SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-62129; File No. SR-NASDAQ-2010-061)

May 19, 2010

Self-Regulatory Organizations; The NASDAQ Stock Market LLC; Notice of Filing of a Proposed Rule Change to Establish a Trading Pause for Individual Stocks Contained In The Standard & Poor's 500 Index That Experience a Price Change of 10% or More During a Five-Minute Period

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 May 18, 2010, The NASDAQ Stock Market LLC ("Nasdaq" or the "Exchange") filed with the Securities and Exchange Commission ("Commission") the proposed rule change as described in Items I, II, and III below, which Items have been prepared by 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

The Exchange is filing with the Commission a proposed rule change to establish a trading pause for individual stocks contained in the Standard & Poor's 500 Index ("S&P 500") that experience a price change of 10% or more during a five-minute period.

The text of the proposed rule change is below. Proposed new language is underlined and proposed deletions are in brackets.[3]

* * * * *

4120. Trading Halts

(a) Authority to Initiate Trading Halts <u>or Pauses</u>

---

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

2 17 CFR 240.19b-4.

3 Changes are marked to the rule text that appears in the electronic manual of NASDAQ found at http://nasdaqomx.cchwallstreet.com.

In circumstances in which Nasdaq deems it necessary to protect investors and the public interest, Nasdaq, pursuant to the procedures set forth in paragraph (c):

(1) – (10) No Change.

(11) **s**hall, between 9:45 a.m. and 3:35 p.m., immediately pause trading for 5 minutes in any Nasdaq-listed security when the price of such security moves 10 percent or more within a 5-minute period. At the end of the trading pause, Nasdaq will re-open the security using the Halt Cross process set forth in Nasdaq Rule 4753. In the event of a significant imbalance at the end of a trading pause, Nasdaq may delay the re-opening of a security.

Nasdaq will issue a notification if it cannot resume trading for a reason other than a significant imbalance.

Price moves under this paragraph will be calculated by changes in each consolidated last-sale price disseminated by a network processor over a five minute rolling period measured continuously. Only regular way in-sequence transactions qualify for use in calculations of price moves. Nasdaq can exclude a transaction price from use if it concludes that the transaction price resulted from an erroneous trade.

If a trading pause is triggered under this paragraph, Nasdaq shall immediately notify the single plan processor responsible for consolidation of information for the security pursuant to Rule 603 of Regulation NMS under the Securities Exchange Act of 1934.
If a primary listing market issues an individual stock trading pause, Nasdaq will pause trading in that security until trading has resumed on the primary listing market or notice has been received from the primary listing market that trading may resume. If the primary listing market does not reopen within 10 minutes of notification of a trading pause, Nasdaq may resume trading the security.

The provisions of this paragraph shall only apply to securities in the Standard & Poor's 500 Index.

The provisions of this paragraph shall be in effect during a pilot set to end on December 10, 2010.

(b) No Change.

(c) Procedure for Initiating a Trading Halt

(1) – (6) No Change.

(7)

(A) A trading halt or pause initiated under Rule 4120(a)(1), (4), (5), (6), (9), [or] (10), (11) or Rule 4120(b)shall be terminated when Nasdaq releases the security for trading. Prior to terminating the halt, there will be a 5-minute Display Only Period during which market participants may enter quotations and orders in that security in Nasdaq systems. At the conclusion of the 5-minute Display Only Period, the security shall be released for trading unless Nasdaq extends the Display Only Period for an additional 1-minute period pursuant to subparagraph (C) below. At the conclusion of the Display Only Period, trading shall immediately resume pursuant to Rule 4753.

(B) No Change.

(C) If at the end of a Display Only Period, Nasdaq detects an [liquidity] order imbalance in the security, Nasdaq will extend the Display Only Period as permitted under subparagraphs (A) and (B) above. [Liquidity] Order [I]imbalances shall be established when (i) the Current Reference Prices, as defined in Rule 4753(a)(2)(A), disseminated 15 seconds and immediately prior to the end of the Display Only Period differ by more than the greater of 5 percent or 50 cents, or (ii) all buy or sell market orders will not be executed in the cross.

* * * * *

4753 . Nasdaq Halt and Imbalance Crosses

(a) No Change.

(b) Processing of Nasdaq Halt Cross. For Nasdaq-listed securities that are the subject of a trading halt or pause initiated pursuant to Rule 4120(a)(1), (4), (5), (6) [or], (7)or 11, the Nasdaq Halt Cross shall occur at the time specified by Nasdaq pursuant to Rule 4120, and Market hours trading shall commence when the Nasdaq Halt Cross concludes.

(1) – (5) No Change.

(c) – (d) No Change.

* * * * *

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

In its filing with the Commission, the Exchange included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. The Exchange has prepared summaries, set forth in Sections A, B, and C below, of the most significant aspects of such statements.

