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SECURITIES AND EXCHANGE COMMISSION
[Release No. 34-73676; File No. SR-NASDAQ-2014-105]

Self-Regulatory Organizations; The NASDAQ Stock Market, LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change Relating to Rebates in Penny Pilot Options

November 24, 2014

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 November 10, 2014, 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

NASDAQ proposes to modify Chapter XV, entitled “Options Pricing,” at Section 2 governing pricing for NASDAQ members using the NASDAQ Options Market (“NOM”), NASDAQ’s facility for executing and routing standardized equity and index options.

Specifically, NOM proposes to amend certain Penny Pilot Options³ rebates currently applicable

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ The Penny Pilot was established in March 2008 and in October 2009 was expanded and extended through December 31, 2014. 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

to Customers,⁴ Professionals⁵ and NOM Market Makers.⁶

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

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); 67325 (June 29, 2012), 77 FR 40127 (July 6, 2012) (SR-NASDAQ-2012-075) (notice of filing and immediate effectiveness and extension and replacement of Penny Pilot through December 31, 2012); 68519 (December 21, 2012), 78 FR 136 (January 2, 2013) (SR-NASDAQ-2012-143) (notice of filing and immediate effectiveness and extension and replacement of Penny Pilot through June 30, 2013); 69787 (June 18, 2013), 78 FR 37858 (June 24, 2013) (SR-NASDAQ-2013-082) (notice of filing and immediate effectiveness and extension and replacement of Penny Pilot through December 31, 2013); 71105 (December 17, 2013), 78 FR 77530 (December 23, 2013) (SR-NASDAQ-2013-154) (notice of filing and immediate effectiveness and extension and replacement of Penny Pilot through June 30, 2014); and 79 FR 31151 (May 23, 2014), 79 FR 31151 (May 30, 2014) (SR-NASDAQ-2014-056) ((notice of filing and immediate effectiveness and extension and replacement of Penny Pilot through December 31, 2014). See also NOM Rules, Chapter VI, Section 5.

⁴ The term "Customer" applies to any transaction that is identified by a Participant for clearing in the Customer range at The Options Clearing Corporation ("OCC") which is not for the account of broker or dealer or for the account of a "Professional" (as that term is defined in Chapter I, Section 1(a)(48)).

⁵ The term "Professional" means any person or entity that (i) is not a broker or dealer in securities, and (ii) places more than 390 orders in listed options per day on average during a calendar month for its own beneficial account(s) pursuant to Chapter I, Section 1(a)(48). All Professional orders shall be appropriately marked by Participants.

⁶ The term "NOM Market Maker" means a Participant that has registered as a Market Maker on NOM pursuant to Chapter VII, Section 2, and must also remain in good standing pursuant to Chapter VII, Section 4. In order to receive NOM Market Maker pricing in all securities, the Participant must be registered as a NOM Market Maker in at least one security.

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 the Statutory Basis for, the Proposed Rule Change

1. Purpose

NASDAQ proposes to modify Chapter XV, entitled "Options Pricing," at Section 2(1) governing the rebates and fees assessed for option orders entered into NOM. The Exchange proposes to amend certain qualifications related to Customer and Professional Penny Pilot Options Rebates to Add Liquidity tiers to offer Participants a greater opportunity to earn Customer and Professional rebates. The Exchange also proposes to modify NOM Market Maker Penny Pilot Options Rebates to Add Liquidity to offer additional rebate opportunities. The Exchange believes that additional rebate opportunities will attract additional order flow to the Exchange to the benefit of all market participants.

Customer and Professional Rebates to Add Liquidity

Today, the Exchange offers tiered Penny Pilot Options Rebates to Add Liquidity to Customers and Professionals based on various criteria with rebates ranging from \$0.20 to \$0.48 per contract. Participants may qualify for Customer and Professional Penny Pilot Options Rebates to Add Liquidity in Tiers 1-5 and Tier 8 by adding a certain amount of Customer and/or Professional liquidity in Penny Pilot Options or Non-Penny Pilot Options as specified by each

tier.⁷ The Exchange is proposing to amend these tiers and permit Participants to add Customer, Professional, Firm,⁸ Non-NOM Market Maker⁹ and/or Broker-Dealer¹⁰ liquidity in Penny Pilot Options and/or Non-Penny Pilot Options in order to qualify for the Customer and/or Professional Penny Pilot Options Rebates to Add Liquidity in Tiers 1-5 and Tier 8.

