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August 26, 2010

Ms. Elizabeth M. Murphy
Secretary
Securities and Exchange Commission
100 F Street, N.E.
Washington, DC 20549-1090

Re: File No. SR-NASDAQ-2010-079

Dear Ms. Murphy:

The NASDAQ Stock Market LLC (“NASDAQ”), submit this letter in response to comment letters received by the Securities and Exchange Commission (the “SEC”) in connection with the above-referenced filings (the “Proposals”), which propose to add the Russell 1000[®] Index securities and specified Exchange-Traded Products (“ETP”) to the single-stock circuit breakers that were approved on a pilot basis on June 10, 2010 (the “Trading Pause Rules”).¹ NASDAQ notes that the comment letters received by the SEC were also submitted in connection with rule filings by other markets that propose a similar expansion of the Trading Pause Rules.²

¹ See Securities Exchange Act Release No. 62252 (June 10, 2010).

² See Securities Exchange Act Release Notice Nos. 62407 (June 30, 2010), 75 FR 39060 (July 7, 2010) (SR-BATS-2010-018); 62408 (June 30, 2010), 75 FR 39065 (July 7, 2010) (SR-CHX-2010-14); 62409 (June 30, 2010), 75 FR 39078 (July 7, 2010) (SR-CBOE-2010-065); 62410 (June 30, 2010), 75 FR 39063 (July 7, 2010) (SR-NSX-2010-08); 62411 (June 30, 2010), 75 FR 39067 (July 7, 2010) (SR-NYSE-2010-49); 62413 (June 30, 2010), 75 FR 39076 (July 7, 2010) (SR-NYSEArca-2010-61); 62412 (June 30, 2010), 75 FR 39073 (July 7, 2010) (SR-NYSEAmex-2010-63); 62416 (June 30, 2010), 75 FR 39069 (July 30, 2010) (SR-FINRA-2010-033); 62417 (June 30, 2010), 75 FR 39074 (July 30, 2010) (SR-EDGA-2010-04); 62418 (June 30, 2010), 75 FR 39084 (July 7, 2010) (SR-EDGX-2010-06); and 62419 (June 30, 2010), 75 FR 39070 (July 30, 2010) (SR-ISE-2010-66).

I. Additional Functionality to Prevent Volatility Trading Pauses Based on an Erroneous Execution

NASDAQ continues to review the efficacy of the Trading Pause Rules, and will make such adjustments and revisions as may be warranted. As noted by many of the commenters, there have been concerns raised about erroneous executions triggering a volatility triggering pause.

In response to these comments, as well as based on experience with volatility trading pauses thus far, NASDAQ proposes to add functionality that could prevent a potential erroneous execution from triggering a volatility trading pause in the first instance. The trading pause functionality as proposed would trigger a volatility trading pause if an execution is at or higher than the threshold move, which is currently set at 10% either direction from the last consolidated sale, and is through the National Best Bid or Offer (“NBBO”), NASDAQ would not invoke a volatility trading pause based on that single transaction. Instead, the NASDAQ would wait until the third such execution that is at or above the threshold move and through the NBBO within the five-minute period before invoking a volatility trading pause. NASDAQ believes that if an execution is at or above the threshold move and is through the NBBO, i.e., is not correlated to the NBBO, it is likely an erroneous execution. However, if an execution is at or higher than the threshold move and is also at or within the NBBO within the five-minute period, NASDAQ would invoke a volatility trading pause based on that single transaction.

Because of the speed of executions in today’s markets, waiting to review each execution manually to assess whether it is an erroneous execution would be too late as a volatility trading pause would have already been triggered. NASDAQ believes that the proposed functionality strikes the appropriate balance between ensuring that erroneous executions do not trigger a volatility trading pause and properly invoking a trading pause when there is market volatility. In addition, if a trading pause is invoked and it is timely determined that the volatility trading pause is based on an erroneous transaction, NASDAQ will endeavor to reopen trading in less than five minutes.

NASDAQ believes that this measure is consistent with the existing rule language in NASDAQ Rule 4120(11) that NASDAQ can exclude a transaction price from use as a reference price or trigger trade if it concludes that the transaction price resulted from an erroneous execution.

II. Conclusion

The purpose of starting as a pilot is to enable the markets and the SEC to review the operation and impact of the rule during its initial implementation and enhance the functionality as may be warranted. As part of that review, NASDAQ has identified a measure that will ameliorate the impact of erroneous transactions on whether and when a volatility trading pause is triggered. NASDAQ continues to believe that the benefits of the volatility trading pauses for the expanded list of securities, including ETPs, outweigh any issues identified by commenters. As such, NASDAQ believes that the Proposals

should be approved in their current form, subject to the functionality set forth above of how NASDAQ will invoke trading pauses under the rule.

If you have any questions regarding the foregoing, please feel free to contact me at (301) 978-8483.

Sincerely yours,

A handwritten signature in cursive script, appearing to read "Thomas Moran".

Thomas Moran
Associate General Counsel
NASDAQ OMX Group

cc: The Hon. Mary Schapiro, Chairman
The Hon. Luis Aguilar, Commissioner
The Hon. Kathleen Casey, Commissioner
The Hon. Troy Paredes, Commissioner
The Hon. Elisse Walters, Commissioner
Mr. Robert W. Cook, Director of Trading and Markets
Mr. Jamie Brigagliano, Deputy Director of Trading and Markets
Mr. David S. Shillman, Associate Director of Trading and Markets