SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-57614; File No. SR-NASDAQ-2008-029)

April 3, 2008

Self-Regulatory Organizations; The NASDAQ Stock Market LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Modify a Pricing Incentive Program for Market Makers in Exchange-Traded Funds and Index-Linked Securities Listed on NASDAQ

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 March 31, 2008, The NASDAQ Stock Market LLC ("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 NASDAQ. Pursuant to Section 19(b)(3)(A)(ii) of the Act[3] and Rule 19b-4(f)(2) thereunder,[4] NASDAQ has designated this proposal as establishing or changing a due, fee, or other charge, which renders the proposed rule change effective immediately upon filing. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

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

NASDAQ proposes to modify a pricing incentive program for market makers in exchange-traded funds ("ETFs") and index-linked securities ("ILSs") listed on NASDAQ. NASDAQ will implement the proposed rule change on April 1, 2008. The

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

2 17 CFR 240.19b-4.

3 15 U.S.C. 78s(b)(3)(A)(ii).

4 17 CFR 240.19b-4(f)(2).

text of the proposed rule change is available at the Exchange, the Commission's Public Reference Room, and www.nasdaq.com/about/LegalCompliance.stm.

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

In its filing with the Commission, NASDAQ 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. NASDAQ 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

Last year, NASDAQ introduced a pricing incentive program for market makers in ETFs and ILSs listed on NASDAQ. The program was designed both to enhance NASDAQ's competitiveness as a listing venue for ETFs and ILSs and to further strengthen its market quality as a transaction venue for ETFs and ILSs.

Under NASDAQ's program, a market maker in an ETF or ILS may become a "Designated Liquidity Provider" in a "Qualified Security" and receive favorable incentive pricing. A "Designated Liquidity Provider" is a registered NASDAQ market maker in a Qualified Security that has committed to maintain minimum performance standards. The minimum performance standards applicable to a Designated Liquidity Provider may be determined from time to time by NASDAQ and may vary depending on the price, liquidity, and volatility of a particular Qualified Security. The performance measurements include: (A) percent of time at the national best bid/best offer ("NBBO");

(B) percent of executions better than the NBBO; (C) average displayed size; and (D) average quoted spread. NASDAQ may remove Designated Liquidity Providers that do not meet performance standards or that decide to change their status at any time.

A Qualified Security is an ETF or ILS that is listed on NASDAQ, has at least one Designated Liquidity Provider, and trades at volumes below a NASDAQ-designated maximum trading volume. Since the inception of the program, the maximum trading volume has been set such that a security is no longer eligible to be a Qualified Security once there have been two calendar months in any three calendar-month period during which its average daily volume on NASDAQ exceeded 250,000 shares. Although the program has had some success in encouraging additional listings of ETFs on NASDAQ since its inception, NASDAQ has concluded, based on feedback from sponsors of ETFs and ILSs and market makers, that the attractiveness of NASDAQ as a listing venue for these products would be further enhanced by increasing the maximum volume threshold such that a security would no longer be a Qualified Security once there have been two calendar months in any three calendar-month period during which its average daily volume on NASDAQ exceeded 10,000,000 shares. NASDAQ believes that this increase reflects a commitment to make NASDAQ the most attractive venue for listing and trading ETFs and ILSs. The change will encourage market maker support for ETFs and ILSs beyond their initial introductory period and thereby further enhance liquidity for the products as their trading volumes increase.

Designated Liquidity Providers will continue to pay $0.003 per share executed when accessing liquidity in Qualified Securities; when providing liquidity, the Designated Liquidity Provider will continue to receive a credit of $0.004 per share executed. Consistent with the requirements of Regulation NMS, in the unlikely event that a security is trading at less than $1 per share, the normal execution fee and credit schedule in Rule 7018(a) regarding securities trading at less than $1 would apply. Once the 10,000,000 share volume threshold is reached, the pricing for the ETF or ILS becomes consistent with pricing for other securities traded on NASDAQ.

2. Statutory Basis

NASDAQ believes that the proposed rule change is consistent with the provisions of Section 6 of the Act,[5] in general, and with Section 6(b)(4) and (5) of the Act,[6] in particular, in that the provides for the equitable allocation of reasonable dues, fees and other charges among members and issuers and other persons using any facility or system which NASDAQ operates or controls, and is designed 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. NASDAQ believes that by allocating pricing benefits to market makers that make tangible commitments to enhancing market quality for ETFs and ILSs listed on NASDAQ, the proposal will encourage the development of new financial products, provide a better trading environment for investors in ETFs and ILSs, and encourage greater competition between listing venues for ETFs and ILSs.

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

NASDAQ believes that the proposed rule change will encourage greater competition among venues that list ETFs and ILSs, and will further strengthen the quality

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[5] 15 U.S.C. 78f.

[6] 15 U.S.C. 78f(b)(4) and (5).

of the NASDAQ market as a venue for transactions in ETFs and ILSs. Accordingly, NASDAQ does not believe that the proposed rule change will result in any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act.

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

Written comments were neither solicited nor received.

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

Because the foregoing rule change establishes or changes a due, fee, or other charge imposed by the Exchange, it has become effective pursuant to Section 19(b)(3)(A) of the Act[7] and Rule 19b-4(f)(2)[8] thereunder. At any time within 60 days of the filing of such proposed rule change, the Commission may summarily abrogate 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.

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

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7 15 U.S.C. 78s(b)(3)(A).

8 17 CFR 240.19b-4(f)(2).

- Send an e-mail to rule-comments@sec.gov. Please include File Number SR-NASDAQ-2008-029 on the subject line.

  Paper comments:

- Send paper comments in triplicate to Nancy M. Morris, Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549-1090.

All submissions should refer to File Number SR-NASDAQ-2008-029. 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 inspection and copying in the Commission's Public Reference Room on official business days between the hours of 10:00 am and 3:00 pm Copies of such filing also will be available for inspection and copying at the principal office of the 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 available publicly. All submissions should refer to File Number

SR-NASDAQ-2008-029 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]

Florence E. Harmon
Deputy Secretary

[9] 17 CFR 200.30-3(a)(12).