Tier 1 currently offers Participants that add Customer and/or Professional liquidity in Penny Pilot Options and/or Non-Penny Pilot Options of up to 0.10% of total industry customer equity and ETF option average daily volume (“ADV”) contracts per day in a month a \$0.20 per contract rebate. The Exchange is proposing to amend Tier 1 to provide that Participants that add Customer, Professional, Firm, Non-NOM Market Maker and/or Broker-Dealer liquidity in Penny Pilot Options and/or Non-Penny Pilot Options of up to 0.10% of total industry customer equity and ETF option average daily volume (“ADV”) contracts per day in a month would continue to receive a \$0.20 per contract rebate.

⁷ Tiers 6 and 7 are calculated based on Total Volume. Total Volume is defined as Customer, Professional, Firm, Broker-Dealer, Non-NOM Market Maker and NOM Market Maker volume in Penny Pilot Options and/or Non-Penny Pilot Options which either adds or removes liquidity on NOM. See note “b” in Section 2, Chapter XV. The Exchange utilizes data from OCC to determine the total industry customer equity and ETF options ADV figure. OCC classifies equity and ETF options volume under the equity options category. Also, both customer and professional orders that are transacted on options exchanges clear in the customer range at OCC and therefore both customer and professional volume would be included in the total industry figure to calculate rebate tiers. This is the case today for the Total Volume number that appear in Tiers 6 and 7 of the Customer and Professional rebate today, which includes Customer and Professional numbers in both the numerator and denominator of that percentage. These tiers will remain unchanged by this proposal.

⁸ The term “Firm” or (“F”) applies to any transaction that is identified by a Participant for clearing in the Firm range at OCC.

⁹ The term “Non-NOM Market Maker” or (“O”) is a registered market maker on another options exchange that is not a NOM Market Maker. A Non-NOM Market Maker must append the proper Non-NOM Market Maker designation to orders routed to NOM

¹⁰ The term “Broker-Dealer” or (“B”) applies to any transaction which is not subject to any of the other transaction fees applicable within a particular category.

Tier 2 currently offers Participants that add Customer and/or Professional liquidity in Penny Pilot Options and/or Non-Penny Pilot Options above 0.10% to 0.20% of total industry customer equity and ETF option ADV contracts per day in a month a \$0.25 per contract rebate. The Exchange is proposing to amend Tier 2 to provide that Participants that add Customer, Professional, Firm, Non-NOM Market Maker and/or Broker-Dealer liquidity in Penny Pilot Options and/or Non-Penny Pilot Options above 0.10% to 0.20% of total industry customer equity and ETF option ADV contracts per day in a month would continue to receive a \$0.25 per contract rebate.

Tier 3 currently offers Participants that add Customer and/or Professional liquidity in Penny Pilot Options and/or Non-Penny Pilot Options above 0.20% to 0.30% of total industry customer equity and ETF option ADV contracts per day in a month a \$0.42 per contract rebate. The Exchange is proposing to amend Tier 3 to provide that Participants that add Customer, Professional, Firm, Non-NOM Market Maker and/or Broker-Dealer liquidity in Penny Pilot Options and/or Non-Penny Pilot Options above 0.20% to 0.30% of total industry customer equity and ETF option ADV contracts per day in a month would continue to receive a \$0.42 per contract rebate.

Tier 4 currently offers Participants that add Customer and/or Professional liquidity in Penny Pilot Options and/or Non-Penny Pilot Options above 0.30% to 0.40% of total industry customer equity and ETF option ADV contracts per day in a month a \$0.43 per contract rebate. The Exchange is proposing to amend Tier 4 to provide that Participants that add Customer, Professional, Firm, Non-NOM Market Maker and/or Broker-Dealer liquidity in Penny Pilot Options and/or Non-Penny Pilot Options above 0.30% to 0.40% of total industry customer equity

and ETF option ADV contracts per day in a month would continue to receive a \$0.43 per contract rebate.

