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

File No.* SR - 2014 - * 039

Amendment No. (req. for Amendments *)

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) * ☐

Pilot ☐

Extension of Time Period for Commission Action * ☐

Date Expires *

Rule

☐ 19b-4(f)(1) ☐ 19b-4(f)(4)
☐ 19b-4(f)(2) ☐ 19b-4(f)(5)
☐ 19b-4(f)(3) ☑ 19b-4(f)(6)

Notice of proposed change pursuant to the Payment, Clearing, and Settlement Act of 2010

Section 806(e)(1) * ☐ Section 806(e)(2) * ☐

Security-Based Swap Submission pursuant to the Securities Exchange Act of 1934

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 *).

Relating to Listing Phlx Proprietary Products

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 * Angela Last Name * Dunn

Title * Associate General Counsel

E-mail * angela.dunn@nasdaqomx.com

Telephone * (215) 496-5692 Fax

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.

Date 04/10/2014

By Edward S. Knight

(Name *)

(Title *)

Executive Vice President and General Counsel

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.

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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

For complete Form 19b-4 instructions please refer to the EFFS 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 * Add Remove View	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 * Add Remove View	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 Add Remove View 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 Add Remove View 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 Add Remove View	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 Add Remove View	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) under the Securities Exchange Act of 1934 ("Act")[1] and Rule 19b-4 thereunder,[2] The NASDAQ Stock Market LLC ("NASDAQ" or the "Exchange") is filing with the Securities and Exchange Commission ("Commission") a proposal to amend certain rules in order to permit the trading of options overlying NASDAQ OMX PHLX LLC ("Phlx") proprietary indexes and Phlx U.S. Dollar-Settled Foreign Currencies on The NASDAQ Options Market ("NOM"), NASDAQ's facility for executing and routing standardized equity and index options. The Exchange is proposing to amend the following NOM Rules: Chapter I, Section 1 (Definitions), Chapter III, Section 7 (Position Limits), Section 9 (Exercise Limits), Chapter IV, Section 3 (Criteria for Underlying Securities), Section 6 (Series of Options Contracts Open for Trading), Section 9 (U.S. Dollar-Settled Foreign Currency Option Closing Settlement Value), Chapter VI, Section 4 (Meaning of Premium Quotes and Orders), Chapter VIII, Section 3 (Delivery and Payment), Chapter XIV, Section 5 (Position Limits for Broad-Based Index Options), Section 7 (Position Limits for Industry and Micro-Narrow Based Index Options) and Section 11 (Terms of Index Options Contracts).

A notice of the proposed rule change for publication in the Federal Register is attached hereto as Exhibit 1 and the text of the proposed Rule is attached hereto as Exhibit 5.

(b) Not applicable.

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[1] 15 U.S.C. 78s(b)(1).

[2] 17 CFR 240.19b-4

(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 17, 2013. 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 Angela Saccomandi Dunn, Associate General Counsel, at (215) 496-5692.

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

a. Purpose

The purpose of the proposed rule change is to amend NOM's Rules to include provisions to permit the trading of options overlying Phlx proprietary indexes on NOM[3] and Phlx U.S. Dollar-Settled Foreign Currencies[4]. Today, Phlx has various rules which pertain to the listing of options overlying Phlx proprietary indexes and U.S. Dollar-Settled Foreign Currencies. The Exchange proposes to list these Phlx proprietary

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3 Today, Phlx lists the following proprietary indexes on its market: SIG Oil Exploration & Production Index™ (EPX℠); PHLX Semiconductor Sector℠ (SOX℠); PHLX Housing Sector™ (HGX℠); PHLX Oil Service Sector℠ (OSX℠); Phlx Utility Sector℠ (UTY℠); and PHLX Gold/Silver Sector℠ (XAU℠).

4 Today, Phlx lists the following proprietary U.S. Dollar-Settled Foreign Currencies: XDA (Australian Dollar); XDB (British Pound); XDC (Canadian Dollar); XDE (Euro); XDN (Japanese Yen); XDS (Swiss Franc); and XDZ (New Zealand Dollar).

products on the Exchange in the same manner and with the same terms as these options are traded on Phlx.

Phlx Proprietary Indexes

Position Limits

The Exchange is proposing to amend various NOM Rules to permit the listing of Phlx proprietary indexes. The Exchange is proposing to amend Chapter XIV, which pertains to indexes, specifically at Section 5 regarding position limits. The Exchange is proposing to add the phrase "or any PHLX proprietary product" to Section 5(a)(2) to provide that Options Participants must comply with Phlx position limit rules relating to broad-based index options when transacting options overlying Phlx proprietary products. The Exchange is proposing a similar amendment to Section 7 relating to micro-narrow based indexes. Options Participants would be required to comply with Phlx position limits relating to micro-narrow index options when transacting options overlying Phlx proprietary products. Exemptions from position limits would continue to be available to Options Participants pursuant to Chapter XIV, Section 8 pertaining to exemptions from position limits to replicate relevant Phlx rules which grant its members certain exemptions.

Definition

The Exchange is also proposing to amend Chapter I, Section 1 which contains definitions to include the definition of closing index value. Specifically, the Exchange is adding the following definition for closing index value: "the [t]erm 'closing index value' in respect of a particular index means the current index value calculated at the close of business on the day of exercise, or, if the day of exercise is not a trading day, on the last trading day before exercise (P.M.-settled), unless the settlement value of the index is based on the opening price of each component issue on the primary market (A.M.-settled)." This definition is the same definition that appears in Phlx Rules.[5]

Listing of Long-Term Index Options

Finally, the Exchange proposes to amend Chapter XIV, Section 11 to amend the Terms of Index Options Contracts to amend the text related to Long Term Index Options Series. Today, NOM may list long-term index options series that expire from twelve to sixty months from the date of issuance. The Exchange proposes to amend this timeframe to mirror the timeframe for Phlx index options which is nine to sixty months at Chapter XIV, Section 11(b)(1).[6] In addition, the Exchange proposes to amend Chapter XIV, Section 11(b)(1)(i) to state that "Strike price interval, bid/ask differential and continuity Rules shall not apply to such options series until the time to expiration is less than *nine (9)* months." Today, the timeframe is twelve months. The Exchange is conforming this text to the amendment in Section 11(b)(1).

Phlx U.S. Dollar-Settled Foreign Currencies

Position Limits

The Exchange is proposing to amend various NOM Rules to permit the listing of Phlx proprietary U.S. Dollar-Settled Foreign Currencies. The Exchange is proposing to amend Chapter III, which pertain to indexes, specifically at Section 7 regarding position limits. The Exchange is proposing to amend the rule to provide that no Options Participant shall make, for any account in which it has an interest or for the account of

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5 See Phlx Rule 1000A(a)(8).

6 See Phlx Rule 1101A.

any Customer, an opening transaction on any exchange if the Options Participant has reason to believe that as a result of such transaction the Options Participant or its Customer would, acting alone or in concert with others, directly or indirectly exceed the applicable position limit fixed from time to time by Phlx with respect to U.S. Dollar-Settled Foreign Currency Options."[7] The Exchange is proposing a similar amendment to Section 9 related to Exercise Limits.[8] These amendments would permit the Exchange to list these U.S. Dollar-Settled Foreign Currencies with the same position and exercise limits as exist on Phlx today.

