

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-64724; File No. SR-NASDAQ-2011-085)

June 22, 2011

Self-Regulatory Organizations; The NASDAQ Stock Market LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Adopt a Market Order Timer

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 June 20, 2011, The NASDAQ Stock Market LLC (the “Exchange” or “NASDAQ”) filed with the Securities and Exchange Commission (“Commission”) the proposed rule change as described in Items I, II, and III below, which Items have been prepared by the Exchange. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

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

NASDAQ is filing with the Commission a proposal for the NASDAQ Options Market (“NOM”) to amend Chapter VI, Trading Systems, Section 1, Definitions, to provide that Participants can designate that their market orders not executed after a pre-established period of time be cancelled back to the Participant, as described below. This optional feature will be called the Market Order Timer.

This change is scheduled to be implemented on NOM on or about August 1, 2011; the Exchange will announce the implementation schedule by Options Trader Alert, once the rollout schedule is finalized.

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

The text of the proposed rule change is available at <http://nasdaq.cchwallstreet.com/>, at NASDAQ's principal office, and at the Commission's Public Reference Room.

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

In its filing with the Commission, 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 reflect in NOM's rules new functionality respecting market orders. The Market Order Timer is intended to provide an optional protection to all Participants who enter market orders. This protection should help Participants better manage both their risk and their order flow by controlling how long a market order remains in the market.

Currently, Chapter VI, Section 1(e)(5) defines market orders as orders to buy or sell at the best price available at the time of execution. The Exchange proposes to add an additional sentence to this Section to reflect new functionality, which is that Participants can designate that their market orders not executed after a pre-established period of time will be cancelled back to the Participant. The pre-established period of time, and any changes thereto, will be published in a NOM notification to Participants, with sufficient advanced notice. The pre-established period of time will be the same for all options. The Exchange believes that this functionality should be

beneficial to Participants who choose to employ it, because it should serve as an additional feature for Participants to manage their market orders on NOM.

Pursuant to Chapter VI, Sections 1 and 6 of NOM's rules, various time-in-force ("TIF") designations are available on NOM, including Immediate or Cancel ("IOC"), Good-till-Cancelled ("GTC"), Day ("DAY"), WAIT or Expire Time ("EXPR").³ Currently, market orders on NOM are treated as IOC, but the Exchange will soon accept, pursuant to its existing rules, market orders with a time-in-force of DAY and GTC⁴ at the same time that the Market Order Timer is implemented. Accordingly, the Market Order Timer should be particularly useful for NOM Participants to manage market orders with TIFs other than IOC.

Some Participants would prefer to have market orders cancelled if they are not executed within a short timeframe, even if the order is marked with a TIF of DAY or GTC. Other participants prefer to leave the market order with an exchange even if it is not executed right away. The Exchange believes that both the Market Order Timer and the additional TIFs should be useful additional features for NOM Participants. A common use of DAY and GTC market orders is when a customer is trying to sell an option that no longer holds any value. The customer enters a market order to sell that the customer expects the exchange to retain on its book in the event that another participant is willing to buy the option at \$0.01 or \$0.05. In this case, the market order cannot be executed, because there is no interest on the other side; thus, the Market Order Timer can be helpful when there is no contra-side interest, and, conversely, it is

³ EXPR was eliminated in SR-NASDAQ-2011-052. See Securities Exchange Act Release No. 64311 (April 20, 2011), 76 FR 23349 (April 26, 2011). This is scheduled to take effect in August 2011.

⁴ See Chapter VI, Section 6(a)(1). Because Market Orders will no longer be limited to IOC, the System will employ the normal book order processing that applies to limit orders today for Market Orders. See Chapter VI, Section 6, Acceptance of Quotes and Orders, Section 7, Entry and Display Orders, Section 10, Book Processing and Section 11, Order Routing.

not needed when a marketable order executes right away. Accordingly, customers should benefit from the additional TIFs for market orders as well as from being able to choose whether a Market Order Timer applies.

2. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act⁵ in general, and furthers the objectives of Section 6(b)(5) of the Act⁶ in particular, in that it is designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in facilitating transactions in securities, and to remove impediments to and perfect the mechanisms of a free and open market and a national market system, and, in general, to protect investors and the public interest. The Exchange believes that the proposal should help market participants better manage their market orders by providing a timer mechanism, which should, in turn, protect investors and the public interest and promote just and equitable principles of trade. The ability to, in effect, have market orders automatically cancel after a pre-established time period helps market participants manage the potential risks of using market orders.

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

The Exchange does not believe that the proposed rule change will impose any burden on competition not necessary or appropriate in furtherance of the purposes of the Act.

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.

⁵ 15 U.S.C. 78f(b).

⁶ 15 U.S.C. 78f(b)(5).

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 after the date of the filing, or such shorter time as the Commission may designate, it has become effective pursuant to 19(b)(3)(A) of the Act⁷ and Rule 19b-4(f)(6)⁸ thereunder.

At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act. If the Commission takes such action, the Commission shall institute proceedings to determine whether the proposed rule should be approved or disapproved.

IV. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act. Comments may be submitted by any of the following methods:

Electronic comments:

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>); or

⁷ 15 U.S.C. 78s(b)(3)(A).

⁸ 17 CFR 240.19b-4(f)(6). In addition, Rule 19b-4(f)(6) requires a self-regulatory organization to give the Commission written notice of its intent to file the proposed rule change at least five business days prior to the date of filing of the proposed rule change, or such shorter time as designated by the Commission. The Exchange has satisfied this requirement.

- Send an e-mail to rule-comments@sec.gov. Please include File Number SR-NASDAQ-2011-085 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-2011-085. 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 website (<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-2011-085 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.⁹

Cathy H. Ahn
Deputy Secretary

⁹ 17 CFR 200.30-3(a)(12).