Tier 5 currently offers Participants that add Customer and/or Professional liquidity in Penny Pilot Options and/or Non-Penny Pilot Options above 0.40% of total industry customer equity and ETF option ADV contracts per day in a month, or Participants that add (1) Customer and/or Professional liquidity in Penny Pilot Options and/or Non-Penny Pilot Options of 25,000 or more contracts per day in a month, (2) the Participant has certified for the Investor Support Program set forth in Rule 7014, and (3) the Participant executed at least one order on NASDAQ's equity market a \$0.45 per contract rebate. The Exchange is proposing to amend Tier 5 to provide that Participants that add Customer, Professional, Firm, Non-NOM Market Maker and/or Broker-Dealer liquidity in Penny Pilot Options and/or Non-Penny Pilot Options above 0.40% of total industry customer equity and ETF option ADV contracts per day in a month, or Participant adds (1) Customer and/or Professional liquidity in Penny Pilot Options and/or Non-Penny Pilot Options of 25,000 or more contracts per day in a month, (2) the Participant has certified for the Investor Support Program set forth in Rule 7014, and (3) the Participant executed at least one order on NASDAQ's equity market would continue to receive a \$0.45 per contract rebate.

Tier 8 currently offers Participants that add Customer and/or Professional liquidity in Penny Pilot Options and/or Non-Penny Pilot Options of 0.75% or more of national customer volume in multiply-listed equity and ETF options classes in a month a \$0.48 per contract Customer rebate and a \$0.47 per contract Professional rebate. The Exchange is proposing to amend Tier 8 to provide that Participants that add Customer, Professional, Firm, Non-NOM Market Maker and/or Broker-Dealer liquidity in Penny Pilot Options and/or Non-Penny Pilot Options of 0.75% or more of national customer volume in multiply-listed equity and ETF

options classes in a month would continue to receive a \$0.48 per contract Customer rebate and a \$0.47 per contract Professional rebate.

With respect to Tier 8, today, Participants that add Customer and/or Professional liquidity in Penny Pilot Options and/or Non- Penny Pilot Options of 1.25% or more of national customer volume in multiply-listed equity and ETF options classes in a month will receive an additional \$0.02 per contract Penny Pilot Options Tier 8 Customer Rebate to Add Liquidity for each transaction which adds liquidity in Penny Pilot Options in that month. The Exchange also proposes to amend this incentive by also permitting Firm, Non-NOM Market Maker and/or Broker-Dealer liquidity to qualify for the incentive. The amended rule text would provide, “Participants that add Customer, Professional, Firm, Non-NOM Market Maker, and/or Broker-Dealer liquidity in Penny Pilot Options and/or Non- Penny Pilot Options of 1.25% or more of national customer volume in multiply-listed equity and ETF options classes in a month will receive an additional \$0.02 per contract Penny Pilot Options Customer Rebate to Add Liquidity for each transaction which adds liquidity in Penny Pilot Options in that month.”

NOM Market Maker Rebates to Add Liquidity

Today, the Exchange pays NOM Market Maker Penny Pilot Options Rebates to Add Liquidity based on various criteria in six tiers with rebates which range from \$0.20 to \$0.42 per contract as noted below.

Monthly Volume		Rebate to Add Liquidity
Tier 1	Participant adds NOM Market Maker liquidity in Penny Pilot Options and/or Non-Penny Pilot Options of up to 0.10% of total industry customer equity and ETF option average daily volume ("ADV") contracts per day in a month	\$0.20

Monthly Volume		Rebate to Add Liquidity
Tier 2	Participant adds NOM Market Maker liquidity in Penny Pilot Options and/or Non-Penny Pilot Options above 0.10% to 0.25% of total industry customer equity and ETF option ADV contracts per day in a month	\$0.25
Tier 3	Participant adds NOM Market Maker liquidity in Penny Pilot Options and/or Non-Penny Pilot Options above 0.25% to 0.60% of total industry customer equity and ETF option ADV contracts per day in a month	\$0.30 or \$0.40 in the following symbols QQQ, SPY and VXX
Tier 4	Participant adds NOM Market Maker liquidity in Penny Pilot Options and/or Non-Penny Pilot Options of above 0.60% to 0.90% of total industry customer equity and ETF option ADV contracts per day in a month	\$0.32 or \$0.40 in the following symbols QQQ, VXX and SPY
Tier 5	Participant adds NOM Market Maker liquidity in Penny Pilot Options and/or Non-Penny Pilot Options of above 0.30% of total industry customer equity and ETF option ADV contracts per day in a month and qualifies for the Tier 7 or Tier 8 Customer and/or Professional Rebate to Add Liquidity in Penny Pilot Options	\$0.40
Tier 6	Participant adds NOM Market Maker liquidity in Penny Pilot Options and/or Non-Penny Pilot Options above 0.80% of total industry customer equity and ETF option ADV contracts per day in a month and qualifies for the Tier 7 or Tier 8 Customer and/or Professional Rebate to Add Liquidity in Penny Pilot Options or Participant adds NOM Market Maker liquidity in Penny Pilot Options and/or Non-Penny Pilot Options above 0.90% of total industry customer equity and ETF option ADV contracts per day in a month	\$0.42