Listing Criteria

The Exchange is proposing to amend Chapter IV, Section 3(n) to list the criteria for underlying securities for U.S. Dollar-Settled Foreign Currency Options. This criteria is the same as the criteria for listing proprietary currencies on Phlx.[9] Specifically, the Exchange proposes to add the following criteria: the British pound, the Swiss franc, the Canadian dollar, the Australian dollar, the Japanese yen, the U.S. dollar, the Mexican peso, the Euro, the Brazilian real, the Chinese yuan, the Danish krone, the New Zealand dollar, the Norwegian krone, the Russian ruble, the South African rand, the South Korean won, and the Swedish krona may be approved as underlying foreign currencies for options transactions by the Exchange, subject to any approval criteria the Exchange may deem necessary or appropriate in the interests of maintaining a fair and orderly market or for the protection of investors. In the event that any of the sovereign governments or the

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7 See proposed Rule at Chapter III, Section 7(a)(iv).

8 See proposed Rule at Chapter III, Section 9(a)(iv).

9 See Phlx Rules 1009(c) and 1010 at Commentary .06.

European Economic Community's European Monetary System issuing any of the above-mentioned currencies should issue a new currency intended to replace one of the above-mentioned currencies as the standard unit of the official medium of exchange of such government, such new currency also may be approved as an underlying foreign currency for options transactions by the Exchange, subject to any approval criteria the Exchange may deem necessary or appropriate in the interests of maintaining a fair and orderly market or for the protection of investors. Options trading in such new currency may occur simultaneously with options trading in any of the above-mentioned currencies; provided, however, that the Exchange shall withdraw its approval of options transactions in the currency which is intended to be replaced by such new currency as expeditiously as it deems consistent with the maintenance of a fair and orderly market or the protection of investors. The Exchange may determine to withdraw approval of an underlying foreign currency whenever it deems such withdrawal advisable in the public interest or for the protection of investors. In the event that the Exchange effects such a withdrawal, the Exchange shall not open for trading any additional series of options of the class covering that underlying foreign currency.

The Exchange proposes to amend the Supplementary Material to Chapter IV, Section 6 by adding new Supplementary Material .09 with listing qualifications for U.S. Dollar-Settled Foreign Currency options which are identical to those listing criteria on Phlx.[10] Specifically, within each class of approved U.S. Dollar-Settled Foreign Currency options, the Exchange may open for trading series of options expiring in consecutive calendar months ("consecutive month series") and series of options expiring at three-

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10 See Rule 1012(a)(iii) and Commentary .06 and .07 to Rule 1012. See also Rule 1000(b)(16).

month intervals ("cycle month series"), as provided in Supplementary Material at .09. Prior to the opening of trading in any series of U.S. Dollar-Settled Foreign Currency Options, the Exchange shall fix the expiration month and exercise price of option contracts included in each such series.

The Supplementary Material to proposed Chapter IV, Section 6(A) states, with respect to each class of U.S. Dollar-Settled Foreign Currency options, series of options having up to four consecutive expiration months may be opened for trading simultaneously, with the shortest-term series initially having no more than two months to expiration. Additional consecutive month series of the same class may be opened for trading on the Exchange at or about the time a prior consecutive month series expires, and the expiration month of each such new series shall normally be the month immediately succeeding the expiration month of the then outstanding consecutive month series of the same class of options having the longest remaining time to expiration.

Supplementary Material to proposed Chapter IV, Section 6(B) states, the Exchange may designate one expiration cycle for each class of U.S. Dollar-Settled Foreign Currency option. An expiration cycle shall consist of four calendar months ("cycle months") occurring at three-month intervals. With respect to any particular class of U.S. Dollar-Settled Foreign Currency option, series of options expiring in the four cycle months designated by the Exchange for that class may be opened for trading simultaneously, with the shortest-term series initially having approximately three months to expiration. Additional cycle month series of the same class may be opened for trading on the Exchange at or about the time a prior cycle month series expires, and the expiration month of each such new series shall normally be approximately three months after the expiration month of the then outstanding cycle month series of the same class of options having the longest remaining time to expiration.

The Supplementary Material to proposed Chapter IV, Section 6(C) states, the Exchange may list, with respect to any U.S. Dollar-Settled Foreign Currency, options having up to three years from the time they are listed until expiration. There may be up to ten options series, options having up to thirty-six months from the time they are listed until expiration. There may be up to six additional expiration months. Strike price interval, bid/ask differential and continuity rules shall not apply to such options series until the time to expiration is less than nine months. For each expiration month opened for trading of U.S. Dollar-Settled Foreign Currency options, in addition to the strike prices listed by the Exchange pursuant to Supplementary Material .09 to proposed Chapter IV, Section 6, the Exchange shall also list a single strike price of $0.01. Additional series of options of the same class may be opened for trading on the Exchange as the market price of the underlying foreign currency moves substantially from the initial exercise price or prices. The opening of a new series of options on the Exchange shall not affect any other series of options of the same class previously opened.

The Exchange may initially list exercise strike prices for each expiration of U.S. Dollar-Settled Foreign Currency options on currencies within a 40 percent band around the current Exchange Spot Price at fifty cent ($.50) intervals. Thus, if the Exchange Spot Price of the Euro were at $100.00, the Exchange would list strikes in $.50 intervals up to $120.00 and down to $80.00, for a total of eighty-one strike prices available for trading. As the Exchange Spot Price for U.S. Dollar-Settled Foreign Currency options moves, the Exchange may list new strike prices that, at the time of listing, do not exceed the

Exchange Spot Price by more than 20 percent and are not less than the Exchange Spot Price by more than 20 percent. For example, if at the time of initial listing, the Exchange Spot Price of the Euro is at $100.00, the strike prices the Exchange will list will be $80.00 to $120.00. If the Exchange Spot Price then moves to $105.00, the Exchange may list additional strikes at the following prices: $105.50 to $126.00. The exercise price of each series of U.S. Dollar-Settled Foreign Currency options opened for trading on the Exchange normally shall be fixed at a price per unit which is reasonably close to the current Exchange Spot Price per unit of the underlying foreign currency in the foreign exchange market at or before the time such series of options is first opened for trading on the Exchange, as determined by finding the arithmetic mean of Exchange Spot Prices.

The Exchange defines the term “Exchange Spot Price” similar to the Phlx Rule 1000(b)(16), “in respect of an option contract on a foreign currency means the cash market spot price, for the sale of one foreign currency for another, quoted by various foreign exchange participants for the sale of a single unit of such foreign currency for immediate delivery that is calculated from the foreign currency price quotation reported by the foreign currency price quotation dissemination system selected by the Exchange, to which an appropriate multiplier is applied. The multiplier(s) will be: 100 for the British pound, the Euro, the Swiss franc, the Canadian dollar, the Australian dollar, the Brazilian real, and the New Zealand dollar; 1,000 for the Chinese yuan, the Danish krone, the Mexican peso, the Norwegian krone, the South African rand, and the Swedish krona; 10,000 for the Japanese yen and the Russian ruble; and 100,000 for the South Korean won.”

