OMX BX, Inc. ("BX") is filing a similar proposed rule change to adopt a rule comparable to proposed NASDAQ Rule 4761 and to make amendments to BX Rule 4756 similar to those proposed with respect to NASDAQ Rule 4756. SR-BX-2013-031(April 17, 2013).

<sup>8</sup> 15 U.S.C. 78f.

<sup>9</sup> 15 U.S.C. 78f(b)(5).

persons engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in securities, to remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general, to protect investors and the public interest. Specifically, NASDAQ believes that the change will simplify NASDAQ's rule governing adjustment of open quotes/orders in the event of corporate actions by making it clear that all such quotes/orders will be cancelled, thereby ensuring that market participants have appropriate notice of the possibility that they may either deem it advisable not to reenter such quotes/orders, or to reenter them with such adjustments to price and/or size as the market participant deems advisable to reflect the corporate action. Thus, the change will facilitate transactions in securities and perfect the mechanism of a free and open market by providing additional assurance that market participants carefully manage the trading interest that they enter into NASDAQ. In addition, the proposed changes to Rule 4756 are designed to make conforming changes and to improve the clarity of that rule.

4. 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. Specifically, NASDAQ believes that the rule change does not affect the availability or pricing of goods or services offered by the Exchange, and therefore does not impact competition between the Exchange and others. Rather, the change is designed to simplify and clarify existing rules in a manner that does not restrict the ability of members to enter and update trading interest in NASDAQ.

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 proposed rule change is effective upon filing pursuant to Section 19(b)(3)(A) of the Act<sup>10</sup> and paragraph (f)(6) of Rule 19b-4 thereunder,<sup>11</sup> in that the proposed rule change: (i) does not significantly affect the protection of investors or the public interest; (ii) does not impose any significant burden on competition; and (iii) 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; provided the self-regulatory organization has given 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, or such shorter time as designated by the Commission. NASDAQ provided written notice of the proposed rule change on April 4, 2013.

NASDAQ believes that the proposed rule change does not significantly affect the protection of investors or the public interest and does not impose any significant burden on competition because the change is designed to simplify and clarify existing rules in a manner that does not affect the ability of members to enter and update trading interest in NASDAQ. Rather, the change is intended to ensure that market participants have

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<sup>10</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>11</sup> 17 CFR 240.19b-4(f)(6).



appropriate notice of the possibility that they may either deem it advisable not to reenter quotes/orders following a corporate action, or to reenter them with such adjustments to price and/or size as the market participant deems advisable to reflect the corporate action.

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.

5. Text of the proposed rule change.

**EXHIBIT 1**

SECURITIES AND EXCHANGE COMMISSION  
(Release No. \_\_\_\_\_ ; File No. SR-NASDAQ-2013-068)

Self-Regulatory Organizations; The NASDAQ Stock Market LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Modify NASDAQ's Rule Governing Modification of Orders in the Event of an Issuer Corporate Action Related to a Dividend, Payment or Distribution, and to Make Related Clarifications to Rule Text

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on April 17, 2013, 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 the 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 proposes to modify NASDAQ's rule governing modification of orders in the event of an issuer corporate action related to a dividend, payment or distribution, and to make related clarifications to rule text. The Exchange has designated the proposed changes as immediately effective, and proposes to implement the changes on or shortly after the 30<sup>th</sup> day after the date of the filing. The text of the proposed rule change is available on the Exchange's Website at <http://www.nasdaq.cchwallstreet.com>, at the principal office of the Exchange, and at the Commission's Public Reference Room.

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<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 17 CFR 240.19b-4.

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. 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 Rule 4761 addresses the treatment of quotes/orders in securities that are the subject of issuer corporate actions related to a dividend, payment or distribution (a “corporate action”). The rule applies to any trading interest that is carried on the Nasdaq Market Center book overnight.<sup>3</sup> The rule contemplates a range of possible adjustments that, depending on the nature of the corporate action, might result in the cancellation of the order or an adjustment to its price and/or size to reflect the expected impact of the corporate action, effective on the ex-date of the corporate action. NASDAQ believes that the rule, as currently written, is excessively complex, since the rule contemplates that quotes/orders receive different adjustments depending on the nature and magnitude of the corporate action, whether the trading interest is a quote or order, and whether the trading interest is on the buy or sell side.<sup>4</sup> Moreover, the current rule contemplates active

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<sup>3</sup> NASDAQ notes that the use of such good-‘till-cancelled trading interest is not prevalent, and that the majority of quotes/orders expire by their terms at the end of regular market hours.

<sup>4</sup> NASDAQ also notes that it has determined that several non-material discrepancies exist between the current rule text and the manner in which certain

management of quotes/orders by NASDAQ, thereby causing it to assume responsibilities that may be borne more appropriately by its members. Accordingly, NASDAQ proposes to amend the rule to provide that in the event of any corporate action, NASDAQ will cancel open quote/orders on the ex-date of the action, thereby imposing on the member that entered the order the responsibility for determining whether it wishes to reenter the order and if so, at what price and size.<sup>5</sup> The cancellation would occur immediately prior to the opening of trading at 4 a.m. on the ex-date of the corporate action, and the member would receive a cancellation notice, so that it could, if it desired, reenter the order at the commencement of trading on the ex-date.

