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SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-67837; File No. SR-NASDAQ-2012-102)

September 12, 2012

Self-Regulatory Organizations; The NASDAQ Stock Market LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change Relating to Pricing of Options on Facebook, Inc., Google, Inc. and Groupon, Inc.

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 August 31, 2012, 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

The NASDAQ Stock Market LLC proposes to modify pricing for NASDAQ members using the NASDAQ Options Market (“NOM”), NASDAQ’s facility for executing and routing standardized equity and index options. Specifically, NASDAQ proposes to amend Chapter XV, Section 2 entitled “NASDAQ Options Market – Fees and Rebates” to adopt rebates and fees relating to options on Facebook, Inc. (“FB”), Google, Inc. (“GOOG”) and Groupon, Inc. (“GRPN”).

While the changes proposed herein are effective upon filing, the Exchange has designated these changes to be operative on September 4, 2012.

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

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. 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 amend Chapter XV, Section 2 to adopt rebates and fees relating to FB, GOOG and GRPN options.³ The Exchange has previously adopted pricing specific to certain securities as have other options exchanges. The Exchange proposes to assess the following Rebates to Add Liquidity⁴, Fees for Adding Liquidity and Fees for Removing Liquidity⁵ for transactions in FB, GOOG and GRPN:

³ FB, GOOG and GRPN are Non-Penny Pilot Options.

⁴ An order that adds liquidity is one that is entered into NOM and rests on the NOM book.

⁵ An order that removes liquidity is one that is entered into NOM and that executes against an order resting on the NOM book.

	Customer	Professional	Firm	Non-NOM Market Maker	NOM Market Maker
Rebate to Add Liquidity	\$0.77	N/A	N/A	N/A	N/A
Fee for Adding Liquidity	N/A	\$0.45	\$0.45	\$0.45	\$0.25
Fee for Removing Liquidity	\$0.79	\$0.85	\$0.85	\$0.85	\$0.79

The Exchange is proposing to increase the Customer Rebate to Add Liquidity for FB, GOOG and GRPN. Today, Customers receive the Non-Penny Pilot Option Rebate to Add Liquidity. The FB, GOOG and GRPN Customer Rebate to Add Liquidity would increase from \$0.20 per contract (Non-Penny Pilot Options Rebate to Add Liquidity) to \$0.77 per contract (FB, GOOG and GRPN Rebate to Add Liquidity). No other market participant would be entitled to a Rebate to Add Liquidity in FB, GOOG and GRPN, as is the case today.⁶

The Exchange is proposing to increase the Professional Fee for Adding Liquidity from \$0.30 per contract (Non-Penny Pilot Options Fee for Adding Liquidity) to \$0.45 per contract Professional Fee for Adding Liquidity in FB, GOOG and GRPN. Firms and Non-NOM Market Makers would continue to pay a \$0.45 per contract Fee for Adding Liquidity in FB, GOOG and GRPN as they do today for Non-Penny Pilot Options. The Exchange would decrease the NOM Market Maker Fee for Adding Liquidity from \$0.30 per contract (Non-Penny Pilot Options Fee for Adding Liquidity) to a \$0.25 per contract NOM Market Maker Fee for Adding Liquidity in FB, GOOG and GRPN. Customers would continue to incur no Fee for Adding Liquidity in FB, GOOG and GRPN, as is the case today.⁷

⁶ Today, only a Customer receives a Rebate to Add Liquidity in Non-Penny Pilot Options.

⁷ Today, Customers are not assessed a Fee for Adding Liquidity in Non-Penny Pilot Options.

The Exchange is proposing to increase the Fees for Removing Liquidity for FB, GOOG and GRPN. The FB, GOOG and GRPN Fees for Removing Liquidity would increase as follows: a Customer that today pays a Non-Penny Pilot Options Fee for Removing Liquidity of \$0.45 per contract would pay a \$0.79 per contract Fee for Removing Liquidity in FB, GOOG and GRPN, a Professional, Firm and Non-NOM Market Maker that today pays a \$0.50 per contract Non-Penny Pilot Fee for Removing Liquidity would pay \$0.85 per contract Fee for Removing Liquidity in FB, GOOG and GRPN and a NOM Market Maker that today pays \$0.50 per contract Non-Penny Pilot Options Fee for Removing Liquidity would pay a \$0.79 per contract Fee for Removing Liquidity in FB, GOOG and GRPN.⁸

The Exchange believes that this pricing will incentivize members to transact FB, GOOG and GRPN on NOM. The Exchange notes that if FB, GOOG and GRPN are included in the Penny Pilot at a later date, the Exchange would file to eliminate the specific fees and rebates for FB, GOOG and/or GRPN in order that FB, GOOG and GRPN would be subject to the Exchange's Penny Pilot Options⁹ pricing.