Closing Settlement Value

The Exchange proposes to add a new Chapter IV, Section 9 to address Closing Settlement Value. The Exchange is proposing to add language similar to that contained in a Phlx Rule.[11] Specifically, the Exchange is adding language which states, U.S. Dollar-Settled Foreign Currency options are settled in U.S. dollars. The closing settlement value for the U.S. Dollar-Settled Foreign Currency options on the Australian dollar, the Euro, the British pound, the Canadian dollar, the Swiss franc, the Japanese yen, the Mexican peso, the Brazilian real, the Chinese yuan, the Danish krone, the New Zealand dollar, the Norwegian krone, the Russian ruble, the South African rand, the South Korean won, and the Swedish krona shall be the Exchange Spot Price at 12:00:00 Eastern Time (noon) on the business day of expiration, or, in the case of an option contract expiring on a day that is not a business day, on the business day prior to the expiration date unless the Exchange determines to apply an alternative closing settlement value as a result of extraordinary circumstances. Neither the Exchange, nor any agent of the Exchange shall have any liability for damages, claims, losses or expenses caused by any errors, omissions, or delays in calculating or disseminating the current settlement value or the closing settlement value resulting from an act, condition, or cause beyond the reasonable control of the Exchange including but not limited to, an act of God; fire; flood; extraordinary weather conditions; war; insurrection; riot; strike; accident; action of government; communications or power failure; equipment or software malfunction; any error, omission, or delay in the reports of transactions in one or more underlying currencies or any error, omission or delay in the reports of the current settlement value or

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11 See Phlx Rule 1057.

the closing settlement value by the Exchange. The Exchange shall post the closing settlement value on its website or disseminate it through one or more major market data vendors.

Minimum Increments

The Exchange also proposes to amend Chapter VI, Section 4 to add a new section (c) and (d) to add rule text similar to that of Phlx[12] to address minimum increments for quoting and bids and offers. Specifically, all options on foreign currencies where the underlying foreign currency is not the U.S. dollar shall have a minimum increment of $.01. In the case of options on foreign currencies, all bids or offers shall be expressed in terms of U.S. dollars per unit of the underlying foreign currency. E.g., a bid of "3.25" for a premium on a $170 strike price option on the British pound shall represent a bid to pay $325 per option contract.

Delivery and Payment

The Exchange proposes to amend Chapter VIII, Section 3 to add a new section (d) to address delivery and payment similar to a Phlx Rule.[13] Specifically, in accordance with the applicable rules of The Options Clearing Corporation ("OCC"), upon exercise of an in-the-money U.S. Dollar-Settled Foreign Currency option structured as a call, the holder receives, from OCC, U.S. dollars representing the difference between the exercise strike price and the closing settlement value of the U.S. Dollar-Settled Foreign Currency options contract multiplied by the number of units of currency covered by the contract.

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12 See Phlx Rules 1033(b)(ii) and 1034(a)(ii).

13 See Phlx Rule 1044. NASDAQ Rules at Chapter VIII, Section 3 contain a Delivery and Payment rule which would be supplemented with the above-described rule text.

For a U.S. Dollar-Settled Foreign Currency option structured as a put, the holder receives U.S. dollars representing the excess of the exercise price over the closing settlement value of the U.S. Dollar-Settled Foreign Currency option contract multiplied by the number of units of foreign currency covered by the contract.

Definition

The Exchange also proposes to add a new definition to Chapter I, Section 1 for foreign currency. This definition is the same definition that appears in Phlx Rules.[14] The Exchange proposes to define foreign currency to mean means the standard unit of the official medium of exchange of a sovereign government including the United States Government (e.g., the British pound, the Swiss franc, the Canadian dollar, the Australian dollar, the Japanese yen, the Mexican peso, the Brazilian real, the Chinese yuan, the Danish krone, the New Zealand dollar, the Norwegian krone, the Russian ruble, the South African rand, the South Korean won, the Swedish krona, or the United States dollar) or the Euro.

Surveillance and Capacity

The Exchange represents that it has the necessary systems capacity to support listing these proprietary Phlx products on the Exchange. The Exchange represents that it has an adequate surveillance program in place. The Exchange is a member of the Intermarket Surveillance Group ("ISG") under the Intermarket Surveillance Group Agreement, which was modernized in 2008, and may obtain trading information via the ISG from other exchanges who are members or affiliates of the ISG. ISG members include all of the U.S. registered stock and options markets and work together to

[14] See Phlx Rule 1000(b)(13).

coordinate surveillance and investigative information sharing in the stock and options markets. In addition, the major futures exchanges are affiliated members of the ISG, which allows for the sharing of surveillance information for potential intermarket trading abuses.

Incorporation of Phlx Rules

NOM proposes herein to incorporate by reference as NOM Options Rules certain Phlx such that NOM members will comply with a NOM rule by complying with the Phlx rule referenced. In connection with its proposal to incorporate Phlx rules by reference, NOM will file a request, pursuant to Rule 240.0-12,[15] an exemption under Section 36 of the Act from the rule filing requirements of Section 19(b) of the Act for changes to those NOM Options Rules that are effected solely by virtue of a change to a cross-referenced Phlx rule. NOM agrees to provide written notice to Options Participants of any amendments to Phlx rules that are incorporated by reference.[16] NOM will notify Participants whenever Phlx proposes to change a rule that has been incorporated by reference into the NOM Options Rules.

b. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act[17] in general, and furthers the objectives of Section 6(b)(5) of the Act[18] in particular,

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15 17 CFR 240.0-12.

16 NOM will provide such notice through a posting on the same Web site location where NOM posts its own rule filings pursuant to Rule 19b-4(1) under Act, within the timeframe required by that Rule. The web site posting will include a link to the location on the Phlx web site where those SROs' proposed rule changes are posted.

17 15 U.S.C. 78f(b).

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, 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 proposal would allow Phlx proprietary indexes and U.S. Dollar-Settled Foreign Currency options to be traded on NOM, in addition to Phlx. Investors would have an additional venue in which to trade these proprietary products. The Exchange seeks to list and trade these proprietary products utilizing the same terms and conditions as Phlx. The proposed rules mirror the terms and conditions of Phlx proprietary products as they are listed and traded on Phlx. The Exchange believes that this will serve to minimize investor confusion as the products would be traded in the same manner with the same position limits, increments and listing conditions.

4. Self-Regulatory Organization's Statement on Burden on Competition

The proposed rule change does not impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. The Exchange intends to list and trade options on Phlx proprietary products on NOM in the same manner that these products are traded on Phlx.

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.

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[18] 15 U.S.C. 78f(b)(5).

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)

Pursuant to Section 19(b)(3)(A) of the Act[19] and Rule 19b-4(f)(6)[20] thereunder, the Exchange has designated this proposal as one that 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 is adopting the same rules to list and trade options on Phlx proprietary indexes and Phlx U.S. Dollar-Settled Foreign Currency options on NOM in order to provide investors an additional venue to trade these securities.

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. Furthermore, a proposed rule change filed pursuant to Rule 19b-4(f)(6) under the Act[21] normally does not become operative for 30 days after the date of its filing. However, Rule 19b-4(f)(6)[22] permits the

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[19] 15 U.S.C. 78s(b)(3)(A).

[20] 17 CFR 240.19b-4(f)(6).

[21] Id.

[22] Id.

Commission to designate a shorter time if such action is consistent with the protection of investors and the public interest.

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

The proposed rule change is based on Phlx Rules.[23]

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. Notice of proposed rule for publication in the Federal Register.