In addition, NASDAQ is proposing to make conforming changes to Rule 4756, which currently references the fact that open orders may be adjusted under Rule 4761 without such orders losing time priority. Since under the proposed rule change, all such orders will be cancelled, the cross-reference to Rule 4761 needs to be removed. Finally, NASDAQ is proposing to address several issues with the language of Rule 4756(b) to

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open quotes/orders are currently processed by the Nasdaq Market Center system. This filing and the system changes to implement it will eliminate these discrepancies.

<sup>5</sup> In making this change, NASDAQ is reversing a change made in 2006, in which NASDAQ replaced a rule to purge open orders with the current rule. Securities Exchange Act Release No. 54613 (October 17, 2006), 71 FR 62325 (October 17, 2006) (SR-NASDAQ-2006-043). At the time, NASDAQ stated that many members had not programmed their systems to adjust orders themselves and therefore preferred to have NASDAQ perform the function. NASDAQ believes that the intervening evolution in the sophistication of trading systems, as well as the importance of active risk management by broker/dealers, justifies the reversion to the prior rule. NASDAQ further notes that the prior rule provided that NASDAQ would not purge orders in the event of a corporate distribution of less than \$0.01. NASDAQ is not now proposing to retain this carve-out because NASDAQ believes that it would increase the complexity of order processing without any identifiable benefit.

make it clear that quotes do not necessarily remain open overnight. First, the rule is being amended to delete an obsolete reference to NASDAQ's Automatic Quote Refresh functionality, which was discontinued on February 25, 2013.<sup>6</sup> Second, NASDAQ is modifying a description of open quotes, the original intent of which is unclear and that accordingly may result in confusion. The sentence in question appears to reflect the idea that an open quote (i.e., a quote designated to remain open at the end of the trading day) would be processed in the same manner as a System Hours GTC Order. While accurate, this statement does not reflect the fact that a quote may also accurately be described as an Attributable Order entered by a NASDAQ Market Maker or NASDAQ ECN (i.e., trading interest that is identified as having been entered by a particular market participant). Moreover, although an Attributable Order may be entered with a time-in-force of good-'till-cancelled and thereby remain open overnight, such orders are exceedingly rare, such that almost all quotes/orders of NASDAQ Market Makers expire at the end of regular market hours. Accordingly, NASDAQ believes that the focus of the current sentence on orders remaining open might imply that all quotes remain open overnight, when as a factual matter this is almost never the case because the good-'till-cancelled time-in-force is almost never used by market participants. NASDAQ proposes to amend the sentence to provide that "Quotes will be processed as Attributable Orders, with such time-in-force designation as the Nasdaq Market Maker or Nasdaq ECN may assign." Finally, NASDAQ proposes to correct a typographical error in the rule.<sup>7</sup>

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<sup>6</sup> Securities Exchange Act Release No. 68528 (December 21, 2012), 77 FR 77165 (December 31, 2012) (SR-NASDAQ-2012-140).

<sup>7</sup> NASDAQ notes that NASDAQ OMX BX, Inc. ("BX") is filing a similar proposed rule change to adopt a rule comparable to proposed NASDAQ Rule

## 2. Statutory Basis

NASDAQ believes that the proposed rule change is consistent with the provisions of Section 6 of the Act,<sup>8</sup> in general, and with Section 6(b)(5) of the Act<sup>9</sup> in particular, in that the proposal is designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in securities, to remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general, to protect investors and the public interest. Specifically, NASDAQ believes that the change will simplify NASDAQ's rule governing adjustment of open quotes/orders in the event of corporate actions by making it clear that all such quotes/orders will be cancelled, thereby ensuring that market participants have appropriate notice of the possibility that they may either deem it advisable not to reenter such quotes/orders, or to reenter them with such adjustments to price and/or size as the market participant deems advisable to reflect the corporate action. Thus, the change will facilitate transactions in securities and perfect the mechanism of a free and open market by providing additional assurance that market participants carefully manage the trading interest that they enter into NASDAQ. In addition, the proposed changes to Rule 4756 are designed to make conforming changes and to improve the clarity of that rule.

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4761 and to make amendments to BX Rule 4756 similar to those proposed with respect to NASDAQ Rule 4756. SR-BX-2013-031 (April 17, 2013).

<sup>8</sup> 15 U.S.C. 78f.

<sup>9</sup> 15 U.S.C. 78f(b)(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. Specifically, NASDAQ believes that the rule change does not affect the availability or pricing of goods or services offered by the Exchange, and therefore does not impact competition between the Exchange and others. Rather, the change is designed to simplify and clarify existing rules in a manner that does not restrict the ability of members to enter and update trading interest in NASDAQ.