Today, the Tier 3 NOM Market Maker Penny Pilot Options Rebate to Add Liquidity pays a \$0.30 per contract rebate, except in QQQ, SPY and VXX which pay a \$0.40 per contract rebate to Participants that add NOM Market Maker liquidity in Penny Pilot Options and/or Non-Penny Pilot Options above 0.25% to 0.60% of total industry customer equity and ETF option ADV contracts per day in a month. The Exchange proposes to add AAPL to the list of symbols that are eligible for the Tier 3 rebate of \$0.40 per contract. Today, the Exchange pays a Tier 3 NOM Market Maker Penny Pilot Options Rebate to Add Liquidity of \$0.30 per contract in AAPL.

Today, the Tier 4 NOM Market Maker Penny Pilot Options Rebate to Add Liquidity pays a \$0.32 per contract rebate, except in QQQ, SPY and VXX which pay a \$0.40 per contract rebate to Participants that add NOM Market Maker liquidity in Penny Pilot Options and/or Non-Penny Pilot Options of above 0.60% to 0.90% of total industry customer equity and ETF option ADV contracts per day in a month. The Exchange proposes to add AAPL to the list of symbols that are eligible for the Tier 4 rebate of \$0.40 per contract. Today, the Exchange pays a Tier 4 NOM Market Maker Penny Pilot Options Rebate to Add Liquidity of \$0.32 per contract in AAPL. The Exchange believes that paying a higher rebate for AAPL transactions will encourage a greater number of transactions in AAPL.

Today, the Tier 6 NOM Market Maker Penny Pilot Option Rebate to Add Liquidity pay a \$0.42 per contract rebate to Participants that add NOM Market Maker liquidity in Penny Pilot Options and/or Non-Penny Pilot Options above 0.80% of total industry customer equity and ETF option ADV contracts per day in a month and qualifies for the Tier 7 or Tier 8 Customer and/or Professional Rebate to Add Liquidity in Penny Pilot Options or Participant adds NOM Market Maker liquidity in Penny Pilot Options and/or Non-Penny Pilot Options above 0.90% of total industry customer equity and ETF option ADV contracts per day in a month. The Exchange is proposing to amend the Tier 6 NOM Market Maker Penny Pilot Options Rebate to Add Liquidity to also provide that a Participant that adds Customer, Professional, Firm, Non-NOM Market Maker, and/or Broker-Dealer liquidity in Penny Pilot Options and/or Non-Penny Pilot Options of 1.40% or more of national customer volume in multiply-listed equity and ETF options classes in a month may also qualify for the Tier 6 rebate of \$0.42 per contract. This would provide Participants another method to qualify for the rebate.

2. Statutory Basis

NASDAQ believes that the proposed rule changes are consistent with the provisions of Section 6 of the Act,¹¹ in general, and with Section 6(b)(4) of the Act,¹² 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 as described in detail below.

Customer and Professional Rebates to Add Liquidity

The Exchange's proposal to amend the Customer and Professional Penny Pilot Options Rebates to Add Liquidity Tiers 1-5 and Tier 8 to provide that Participants may qualify for those rebates by adding not only Customer and Professional liquidity in Penny and/or Non-Penny Pilot Options, as specified in each tier, but also Firm, Non-NOM Market Maker and Broker-Dealer liquidity in Penny and/or Non-Penny Pilot Options is reasonable because the Exchange believes that the addition of the various types of market participant liquidity will allow additional Participants to qualify for these rebate tiers, who may not qualify today, or receive higher rebates. The Exchange believes that offering additional types of liquidity to qualify for the Customer and Professional Penny Pilot Options Rebates to Add Liquidity will incentivize Participants to send a greater amount of order flow to NOM.