5. Applicable portion of the rule text.

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[23] This rule change is based on Phlx Rules which have been copied to replicate the experience of trading options on Phlx proprietary indexes and Phlx U.S. Dollar-Settled Foreign Currency options on NOM. The following Phlx Rules have been copied for purposes of this filing: Phlx Rules: 1000(b)(13); 1000(b)(16); 1009(c); 1010 Commentary .06; 1012(a)(iii); and Commentaries .06 and .07 to Rule 1012; 1033(b)(ii); 1034(a)(ii); 1044; 1057; 1000A(a)(8) and 1101A.

Exhibit 1

SECURITIES AND EXCHANGE COMMISSION
(Release No. ; File No. SR-NASDAQ-2014-039)

April ___, 2014

Self-Regulatory Organizations; The NASDAQ Stock Market LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change Relating to Listing PHLX Proprietary Products

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 April 10, 2014, 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 proposes to amend certain rules in order to permit the trading of options overlying NASDAQ OMX PHLX LLC ("Phlx") proprietary indexes and Phlx U.S. Dollar-Settled Foreign Currencies on The NASDAQ Options Market ("NOM"), NASDAQ's facility for executing and routing standardized equity and index options. The Exchange is proposing to amend the following NOM Rules: Chapter I, Section 1 (Definitions), Chapter III, Section 7 (Position Limits), Section 9 (Exercise Limits), Chapter IV, Section 3 (Criteria for Underlying Securities), Section 6 (Series of Options

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1 15 U.S.C. 78s(b)(1).

2 17 CFR 240.19b-4.

Contracts Open for Trading), Section 9 (U.S. Dollar-Settled Foreign Currency Option Closing Settlement Value), Chapter VI, Section 4 (Meaning of Premium Quotes and Orders), Chapter VIII, Section 3 (Delivery and Payment), Chapter XIV, Section 5 (Position Limits for Broad-Based Index Options), Section 7 (Position Limits for Industry and Micro-Narrow Based Index Options) and Section 11 (Terms of Index Options Contracts).

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.

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

The purpose of the proposed rule change is to amend NOM's Rules to include provisions to permit the trading of options overlying Phlx proprietary indexes on NOM[3]

3 Today, Phlx lists the following proprietary indexes on its market: SIG Oil Exploration & Production Index™ (EPX℠); PHLX Semiconductor Sector℠ (SOX℠); PHLX Housing Sector™ (HGX℠); PHLX Oil Service Sector℠ (OSX℠); Phlx Utility Sector℠ (UTY℠); and PHLX Gold/Silver Sector℠ (XAU℠).

and Phlx U.S. Dollar-Settled Foreign Currencies[4]. Today, Phlx has various rules which pertain to the listing of options overlying Phlx proprietary indexes and U.S. Dollar-Settled Foreign Currencies. The Exchange proposes to list these Phlx proprietary products on the Exchange in the same manner and with the same terms as these options are traded on Phlx.

Phlx Proprietary Indexes

Position Limits

The Exchange is proposing to amend various NOM Rules to permit the listing of Phlx proprietary indexes. The Exchange is proposing to amend Chapter XIV, which pertains to indexes, specifically at Section 5 regarding position limits. The Exchange is proposing to add the phrase "or any PHLX proprietary product" to Section 5(a)(2) to provide that Options Participants must comply with Phlx position limit rules relating to broad-based index options when transacting options overlying Phlx proprietary products. The Exchange is proposing a similar amendment to Section 7 relating to micro-narrow based indexes. Options Participants would be required to comply with Phlx position limits relating to micro-narrow index options when transacting options overlying Phlx proprietary products. Exemptions from position limits would continue to be available to Options Participants pursuant to Chapter XIV, Section 8 pertaining to exemptions from position limits to replicate relevant Phlx rules which grant its members certain exemptions.

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4 Today, Phlx lists the following proprietary U.S. Dollar-Settled Foreign Currencies: XDA (Australian Dollar); XDB (British Pound); XDC (Canadian Dollar); XDE (Euro); XDN (Japanese Yen); XDS (Swiss Franc); and XDZ (New Zealand Dollar).

Definition

The Exchange is also proposing to amend Chapter I, Section 1 which contains definitions to include the definition of closing index value. Specifically, the Exchange is adding the following definition for closing index value: "the [t]erm 'closing index value' in respect of a particular index means the current index value calculated at the close of business on the day of exercise, or, if the day of exercise is not a trading day, on the last trading day before exercise (P.M.-settled), unless the settlement value of the index is based on the opening price of each component issue on the primary market (A.M.-settled)." This definition is the same definition that appears in Phlx Rules.[5]

Listing of Long-Term Index Options

Finally, the Exchange proposes to amend Chapter XIV, Section 11 to amend the Terms of Index Options Contracts to amend the text related to Long Term Index Options Series. Today, NOM may list long-term index options series that expire from twelve to sixty months from the date of issuance. The Exchange proposes to amend this timeframe to mirror the timeframe for Phlx index options which is nine to sixty months at Chapter XIV, Section 11(b)(1).[6] In addition, the Exchange proposes to amend Chapter XIV, Section 11(b)(1)(i) to state that "Strike price interval, bid/ask differential and continuity rules shall not apply to such options series until the time to expiration is less than *nine (9)* months." Today, the timeframe is twelve months. The Exchange is conforming this text to the amendment in Section 11(b)(1).

Phlx U.S. Dollar-Settled Foreign Currencies

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5 See Phlx Rule 1000A(a)(8).

6 See Phlx Rule 1101A.

Position Limits

The Exchange is proposing to amend various NOM Rules to permit the listing of Phlx proprietary U.S. Dollar-Settled Foreign Currencies. The Exchange is proposing to amend Chapter III, which pertain to indexes, specifically at Section 7 regarding position limits. The Exchange is proposing to amend the rule to provide that no Options Participant shall make, for any account in which it has an interest or for the account of any Customer, an opening transaction on any exchange if the Options Participant has reason to believe that as a result of such transaction the Options Participant or its Customer would, acting alone or in concert with others, directly or indirectly exceed the applicable position limit fixed from time to time by Phlx with respect to U.S. Dollar-Settled Foreign Currency Options."[7] The Exchange is proposing a similar amendment to Section 9 related to Exercise Limits.[8] These amendments would permit the Exchange to list these U.S. Dollar-Settled Foreign Currencies with the same position and exercise limits as exist on Phlx today.

Listing Criteria

The Exchange is proposing to amend Chapter IV, Section 3(n) to list the criteria for underlying securities for U.S. Dollar-Settled Foreign Currency Options. This criteria is the same as the criteria for listing proprietary currencies on Phlx.[9] Specifically, the Exchange proposes to add the following criteria: the British pound, the Swiss franc, the Canadian dollar, the Australian dollar, the Japanese yen, the U.S. dollar, the Mexican

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7 See proposed Rule at Chapter III, Section 7(a)(iv).