⁸ With respect to the Opening Cross, all orders would be subject to Chapter XV, Section 2(2).

⁹ The Penny Pilot was established in March 2008 and in October 2009 was expanded and extended through June 30, 2012. See Securities Exchange Act Release Nos. 57579 (March 28, 2008), 73 FR 18587 (April 4, 2008)(SR-NASDAQ-2008-026)(notice of filing and immediate effectiveness establishing Penny Pilot); 60874 (October 23, 2009), 74 FR 56682 (November 2, 2009)(SR-NASDAQ-2009-091)(notice of filing and immediate effectiveness expanding and extending Penny Pilot); 60965 (November 9, 2009), 74 FR 59292 (November 17, 2009)(SR-NASDAQ-2009-097)(notice of filing and immediate effectiveness adding seventy-five classes to Penny Pilot); 61455 (February 1, 2010), 75 FR 6239 (February 8, 2010)(SR-NASDAQ-2010-013)(notice of filing and immediate effectiveness adding seventy-five classes to Penny Pilot); 62029 (May 4, 2010), 75 FR 25895 (May 10, 2010) (SR-NASDAQ-2010-053)(notice of filing and immediate effectiveness adding seventy-five classes to Penny Pilot); 65969 (December 15, 2011), 76 FR 79268 (December 21, 2011) (SR-NASDAQ-2011-169) (notice of filing and immediate effectiveness extension and replacement of Penny Pilot); and 67325 (June 29, 2012), 77 FR 40127 (July 6, 2012) (SR-NASDAQ-2012-075) (notice of filing and

The Exchange is also proposing to make a technical amendment to the pricing in Section 2(1) of Chapter XV to replace any reference to “\$0.00” to “N/A” for clarity. The Exchange believes that using “N/A” reduces confusion when no rebate is being paid or fee is being assessed by the Exchange.

2. Statutory Basis

NASDAQ believes that the proposed rule changes are consistent with the provisions of Section 6 of the Act,¹⁰ in general, and with Section 6(b)(4) of the Act,¹¹ in particular, in that they provide 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.

The Exchange operates in a highly competitive market comprised of ten U.S. options exchanges in which sophisticated and knowledgeable market participants can and do send order flow to competing exchanges if they deem fee levels at a particular exchange to be excessive or the rebate offered to be inadequate. The Exchange believes that the proposed fee and rebate scheme is competitive and similar to other fees and rebates in place on other exchanges. The Exchange believes that this competitive marketplace materially impacts the fees and rebates present on the Exchange today and substantially influences the proposal set forth above.

The Exchange believes that its proposed Customer Rebate to Add Liquidity for FB, GOOG and GRPN is reasonable because the Exchange is continuing to incentivize NOM Participants to transact Customer order flow on NOM. Customer order flow benefits all market participants through the increased liquidity in the market. The Exchange believes that its

immediate effectiveness extension and replacement of Penny Pilot through December 31, 2012). See also NOM Rules, Chapter VI, Section 5.

¹⁰ 15 U.S.C. 78f.

¹¹ 15 U.S.C. 78f(b)(4).

proposed Customer Rebate to Add Liquidity for FB, GOOG and GRPN is equitable and not unfairly discriminatory because today in the non-Penny Pilot names the Exchange only offers Customers a Rebate to Add Liquidity. The Exchange will continue to only offer Customers a rebate but increase that rebate.

The Exchange believes the proposed increased Professional Fee for Adding Liquidity in FB, GOOG and GRPN (from \$0.30 to \$0.45 per contract) is reasonable because it is within the range of fees assessed today to Firms and Non-NOM Market Makers transacting Non-Penny Pilot Options on NOM today when those market participants are adding liquidity.¹² The Exchange believes that decreasing the NOM Market Maker Fee for Adding Liquidity is reasonable because the Exchange is seeking to incentivize NOM Market Makers to continue to add liquidity on NOM by lowering the transaction fee from \$0.30 to \$0.25 per contract. The Firm and Non-NOM Market Maker Fees for Adding Liquidity in FB, GOOG and GRPN will remain at \$0.45 per contract.