The Exchange's proposal to amend the Customer and Professional Penny Pilot Options Rebates to Add Liquidity Tiers 1-5 and Tier 8 to provide that Participants may qualify for those rebates by adding not only Customer and Professional liquidity in Penny and/or Non-Penny Pilot Options, as specified in each tier, but also Firm, Non-NOM Market Maker and Broker-Dealer

¹¹ 15 U.S.C. 78f.

¹² 15 U.S.C. 78f(b)(4).

liquidity in Penny and/or Non-Penny Pilot Options is equitable and not unfairly discriminatory because the Exchange is permitting all types of market participant liquidity in Tiers 1-5 and Tier 8 of its Customer and Professional Penny Pilot Options rebate tiers as a means to qualify for these rebates. Further, all Participants may qualify to be eligible for these rebates, provided they transact the requisite amount of liquidity. Customer liquidity offers unique benefits to the market which benefits all market participants. Customer liquidity benefits all market participants by providing more trading opportunities, which attracts market makers. An increase in the activity of these market participants in turn facilitates tighter spreads, which may cause an additional corresponding increase in order flow from other market participants. The Exchange believes that encouraging Participants to add Professional liquidity creates competition among options exchanges because the Exchange believes that the rebates may cause market participants to select NOM as a venue to send Professional order flow.

The Exchange believes that with respect to Tier 8, permitting Participants to add Firm, Non-NOM Market Maker and/or Broker-Dealer liquidity, in addition to Customer and Professional liquidity, to qualify for the additional \$0.02 per contract Tier 8 incentive is reasonable because the Exchange believes the opportunity to calculate the qualification for the incentive by adding other types of market participant liquidity will allow additional market participants to qualify for the incentive. Additionally, permitting other qualifying volume to count towards meeting the Tier 8 incentive will incentivize Participants to send a greater amount of order flow to NOM.

The Exchange believes that with respect to Tier 8, permitting Participants to add Firm, Non-NOM Market Maker and/or Broker-Dealer liquidity, in addition to Customer and Professional liquidity, to qualify for the additional \$0.02 per contract Tier 8 incentive is equitable

and not unfairly discriminatory because all Participants are eligible for the Tier 8 incentive, provided they transact the requisite volume.

NOM Market Maker Penny Pilot Options Rebates to Add Liquidity

The Exchange's proposal to amend the NOM Market Maker Penny Pilot Options Rebate to Add Liquidity Tiers 3 and 4 to increase the AAPL rebate from \$0.30 to \$0.40 per contract in Tier 3 and from \$0.32 to \$0.40 per contract in Tier 4 is reasonable because the proposal seeks to encourage Participants to transact a greater amount of AAPL liquidity in order to receive the higher rebate of \$0.40 per contract. The Exchange believes that offering Participants NOM Market Makers the ability to obtain higher rebates is reasonable because it will encourage additional order interaction.

The Exchange's proposal to amend the NOM Market Maker Penny Pilot Options Rebate to Add Liquidity Tiers 3 and 4 to increase the AAPL rebate from \$0.30 to \$0.40 per contract in Tier 3 and from \$0.32 to \$0.40 per contract in Tier 4 is equitable and not unfairly discriminatory because all NOM Market Makers may qualify for the Tier 3 and Tier 4 NOM Market Maker Penny Pilot Options Rebate to Add Liquidity.

The Exchange believes that it is reasonable, equitable, and not unfairly discriminatory to adopt different pricing for AAPL, as compared to other options, 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, in this case actively traded Penny Pilot Options.¹³ The Exchange notes that AAPL is one of the most actively traded

¹³ See NASDAQ OMX PHLX LLC's Pricing Schedule. See also the International Securities Exchange LLC's Fee Schedule. Both of these markets segment pricing by symbol.

options in the U.S. The Exchange believes that this pricing will incentivize members to transact options on AAPL on NOM in order to obtain the higher \$0.40 per contract rebate.