8 See proposed Rule at Chapter III, Section 9(a)(iv).

9 See Phlx Rules 1009(c) and 1010 at Commentary .06.

peso, the Euro, the Brazilian real, the Chinese yuan, the Danish krone, the New Zealand dollar, the Norwegian krone, the Russian ruble, the South African rand, the South Korean won, and the Swedish krona may be approved as underlying foreign currencies for options transactions by the Exchange, subject to any approval criteria the Exchange may deem necessary or appropriate in the interests of maintaining a fair and orderly market or for the protection of investors. In the event that any of the sovereign governments or the European Economic Community's European Monetary System issuing any of the above-mentioned currencies should issue a new currency intended to replace one of the above-mentioned currencies as the standard unit of the official medium of exchange of such government, such new currency also may be approved as an underlying foreign currency for options transactions by the Exchange, subject to any approval criteria the Exchange may deem necessary or appropriate in the interests of maintaining a fair and orderly market or for the protection of investors. Options trading in such new currency may occur simultaneously with options trading in any of the above-mentioned currencies; provided, however, that the Exchange shall withdraw its approval of options transactions in the currency which is intended to be replaced by such new currency as expeditiously as it deems consistent with the maintenance of a fair and orderly market or the protection of investors. The Exchange may determine to withdraw approval of an underlying foreign currency whenever it deems such withdrawal advisable in the public interest or for the protection of investors. In the event that the Exchange effects such a withdrawal, the Exchange shall not open for trading any additional series of options of the class covering that underlying foreign currency.

The Exchange proposes to amend the Supplementary Material to Chapter IV, Section 6 by adding new Supplementary Material .09 with listing qualifications for U.S. Dollar-Settled Foreign Currency options which are identical to those listing criteria on Phlx.[10] Specifically, within each class of approved U.S. Dollar-Settled Foreign Currency options, the Exchange may open for trading series of options expiring in consecutive calendar months ("consecutive month series") and series of options expiring at three-month intervals ("cycle month series"), as provided in Supplementary Material at .09. Prior to the opening of trading in any series of U.S. Dollar-Settled Foreign Currency Options, the Exchange shall fix the expiration month and exercise price of option contracts included in each such series.

The Supplementary Material to proposed Chapter IV, Section 6(A) states, with respect to each class of U.S. Dollar-Settled Foreign Currency options, series of options having up to four consecutive expiration months may be opened for trading simultaneously, with the shortest-term series initially having no more than two months to expiration. Additional consecutive month series of the same class may be opened for trading on the Exchange at or about the time a prior consecutive month series expires, and the expiration month of each such new series shall normally be the month immediately succeeding the expiration month of the then outstanding consecutive month series of the same class of options having the longest remaining time to expiration.

Supplementary Material to proposed Chapter IV, Section 6(B) states, the Exchange may designate one expiration cycle for each class of U.S. Dollar-Settled Foreign Currency option. An expiration cycle shall consist of four calendar months

[10] See Rule 1012(a)(iii) and Commentary .06 and .07 to Rule 1012. See also Rule 1000(b)(16).

("cycle months") occurring at three-month intervals. With respect to any particular class of U.S. Dollar-Settled Foreign Currency option, series of options expiring in the four cycle months designated by the Exchange for that class may be opened for trading simultaneously, with the shortest-term series initially having approximately three months to expiration. Additional cycle month series of the same class may be opened for trading on the Exchange at or about the time a prior cycle month series expires, and the expiration month of each such new series shall normally be approximately three months after the expiration month of the then outstanding cycle month series of the same class of options having the longest remaining time to expiration.

The Supplementary Material to proposed Chapter IV, Section 6(C) states, the Exchange may list, with respect to any U.S. Dollar-Settled Foreign Currency, options having up to three years from the time they are listed until expiration. There may be up to ten options series, options having up to thirty-six months from the time they are listed until expiration. There may be up to six additional expiration months. Strike price interval, bid/ask differential and continuity Rules shall not apply to such options series until the time to expiration is less than nine months. For each expiration month opened for trading of U.S. Dollar-Settled Foreign Currency options, in addition to the strike prices listed by the Exchange pursuant to Supplementary Material .09 to proposed Chapter IV, Section 6, the Exchange shall also list a single strike price of $0.01. Additional series of options of the same class may be opened for trading on the Exchange as the market price of the underlying foreign currency moves substantially from the initial exercise price or prices. The opening of a new series of options on the Exchange shall not affect any other series of options of the same class previously opened.

The Exchange may initially list exercise strike prices for each expiration of U.S. Dollar-Settled Foreign Currency options on currencies within a 40 percent band around the current Exchange Spot Price at fifty cent ($.50) intervals. Thus, if the Exchange Spot Price of the Euro were at $100.00, the Exchange would list strikes in $.50 intervals up to $120.00 and down to $80.00, for a total of eighty-one strike prices available for trading. As the Exchange Spot Price for U.S. Dollar-Settled Foreign Currency options moves, the Exchange may list new strike prices that, at the time of listing, do not exceed the Exchange Spot Price by more than 20 percent and are not less than the Exchange Spot Price by more than 20 percent. For example, if at the time of initial listing, the Exchange Spot Price of the Euro is at $100.00, the strike prices the Exchange will list will be $80.00 to $120.00. If the Exchange Spot Price then moves to $105.00, the Exchange may list additional strikes at the following prices: $105.50 to $126.00. The exercise price of each series of U.S. Dollar-Settled Foreign Currency options opened for trading on the Exchange normally shall be fixed at a price per unit which is reasonably close to the current Exchange Spot Price per unit of the underlying foreign currency in the foreign exchange market at or before the time such series of options is first opened for trading on the Exchange, as determined by finding the arithmetic mean of Exchange Spot Prices.

The Exchange defines the term “Exchange Spot Price” similar to the Phlx Rule 1000(b)(16), “in respect of an option contract on a foreign currency means the cash market spot price, for the sale of one foreign currency for another, quoted by various foreign exchange participants for the sale of a single unit of such foreign currency for immediate delivery that is calculated from the foreign currency price quotation reported by the foreign currency price quotation dissemination system selected by the Exchange, to which an appropriate multiplier is applied. The multiplier(s) will be: 100 for the British pound, the Euro, the Swiss franc, the Canadian dollar, the Australian dollar, the Brazilian real, and the New Zealand dollar; 1,000 for the Chinese yuan, the Danish krone, the Mexican peso, the Norwegian krone, the South African rand, and the Swedish krona; 10,000 for the Japanese yen and the Russian ruble; and 100,000 for the South Korean won."

Closing Settlement Value

The Exchange proposes to add a new Chapter IV, Section 9 to address Closing Settlement Value. The Exchange is proposing to add language similar to that contained in a Phlx Rule.[11] Specifically, the Exchange is adding language which states, U.S. Dollar-Settled Foreign Currency options are settled in U.S. dollars. The closing settlement value for the U.S. Dollar-Settled Foreign Currency options on the Australian dollar, the Euro, the British pound, the Canadian dollar, the Swiss franc, the Japanese yen, the Mexican peso, the Brazilian real, the Chinese yuan, the Danish krone, the New Zealand dollar, the Norwegian krone, the Russian ruble, the South African rand, the South Korean won, and the Swedish krona shall be the Exchange Spot Price at 12:00:00 Eastern Time (noon) on the business day of expiration, or, in the case of an option contract expiring on a day that is not a business day, on the business day prior to the expiration date unless the Exchange determines to apply an alternative closing settlement value as a result of extraordinary circumstances. Neither the Exchange, nor any agent of the Exchange shall have any liability for damages, claims, losses or expenses caused by any errors, omissions, or delays in calculating or disseminating the current settlement

[11] See Phlx Rule 1057.

value or the closing settlement value resulting from an act, condition, or cause beyond the reasonable control of the Exchange including but not limited to, an act of God; fire; flood; extraordinary weather conditions; war; insurrection; riot; strike; accident; action of government; communications or power failure; equipment or software malfunction; any error, omission, or delay in the reports of transactions in one or more underlying currencies or any error, omission or delay in the reports of the current settlement value or the closing settlement value by the Exchange. The Exchange shall post the closing settlement value on its website or disseminate it through one or more major market data vendors.