C. 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.

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<sup>10</sup> and subparagraph (f)(6) of Rule 19b-4 thereunder.<sup>11</sup>

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

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<sup>10</sup> 15 U.S.C. 78s(b)(3)(a)(ii).

<sup>11</sup> 17 CFR 240.19b-4(f)(6).

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.

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](mailto:rule-comments@sec.gov). Please include File Number SR-NASDAQ-2013-068 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-2013-068. 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, 100 F Street, NE, Washington, DC 20549, on official business days between the hours of 10:00 a.m. and 3:00 p.m. 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-2013-068 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.<sup>12</sup>

Kevin M. O'Neill  
Deputy Secretary

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<sup>12</sup> 17 CFR 200.30-3(a)(12).

**EXHIBIT 5**

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

**4756. Entry and Display of Quotes and Orders**

(a) Entry of Orders—Participants can enter orders into the System, subject to the following requirements and conditions:

(1) – (2) No change.

(3) Orders can be entered into the System (or previously entered orders cancelled or modified) from 4:00 a.m. until 8:00 p.m. Eastern Time. Participants may modify a previously entered order without cancelling it or affecting the priority of the order on the book solely for the purpose of modifying the marking of a sell order as long, short, or short exempt; provided, however, that if an order is redesignated as short, a Short Sale Period is in effect under Rule 4763, and the order is not priced at a Permitted Price or higher under Rule 4763(e), the order will be cancelled. In addition, a partial cancellation of an order to reduce its share size will not affect the priority of the order on the book. [Except as provided in Rule 4761, a] All other modifications of orders will result in the replacement of the original order with a new order with a new time stamp.

(b) Entry [or] of Quotes—Nasdaq Market Makers and Nasdaq ECNs can enter Quotes into the [s]System from 4:00 a.m. to 8:00 p.m. Eastern Time. [When open,] Quotes will be processed [as System Hours GTC Orders (SGTC)] as Attributable Orders, with such time-in-force designation as the Nasdaq Market Maker or Nasdaq ECN may assign. [Nasdaq Market Makers and Nasdaq ECNs may elect to utilize the Automatic Quote Refresh functionality.] Entry of Quotes will be subject to the requirements and conditions set forth in section (a) above.

(c) No change.

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**4761. [Adjustment of Open Quotes and/or Orders] Issuer Corporate Actions Related to a Dividend, Payment or Distribution**

The Nasdaq Market Center will automatically cancel [adjust the price and/or size of] open quotes and/or orders in all Nasdaq Market Center eligible securities [(unless otherwise noted)] resident in the system in response to issuer corporate actions related to a dividend, payment or distribution, immediately prior to the opening of the System at 4:00 a.m. on the ex-date of such actions. [, except where a cash dividend or distribution is less than one cent (\$0.01), as follows:]

(a) Quotes — All bid and offer side quotes shall be purged from the system.

(b) Sell Orders — Sell side orders in Nasdaq-listed and NYSE-listed securities shall not be adjusted by the system and must be modified, if desired, by the entering party, except for reverse

splits where such sell side orders shall be purged from the system. Sell side orders in Amex-listed securities shall be adjusted in accordance with the procedures set forth below for Buy Orders in the event of a Stock Dividend or Stock Split.

(c) Buy Orders — Buy side orders shall be adjusted by the system based on the particular corporate action impacting the security (i.e. cash dividend, stock dividend, both, stock split, reverse split) as set forth below:

(1) Odd lot orders in non-Nasdaq listed securities that result from partial execution rather than order entry shall be cancelled rather than adjusted.

(2) Cash Dividends: Buy side order prices shall be first reduced by the dividend amount and the resulting price will then be rounded down to the nearest penny unless marked "Do Not Reduce".

(3) Stock Dividends and Stock Splits: Buy side order prices shall be determined by first rounding up the dollar value of the stock dividend or split to the nearest penny. The resulting amount shall then be subtracted from the price of the buy order. Unless marked "Do Not Increase", the size of the order shall be increased by first, (A) multiplying the size of the original order by the numerator of the ratio of the dividend or split, then (B) dividing that result by the denominator of the ratio of the dividend or split, then (C) rounding that result to the next lowest share.

(4) Dividends Payable in Either Cash or Securities at the Option of the Stockholder: Buy side order prices shall be reduced by the dollar value of either the cash or securities, whichever is greater. The dollar value of the cash shall be determined using the formula in paragraph (2) above, while the dollar value of the securities shall be determined using the formula in paragraph (3) above. If the stockholder opts to receive securities, the size of the order shall be increased pursuant to the formula in subparagraph (3) above.

(5) Combined Cash and Stock Dividends/Split: In the case of a combined cash dividend and stock split/dividend, the cash dividend portion shall be calculated first as per section (1) above, and stock portion thereafter pursuant to sections (2) and/or (3) above.

(6) Reverse Splits: All orders (buy and sell) shall be cancelled and returned to the entering firm.

(d) Open buy and sell orders that are adjusted by the system pursuant to the above rules, and that thereafter continuously remain in the system, shall retain the time priority of their original entry.]

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