The Exchange's proposal to amend the Tier 6 NOM Market Maker Penny Pilot Options Rebate to Add Liquidity to offer an additional method¹⁴ to qualify for the \$0.42 per contract rebate is reasonable because additional Participants may qualify for the Tier 6 rebate if they are able to transact the requisite volume specified in the additional proposed qualification to add any type of market participant liquidity. The Exchange also believes that this amendment to the Tier 6 NOM Market Maker Penny Pilot Options Rebate to Add Liquidity will incentivize Participants to send a greater amount of order flow to NOM.

The Exchange's proposal to amend the Tier 6 NOM Market Maker Penny Pilot Options Rebate to Add Liquidity to offer an additional method to qualify for the \$0.42 per contract is equitable and not unfairly discriminatory because all Participants may qualify for the Tier 6 rebate provided they transact the requisite amount of liquidity.

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

NASDAQ does not believe that the proposed rule changes will result in any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act, as amended.

¹⁴ Today, a Participant may qualify for the NOM Market Maker Tier 6 Rebate to Add Liquidity in Penny Pilot Options by adding NOM Market Maker liquidity in Penny Pilot Options and/or Non-Penny Pilot Options above 0.80% of total industry customer equity and ETF option ADV contracts per day in a month and qualifying for the Tier 7 or Tier 8 Customer and/or Professional Rebate to Add Liquidity in Penny Pilot Options or adding NOM Market Maker liquidity in Penny Pilot Options and/or Non-Penny Pilot Options above 0.90% of total industry customer equity and ETF option ADV contracts per day in a month. The Exchange is amending Tier 6 to permit a Participant to qualify for the \$0.42 per contract rebate by adding Customer, Professional, Firm, Non-NOM Market Maker, and/or Broker-Dealer liquidity in Penny Pilot Options and/or Non-Penny Pilot Options of 1.40% or more of national customer volume in multiply-listed equity and ETF options classes in a month

The Exchange believes that amending Tiers 1-5 and Tier 8 of the Customer and Professional Penny Pilot Options Rebates to Add Liquidity, as well as the Tier 8 incentive of \$0.02 per contract to permit Participants to add all types of market participant liquidity does not create an undue burden on competition, rather the proposal will incentivize market participants to send additional order flow to the Exchange. Customer liquidity offers unique benefits to the market which benefits all market participants. Customer liquidity benefits all market participants by providing more trading opportunities, which attracts market makers. An increase in the activity of these market participants in turn facilitates tighter spreads, which may cause an additional corresponding increase in order flow from other market participants. The Exchange believes that encouraging Participants to add Professional liquidity creates competition among options exchanges because the Exchange believes that the rebates may cause market participants to select NOM as a venue to send Professional order flow.

The Exchange's proposal to amend the Tier 3 and 4 NOM Market Maker Penny Pilot Options Rebates to Add Liquidity to pay a higher rebate for AAPL of \$0.40 per contract, similar to SPY, QQQ and VXX, does not create an undue burden on competition because all NOM Market Makers may qualify for the Tier 3 or 4 NOM Market Maker Penny Pilot Options Rebate to Add Liquidity. The Exchange's proposal to offer another means to qualify for the Tier 6 NOM Market Maker Penny Pilot Options Rebate to Add Liquidity does not create an undue burden on competition, rather the proposal will incentivize market participants to send additional order flow to the Exchange.

The Exchange believes the differing outcomes, rebates and fees created by the Exchange's proposed pricing incentives contribute to the overall health of the market place to the benefit of all Participants that willing choose to transact options on NOM. For the reasons

specified herein, the Exchange does not believe this proposal creates an undue burden on competition. The Exchange operates in a highly competitive market comprised of twelve U.S. options exchanges in which many sophisticated and knowledgeable market participants can readily and do send order flow to competing exchanges if they deem fee levels or rebate incentives at a particular exchange to be excessive or inadequate. These market forces support the Exchange belief that the proposed rebate structure and tiers proposed herein are competitive with rebates and tiers in place on other exchanges. The Exchange believes that this competitive marketplace continues to impact the rebates present on the Exchange today and substantially influences the proposals set forth above.

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.

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.¹⁵ 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.

¹⁵ 15 U.S.C. 78s(b)(3)(A)(ii).

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-2014-105 on the subject line.

Paper Comments:

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

All submissions should refer to File Number SR-NASDAQ-2014-105. 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 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 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-2014-105, 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.¹⁶

Kevin M. O'Neill,
Deputy Secretary.

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¹⁶ 17 CFR 200.30-3(a)(12).