Minimum Increments

The Exchange also proposes to amend Chapter VI, Section 4 to add a new section (c) and (d) to add rule text similar to that of Phlx[12] to address minimum increments for quoting and bids and offers. Specifically, all options on foreign currencies where the underlying foreign currency is not the U.S. dollar shall have a minimum increment of $.01. In the case of options on foreign currencies, all bids or offers shall be expressed in terms of U.S. dollars per unit of the underlying foreign currency. E.g., a bid of "3.25" for a premium on a $170 strike price option on the British pound shall represent a bid to pay $325 per option contract.

Delivery and Payment

The Exchange proposes to amend Chapter VIII, Section 3 to add a new section (d) to address delivery and payment similar to a Phlx Rule.[13] Specifically, in accordance

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12 See Phlx Rules 1033(b)(ii) and 1034(a)(ii).

13 See Phlx Rule 1044. NASDAQ Rules at Chapter VIII, Section 3 contain a

with the applicable rules of The Options Clearing Corporation ("OCC"), upon exercise of an in-the-money U.S. Dollar-Settled Foreign Currency option structured as a call, the holder receives, from OCC, U.S. dollars representing the difference between the exercise strike price and the closing settlement value of the U.S. Dollar-Settled Foreign Currency options contract multiplied by the number of units of currency covered by the contract. For a U.S. Dollar-Settled Foreign Currency option structured as a put, the holder receives U.S. dollars representing the excess of the exercise price over the closing settlement value of the U.S. Dollar-Settled Foreign Currency option contract multiplied by the number of units of foreign currency covered by the contract.

Definition

The Exchange also proposes to add a new definition to Chapter I, Section 1 for foreign currency. This definition is the same definition that appears in Phlx Rules.[14] The Exchange proposes to define foreign currency to mean means the standard unit of the official medium of exchange of a sovereign government including the United States Government (e.g., the British pound, the Swiss franc, the Canadian dollar, the Australian dollar, the Japanese yen, the Mexican peso, the Brazilian real, the Chinese yuan, the Danish krone, the New Zealand dollar, the Norwegian krone, the Russian ruble, the South African rand, the South Korean won, the Swedish krona, or the United States dollar) or the Euro.

Delivery and Payment rule which would be supplemented with the above-described rule text.

14 See Phlx Rule 1000(b)(13).

Surveillance and Capacity

The Exchange represents that it has the necessary systems capacity to support listing these proprietary Phlx products on the Exchange. The Exchange represents that it has an adequate surveillance program in place. The Exchange is a member of the Intermarket Surveillance Group ("ISG") under the Intermarket Surveillance Group Agreement, which was modernized in 2008, and may obtain trading information via the ISG from other exchanges who are members or affiliates of the ISG. ISG members include all of the U.S. registered stock and options markets and work together to coordinate surveillance and investigative information sharing in the stock and options markets. In addition, the major futures exchanges are affiliated members of the ISG, which allows for the sharing of surveillance information for potential intermarket trading abuses.

Incorporation of Phlx Rules

NOM proposes herein to incorporate by reference as NOM Options Rules certain Phlx such that NOM members will comply with a NOM rule by complying with the Phlx rule referenced. In connection with its proposal to incorporate Phlx rules by reference, NOM will file a request, pursuant to Rule 240.0-12,[15] an exemption under Section 36 of the Act from the rule filing requirements of Section 19(b) of the Act for changes to those NOM Options Rules that are effected solely by virtue of a change to a cross-referenced Phlx rule. NOM agrees to provide written notice to Options Participants of any amendments to Phlx rules that are incorporated by reference.[16] NOM will notify

[15] 17 CFR 240.0-12.

[16] NOM will provide such notice through a posting on the same Web site location

Participants whenever Phlx proposes to change a rule that has been incorporated by reference into the NOM Options Rules.

2. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act[17] in general, and furthers the objectives of Section 6(b)(5) of the Act[18] 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, 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 proposal would allow Phlx proprietary indexes and U.S. Dollar-Settled Foreign Currency options to be traded on NOM, in addition to Phlx. Investors would have an additional venue in which to trade these proprietary products. The Exchange seeks to list and trade these proprietary products utilizing the same terms and conditions as Phlx. The proposed rules mirror the terms and conditions of Phlx proprietary products as they are listed and traded on Phlx. The Exchange believes that this will serve to minimize investor confusion as the products would be traded in the same manner with the same position limits, increments and listing conditions.

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where NOM posts its own rule filings pursuant to Rule 19b-4(1) under Act, within the timeframe required by that Rule. The web site posting will include a link to the location on the Phlx web site where those SROs' proposed rule changes are posted.

17 15 U.S.C. 78f(b).

18 15 U.S.C. 78f(b)(5).

B. Self-Regulatory Organization's Statement on Burden on Competition

The proposed rule change does not impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. The Exchange intends to list and trade options on Phlx proprietary products on NOM in the same manner that these products are traded on Phlx.

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[19] and subparagraph (f)(6) of Rule 19b-4 thereunder.[20]

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. The Exchange

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[19] 15 U.S.C. 78s(b)(3)(a)(ii).

[20] 17 CFR 240.19b-4(f)(6).

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-2014-039 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-2014-039. 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-2014-039 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.[21]

Kevin M. O'Neill
Deputy Secretary

[21] 17 CFR 200.30-3(a)(12).

EXHIBIT 5

New text is underlined; deleted text is in brackets.

NASDAQ Stock Market Rules

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Options Rules

Chapter I General Provisions

Sec. 1 Definitions
(a) With respect to these NOM Rules, the following terms shall have the meanings specified in this Section 1. A term defined elsewhere in the Rules of the Exchange shall have the same meaning with respect to this Chapter I, unless otherwise defined below.

(1) – (64) No Change

<u>(65) The term “closing index value” in respect of a particular index means the current index value calculated at the close of business on the day of exercise, or, if the day of exercise is not a trading day, on the last trading day before exercise (P.M.-settled), unless the settlement value of the index is based on the opening price of each component issue on the primary market (A.M.-settled).</u>

<u>(66) The term “foreign currency” means the standard unit of the official medium of exchange of a sovereign government or the Euro including the United States Government (e.g., the British pound, the Swiss franc, the Canadian dollar, the Australian dollar, the Japanese yen, the Mexican peso, the Brazilian real, the Chinese yuan, the Danish krone, the New Zealand dollar, the Norwegian krone, the Russian ruble, the South African rand, the South Korean won, the Swedish krona, or the United States dollar).</u>

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Chapter III Business Conduct

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Sec. 7 Position Limits
(a) No Options Participant shall make, for any account in which it has an interest or for the account of any Customer, an opening transaction on any exchange if the Options Participant has reason to believe that as a result of such transaction the Options Participant or its Customer would, acting alone or in concert with others, directly or indirectly:

(i) exceed the applicable position limit fixed from time to time by the Chicago Board Options Exchange for any options contract traded on NOM and the Chicago Board Options Exchange or

(ii) exceed the position limit fixed by NOM from time to time for any options contract traded on NOM but not traded on the Chicago Board Options Exchange; [or]

(iii) exceed the applicable position limit fixed from time to time by another exchange for an options contract not traded on NOM, when the Options Participant is not a member of the other exchange on which the transaction was effected[.]<u>; or</u>

<u>(iv) exceed the applicable position limit fixed from time-to-time by PHLX with respect to U.S. Dollar-Settled Foreign Currency Options.</u>

(b) Should an Options Participant have reason to believe that a position in any account in which it has an interest or for the account of any Customer of such Options Participant is in excess of the applicable limit, such Options Participant shall promptly take the action necessary to bring the position into compliance.