The Exchange believes that assessing Professionals a similar Fee for Adding Liquidity in FB, GOOG and GRPN as Firms and Non-NOM Market Makers is equitable and not unfairly discriminatory because the Exchange is assessing all market participants the same fee, except Customers who are not assessed a fee and NOM Market Makers who are assessed a lower fee. As previously mentioned, attracting Customer orders enhances liquidity on the Exchange for the benefit of all market participants. The Exchange believes that assessing NOM Market Makers a lower Fee for Adding Liquidity in FB, GOOG and GRPN is equitable and not unfairly discriminatory because NOM Market Makers have obligations to the market and regulatory

¹² Firms and Non-NOM Market Makers are assessed a Non-Penny Pilot Option Fee for Adding Liquidity of \$0.45 per contract. These market participants would continue to be assessed the same fees.

requirements,¹³ which normally do not apply to other market participants. A NOM Market Maker has the obligation to make continuous markets, engage in a course of dealings reasonably calculated to contribute to the maintenance of a fair and orderly market, and not make bids or offers or enter into transactions that are inconsistent with a course of dealings. The proposed differentiation as between NOM Market Makers and other market participants recognizes the differing contributions made to the liquidity and trading environment on the Exchange by NOM Market Makers, as well as the differing mix of orders entered.

The Exchange believes that the proposed Fees for Removing Liquidity for FB, GOOG and GRPN are reasonable because the Exchange is proposing to increase the fees for all market participants in order to offer Customers an increased Rebate to Add Liquidity in FB, GOOG and GRPN of \$0.77 per contract. The Exchange believes that offering Customers a financial incentive will attract additional Customer order flow to the Exchange. Also, the proposed Fees for Removing Liquidity in FB, GOOG and GRPN are similar to the non-Penny Pilot Options fees at BATS Exchange, Inc. (“BATS”).¹⁴

The Exchange believes that the proposed Fees for Removing Liquidity for FB, GOOG and GRPN are equitable and not unfairly discriminatory because all market participants would

¹³ Pursuant to Chapter VII (Market Participants), Section 5 (Obligations of Market Makers), in registering as a market maker, an Options Participant commits himself to various obligations. Transactions of a Market Maker in its market making capacity must constitute a course of dealings reasonably calculated to contribute to the maintenance of a fair and orderly market, and Market Makers should not make bids or offers or enter into transactions that are inconsistent with such course of dealings. Further, all Market Makers are designated as specialists on NOM for all purposes under the Act or rules thereunder. See Chapter VII, Section 5.

¹⁴ BATS has a \$0.75 per contract fee for Customer orders that remove liquidity from the BATS Options book in non-Penny Pilot securities. BATS also has an \$0.80 per contract fee for Professionals, Firms and Market Maker orders that remove liquidity from the BATS Options order book in non-Penny Pilot Securities. See BATS BZX Exchange Fee Schedule.

be assessed the same \$0.85 per contract fee except Customers and NOM Market Makers who would be assessed a lower fee of \$0.79 per contract. As mentioned previously, attracting Customer orders enhances liquidity on the Exchange for the benefit of all market participants and the increased fees for removing liquidity cover the cost of offering Customers a rebate to add liquidity in FB, GOOG and GRPN. Also, the Non-Penny Pilot Customer Fee for Removing Liquidity is lower today for Customers as compared to other market participants (\$0.45 per contract vs. \$0.50 per contract), the proposed Customer Fee for Removing Liquidity in FB, GOOG and GRPN would be lower for Customers as compared to Professionals, Firms and Non-NOM Market Makers. The Exchange believes that providing NOM Market Makers a lower Fee for Removing Liquidity in FB, GOOG and GRPN as compared to Professionals, Firms and Non-NOM Market Makers is equitable and not unfairly discriminatory because NOM Market Makers have obligations to the market and regulatory requirements, which normally do not apply to other market participants. The proposed differentiation as between Customers and NOM Market Makers and other market participants recognizes the differing contributions made to the liquidity and trading environment on the Exchange by Customers and NOM Market Makers, as well as the differing mix of orders entered.