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

1. Purpose

Nasdaq proposes to adopt rules to provide for a trading pause for individual securities for which the Exchange is the primary listing market if the price of such security moves 10% or more from a sale in a preceding five-minute period. The Exchange is proposing this rule addition in consultation with other markets and staff of the Securities and Exchange Commission to provide for uniform market-wide trading pause standards for individual securities in the S&P 500® Index that experience a rapid price movement, as set forth below.

The Exchange is proposing that this rule be implemented on a pilot basis, set to end on December 10, 2010. During this pilot period, the rule would be in effect only with respect to securities included in the S&P 500® Index. During that pilot period, the Exchange will continue to assess whether additional securities need to be added and whether the parameters of the rule would need to be modified to accommodate trading characteristics of different securities.

As proposed, the rule would enable the Exchange to pause trading in an individual security listed on the Exchange if the price moves by 10% as compared to prices of that security in the preceding five-minute period during a trading day. To enable the market to absorb the opening price of a security and to participate in the close, as proposed, the proposed rule would be in effect from 9:45 a.m. to 3:35 p.m., Eastern Time.

Proposed Rule 4120(a)(11) sets forth the re-opening procedures following a trading pause. As proposed, NASDAQ would be responsible for re-opening trading at the end of the trading pause using existing procedures for the NASDAQ Halt Cross set forth in Rule 4753.

Unlike a re-opening following a regulatory halt, the re-opening of a security following a trading pause shall be at the end of the trading pause. However, in the event of a significant imbalance, the Exchange may delay the re-opening of the security past the five-minute trading pause period. The Exchange will notify other markets if it cannot reopen because of issues unrelated to an imbalance, thereby enabling other markets to resume trading even if the primary market has not re-opened. The Exchange notes that if it re-opens the security after other markets have resumed trading, such reopening is subject to Rule 611(b)(3) of Regulation NMS as an exception to the Order Protection Rule.

The 10% or more move in price will be calculated by changes in each consolidated last-sale price disseminated by a network processor over a five minute rolling period measured continuously. In the first five minutes of the calculation period, prices for comparison will not be based on five minutes of trading in that security. For example, a trade at 9:45:05 will be compared only to trades between 9:45:00 and 9:45:05. The last potential trade to trigger a pause will be at 3:35 p.m., so that such trading pause will end at 3:40 p.m.

As proposed, only regular way, in-sequence transactions qualify as [sic] use in price movement calculations. To attempt to ensure that erroneous executions do not trigger a trading pause, the Exchange also proposes that it can exclude a transaction price from use in calculating price movements if it concludes that the transaction price resulted from an erroneous execution.

The proposed rule further provides that if a trading pause is triggered, the Exchange will immediately notify the single plan processor responsible for consolidation of information for the security.

The Exchange further proposes to include in the rule that if the listing market for a security pauses under its respective rules, the Exchange will also pause trading in that security until the listing market has either resumed trading or the Exchange has received notice from the primary listing market that trading may resume. Moreover, if the primary listing market does not reopen trading in the security within 10 minutes of notification of a trading pause, the Exchange may resume trading of the security.

2. Statutory Basis

The statutory basis for the proposed rule change is Section 6(b)(5) of the Securities Exchange Act of 1934 (the "Act"),[4] which requires the rules of an exchange to promote just and equitable principles of trade, to remove impediments to and perfect the mechanism of a free and open market and a national market system and, in general, to protect investors and the public interest. The proposed rule change also is designed to support the principles of Section 11A(a)(1)[5] of the Act in that it seeks to assure fair competition among brokers and dealers and among exchange markets. The Exchange believes that the proposed rule meets these requirements in that it promotes transparency and uniformity across markets concerning decisions to pause trading in a security when there are significant price movements.

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

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

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

Written comments on the proposed rule change were neither solicited nor received.

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

Within 35 days of the date of publication of this notice in the Federal Register or

[4] 15 U.S.C. 78f(b)(5).

[5] 15 U.S.C. 78k-1(a)(1).

within such longer period (i) as the Commission may designate up to 90 days of such date if it finds such longer period to be appropriate and publishes its reasons for so finding or (ii) as to which the self-regulatory organization consents, the Commission will:

(A) by order approve the proposed rule change, or

(B) institute proceedings to determine whether the proposed rule change should be disapproved.[6]

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-2010-061 on the subject line.

Paper comments:

- Send paper comments in triplicate to Elizabeth M. Murphy, Secretary, Securities and Exchange Commission, Station Place, 100 F Street, NE, Washington, DC 20549-1090.

All submissions should refer to File Number SR-Nasdaq-2010-061. 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

6 The Commission notes that the Exchange has requested accelerated approval of the filing.

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 Web site 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 such filing also will be available for inspection and copying at the principal office of Nasdaq. 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 publicly available. All submissions should refer to File Number SR-Nasdaq-2010-061 and should be submitted on or before [insert date 10 days from publication in the Federal Register].[7]

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.[8]

Florence E. Harmon
Deputy Secretary

---

7 The Commission believes that a 10-day comment period is reasonable, given the urgency of the matter. It will provide adequate time for comment.

8 17 CFR 200.30-3(a)(12).