Supplementary Material:

(i) Options on the SPDR® S&P 500® exchange-traded fund ("SPY ETF"), which list and trade under the symbol SPY, have no position limits subject to a Pilot Program set to expire May 12, 2014.

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Sec. 9 Exercise Limits

(a) No Options Participant shall exercise, for any account in which it has an interest or for the account of any Customer, a long position in any options contract where such Options Participant or Customer, acting alone or in concert with others, directly or indirectly, has or will have:

(i) exceeded the applicable exercise limit fixed from time to time by the Chicago Board Options Exchange for any options contract traded on NOM and the Chicago Board Options Exchange; [or]

(ii) exceed the exercise limit fixed by NOM from time to time for any options contract traded on NOM but not traded on the Chicago Board Options Exchange;

(iii) exceeded the applicable exercise limit fixed from time to time by another exchange for an options contract not traded on NOM, when the Options Participant is not a member of the other exchange on which the transaction was effected[.]<u>; or</u>

<u>(iv) exceed the applicable position limit fixed from time-to-time by PHLX with respect to U.S. Dollar-Settled Foreign Currency Options.</u>

(b) an Options Market Maker that has been granted an exemption to position limits pursuant to Section 8 of this Chapter III (Exemption to Position Limits), the number of contracts which can be exercised over a five (5) business day period shall equal the Market Maker's exempted position.

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Chapter IV Securities Traded on NOM

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Sec. 3 Criteria for Underlying Securities

(a) – (m) No Change

(n) U.S. Dollar-Settled Foreign Currency Options. The British pound, the Swiss franc, the Canadian dollar, the Australian dollar, the Japanese yen, the U.S. dollar, the Mexican peso, the Euro, the Brazilian real, the Chinese yuan, the Danish krone, the New Zealand dollar, the Norwegian krone, the Russian ruble, the South African rand, the South Korean won, and the Swedish krona may be approved as underlying foreign currencies for options transactions by the Exchange, subject to any approval criteria the Exchange may deem necessary or appropriate in the interests of maintaining a fair and orderly market or for the protection of investors. In the event that any of the sovereign governments or the European Economic Community's European Monetary System issuing any of the above-mentioned currencies should issue a new currency intended to replace one of the above-mentioned currencies as the standard unit of the official medium of exchange of such government, such new currency also may be approved as an underlying foreign currency for options transactions by the Exchange, subject to any approval criteria the Exchange may deem necessary or appropriate in the interests of maintaining a fair and orderly market or for the protection of investors. Options trading in such new currency may occur simultaneously with options trading in any of the above-mentioned currencies; provided, however, that the Exchange shall withdraw its approval of options transactions in the currency which is intended to be replaced by such new currency as expeditiously as it deems consistent with the maintenance of a fair and orderly market or the protection of investors. The Exchange may determine to withdraw approval of an underlying foreign currency whenever it deems such withdrawal advisable in the public interest or for the protection of investors. In the event that the Exchange effects such a withdrawal, the Exchange shall not open for trading any additional series of options of the class covering that underlying foreign currency.

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Sec. 6 Series of Options Contracts Open for Trading
(a) – (g) No Change

Supplementary Material to Section 6

.01 - .08 No Change

.09 U.S. Dollar-Settled Foreign Currency Options. Within each class of approved U.S. Dollar-Settled Foreign Currency options, the Exchange may open for trading series of options expiring in consecutive calendar months (“consecutive month series”), as provided in subparagraph (A), and series of options expiring at three-month intervals (“cycle month series”), as provided in subparagraph (B) of this paragraph. Prior to the opening of trading in any series of U.S. Dollar-Settled Foreign Currency Options, the Exchange shall fix the expiration month and exercise price of option contracts included in each such series.

(A) Consecutive Month Series

With respect to each class of U.S. Dollar-Settled Foreign Currency options, series of options having up to four consecutive expiration months may be opened for trading simultaneously, with the shortest-term series initially having no more than two months to expiration. Additional consecutive month series of the same class may be opened for trading on the Exchange at or about the time a prior consecutive month series expires, and the expiration month of each such new series shall normally be the month immediately succeeding the expiration month of the then outstanding consecutive month series of the same class of options having the longest remaining time to expiration.

(B) Cycle Month Series

The Exchange may designate one expiration cycle for each class of U.S. Dollar-Settled Foreign Currency option. An expiration cycle shall consist of four calendar months (“cycle months”) occurring at three-month intervals.

With respect to any particular class of U.S. Dollar-Settled Foreign Currency option, series of options expiring in the four cycle months designated by the Exchange for that class may be opened for trading simultaneously, with the shortest-term series initially having approximately three months to expiration. Additional cycle month series of the same class may be opened for trading on the Exchange at or about the time a prior cycle month series expires, and the expiration month of each such new series shall normally be approximately three months after the expiration month of the then outstanding cycle month series of the same class of options having the longest remaining time to expiration.

(C) Long-Term Series.

The Exchange may list, with respect to any U.S. Dollar-Settled Foreign Currency, options having up to three years from the time they are listed until expiration. There may be up to ten options series, options having up to thirty-six months from the time they are listed until expiration. There may be up to six additional expiration months. Strike price interval, bid/ask differential and continuity rules shall not apply to such options series until the time to expiration is less than nine months.

(D) For each expiration month opened for trading of U.S. Dollar-Settled Foreign Currency options, in addition to the strike prices listed by the Exchange pursuant to the Supplementary Material at .09 to this Section 6, the Exchange shall also list a single strike price of $0.01.

(E) Additional series of options of the same class may be opened for trading on the Exchange as the market price of the underlying foreign currency moves substantially from the initial exercise price or prices. The opening of a new series of options on the Exchange shall not affect any other series of options of the same class previously opened.

The Exchange may initially list exercise strike prices for each expiration of U.S. Dollar-Settled Foreign Currency options on currencies within a 40 percent band around the current Exchange Spot Price at fifty cent ($.50) intervals. Thus, if the Exchange Spot Price of the Euro were at $100.00, the Exchange would list strikes in $.50 intervals up to $120.00 and down to $80.00, for a total of eighty-one strike prices available for trading. As the Exchange Spot Price for U.S. Dollar-Settled Foreign Currency options moves, the Exchange may list new strike prices that, at the time of listing, do not exceed the Exchange Spot Price by more than 20 percent and are not less than the Exchange Spot Price by more than 20 percent. For example, if at the time of initial listing, the Exchange Spot Price of the Euro is at $100.00, the strike prices the Exchange will list will be $80.00 to $120.00. If the Exchange Spot Price then moves to $105.00, the Exchange may list additional strikes at the following prices: $105.50 to $126.00.