In the current U.S. options market, many of the contracts are quoted in pennies. Under this pricing structure, the minimum penny tick increment equates to a \$1.00 economic value difference per contract, given that a single standardized U.S. option contract covers 100 shares of the underlying stock. Where contracts are quoted in \$0.05 increments (non-pennies), the value per tick is \$5.00 in proceeds to the investor transacting in these contracts. Liquidity rebate and access fee structures on the make-take exchanges, including NOM, for securities quoted in penny

increments are commonly in the \$0.30 to \$0.45 per contract range.¹⁵ A \$0.30 per contract rebate in a penny quoted security is a rebate equivalent to 30% of the value of the minimum tick. A \$0.45 per contract fee in a penny quoted security is a charge equivalent to 45% of the value of that minimum tick. In other words, in penny quoted securities, where the price is improved by one tick with an access fee of \$0.45 per contract, an investor paying to access that quote is still \$0.55 better off than trading at the wider spread, even without the access fee (\$1.00 of price improvement - \$0.45 access fee = \$0.55 better economics). This computation is equally true for securities quoted in wider increments. Rebates and access fees near the \$0.85 per contract level equate to only 17% of the value of the minimum tick in Non-Penny Pilot Options, less than the experience today in Penny Pilot Options. For example, a retail investor transacting a single contract in a non-penny quoted security quoted a single tick tighter than the rest of the market, and paying an access fee of \$0.79 per contract, is receiving an economic benefit of \$4.21 (\$0.05 improved tick = \$5.00 in proceeds - \$0.79 access fee = \$4.21). The Exchange believes that encouraging NOM Market Makers to quote more aggressively by reducing transaction fees¹⁶ and incentivizing Customer orders to post on NOM will narrow the spread in FB, GOOG and GRPN to the benefit of investors and all market participants by improving the overall economics of the resulting transactions that occur on the Exchange, even if the access fee paid in connection with

¹⁵ NOM is proposing to only pay a Customer a Rebate to Add Liquidity in FB, GOOG and GRPN. Other market participants would not be entitled to a rebate.

¹⁶ The Exchange notes that the proposed \$0.25 per contract NOM Market Maker Fee for Adding in FB, GOOG and GRPN is significantly less than transaction fees plus payment for order flow fees assessed by other options exchanges. For example, on NASDAQ OMX PHLX LLC ("Phlx"), the combined payment for order flow fee plus the transaction fee is \$0.92 per contract. See Phlx's Pricing Schedule. Unlike Penny Pilot Options, the Exchange believes this significant reduction in fees for adding liquidity will have the same effect as a rebate in non-Penny Pilot Options in terms of a narrower spread.

such transactions is higher. Accordingly, the Exchange believes that the proposed fees and rebates for FB, GOOG and GRPN are reasonable, equitable and not unfairly discriminatory.

Further, the Exchange believes that it is reasonable, equitable, and not unfairly discriminatory to adopt specific pricing for FB, GOOG and GRPN because pricing by symbol is a common practice on many U.S. options exchanges as a means to incentivize order flow to be sent to an exchange for execution in the most actively traded options classes. The Exchange notes that FB, GOOG and GRPN are some of the most actively traded options in the U.S.¹⁷ Finally, the Exchange believes the proposed technical amendments to Section 2(1) of Chapter XV to replace any reference to “\$0.00” to “N/A” is reasonable, equitable and not unfairly discriminatory because the Exchange is identifying when no fees are assessed and no rebates paid with an “N/A” to avoid any confusion.

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

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, as amended. To the contrary, NASDAQ has designed its fees and rebates to compete effectively for the execution and routing of options contracts and to reduce the overall cost to investors of options trading. The Exchange believes that the proposed fee/rebate pricing structure would attract liquidity to and benefit order interaction at the Exchange to the benefit of all market participants.

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.

¹⁷ From August 1, 2012 through August 21, 2012, FB was the 5th most actively traded equity option class, GOOG was the 28th most actively traded equity option class and GRPN was the 51st most actively traded equity option class.

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

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A)(ii) of the Act.¹⁸ 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
- Send an e-mail to rule-comments@sec.gov. Please include File Number SR-NASDAQ-2012-102 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-2012-102. 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

¹⁸ 15 U.S.C. 78s(b)(3)(A)(ii).

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-2012-102 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.¹⁹

Kevin M. O'Neill
Deputy Secretary

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¹⁹ 17 CFR 200.30-3(a)(12).