The exercise price of each series of U.S. Dollar-Settled Foreign Currency options opened for trading on the Exchange normally shall be fixed at a price per unit which is reasonably close to the current Exchange Spot Price per unit of the underlying foreign currency in the foreign exchange market at or before the time such series of options is first opened for trading on the Exchange, as determined by finding the arithmetic mean of Exchange Spot Prices.

> (i) Exchange Spot Price - The term “Exchange Spot Price” in respect of an option contract on a foreign currency means the cash market spot price, for the sale of one foreign currency for another, quoted by various foreign exchange participants for the sale of a single unit of such foreign currency for immediate delivery that is calculated from the foreign currency price quotation reported by the foreign currency price quotation dissemination system selected by the Exchange, to which an appropriate multiplier is applied. The multiplier(s) will be: 100 for the British pound, the Euro, the Swiss Franc, the Canadian dollar, the Australian dollar, the Brazilian real, and the New Zealand dollar; 1,000 for the Chinese yuan, the Danish krone, the Mexican peso, the Norwegian krone, the South African rand, and the Swedish krona; 10,000 for the Japanese yen and the Russian ruble; and 100,000 for the South Korean won.

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Sec. 9 U.S. Dollar-Settled Foreign Currency Option Closing Settlement Value

U.S. Dollar-Settled Foreign Currency options are settled in U.S. dollars.

The closing settlement value for the U.S. Dollar-Settled Foreign Currency options on the Australian dollar, the Euro, the British pound, the Canadian dollar, the Swiss franc, the Japanese yen, the Mexican peso, the Brazilian real, the Chinese yuan, the Danish krone, the New Zealand dollar, the Norwegian krone, the Russian ruble, the South African rand, the South Korean won, and the Swedish krona shall be the Exchange Spot Price at 12:00:00 Eastern Time (noon) on the business day of expiration, or, in the case of an option contract expiring on a day that is not a business day, on the business day prior to the expiration date unless the Exchange determines to apply an alternative closing settlement value as a result of extraordinary circumstances.

Neither the Exchange, nor any agent of the Exchange shall have any liability for damages, claims, losses or expenses caused by any errors, omissions, or delays in calculating or disseminating the current settlement value or the closing settlement value resulting from an act, condition, or cause beyond the reasonable control of the Exchange including but not limited to, an act of God; fire; flood; extraordinary weather conditions; war; insurrection; riot; strike; accident; action of government; communications or power failure; equipment or software malfunction; any error, omission, or delay in the reports of transactions in one or more underlying currencies or any error, omission or delay in the reports of the current settlement value or the closing settlement value by the Exchange.

The Exchange shall post the closing settlement value on its website or disseminate it through one or more major market data vendors.

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Chapter VI Trading Systems

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Sec. 4 Meaning of Premium Quotes and Orders

(a) and (b) No Change

(c) All options on foreign currencies where the underlying foreign currency is not the U.S. dollar shall have a minimum increment of $.01.

(d) In the case of options on foreign currencies, all bids or offers shall be expressed in terms of U.S. dollars per unit of the underlying foreign currency. E.g., a bid of "3.25" for a premium on a $170 strike price option on the British pound shall represent a bid to pay $325 per option contract.

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Chapter VIII Exercises and Deliveries

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Sec. 3 Delivery and Payment

(a) **–** (c) No Change

(d) In accordance with the applicable rules of The Options Clearing Corporation ("OCC"), upon exercise of an in-the-money U.S. Dollar-Settled Foreign Currency option structured as a call, the holder receives, from OCC, U.S. dollars representing the difference between the exercise strike price and the closing settlement value of the U.S. Dollar-Settled Foreign Currency options contract multiplied by the number of units of currency covered by the contract. For a U.S. Dollar-Settled Foreign Currency option structured as a put, the holder receives U.S. dollars representing the excess of the exercise price over the closing settlement value of the U.S. Dollar-Settled Foreign Currency option contract multiplied by the number of units of foreign currency covered by the contract.

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Chapter XIV Index Rules

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Sec. 5 Position Limits for Broad-Based Index Options

(a) Options Participants shall comply with the following applicable rules:

(1) rules of the Chicago Board Options Exchange Incorporated ("CBOE") with respect to position limits for broad-based index options if the broad-based index options are traded on CBOE and NOM;

(2) rules of NASDAQ OMX PHLX LLC [("Phlx")] ("PHLX") with respect to position limits for the following broad-based index options: MSCI EM and MSCI EAFE or any PHLX proprietary product;

(3) rules of NOM for broad-based index options with respect to position limits for broad-based index options if the broad-based index options are traded only on NOM and not traded on CBOE and are not listed in (2) above.

(b) Index options contracts shall not be aggregated with options contracts on any stocks whose prices are the basis for calculation of the index.

(c) Positions in reduced-value index options shall be aggregated with positions in full-value indices. For such purposes, ten reduced-value contracts shall equal one contract.

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Sec. 7 Position Limits for Industry and Micro-Narrow Based Index Options

(a) Options Participants shall comply with the following applicable rules:

(1) rules of the Chicago Board Options Exchange Incorporated ("CBOE") with respect to position limits for Industry and Micro-Narrow Based Index Options if the Industry and Micro-Narrow Based Index Options are traded on CBOE and NOM;

(2) rules of NASDAQ OMX PHLX LLC [("Phlx")]("PHLX") with respect to position limits for Phlx proprietary products shall be the Phlx position limits [the following Industry and Micro-Narrow Based Index Options: PHLX Oil Service Sector ^{SM} index (OSX), PHLX Semiconductor Sector ^{SM} Index (SOX) and PHLX Housing Sector ^{TM} Index (HGX)];

(3) rules of NOM with respect to position limits for Industry and Micro-Narrow Based Index Options if the Industry and Micro-Narrow Based Index Options are traded only on NOM and not traded on CBOE and are not listed in (2) above.

(b) Index options contracts shall not be aggregated with options contracts on any stocks whose prices are the basis for calculation of the index.

(c) Positions in reduced-value index options shall be aggregated with positions in full-value index options. For such purposes, ten (10) reduced-value options shall equal one (1) full-value contract.

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Sec. 11 Terms of Index Options Contracts
(a) General.

(1) – (2) No Change

(3) – (6) No Change

(b) Long-Term Index Options Series.

(1) Notwithstanding the provisions of Paragraph (a)(3), above, NOM may list long-term index options series that expire from [twelve (12)]nine (9) to sixty (60) months from the date of issuance.

(i) Index long term options series may be based on either the full or reduced value of the underlying index. There may be up to ten (10) expiration months, none further out than sixty (60) months. Strike price interval, bid/ask differential and continuity Rules shall not apply to such options series until the time to expiration is less than [twelve (12)]nine (9) months.

(ii) When a new Index long term options series is listed, such series will be opened for trading either when there is buying or selling interest, or forty (40) minutes prior to the close, whichever occurs first. No quotations will be posted for such options series until they are opened for trading.

(2) Reduced-Value Long Term Options Series.

(i) Reduced-value long term options series may be approved for trading on Specified (as provided in Section 1 of this Chapter) indices.

(ii) Expiration Months. Reduced-value long term options series may expire at six-month intervals. When a new expiration month is listed, series may be near or bracketing the current index value. Additional series may be added when the value of the underlying index increases or decreases by ten (10) to fifteen (15) percent.

(c) – (i) No Change.

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