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SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-74946; File No. SR-NASDAQ-2015-052)

May 13, 2015.

Self-Regulatory Organizations; The NASDAQ Stock Market LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Modify NASDAQ Rule 7018 Governing Fees and Credits Assessed For Execution and Routing

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 7, 2015, 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 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 the Substance of the Proposed Rule Change

The Exchange proposes to modify NASDAQ Rule 7018(a)(1), (2), and (3), governing fees and credits assessed for execution and routing securities listed on NASDAQ (subsection 1), the New York Stock Exchange (“NYSE”) (subsection 2) and on exchanges other than NASDAQ and NYSE (subsection 3). NASDAQ will implement the proposed fees on May 1, 2015.

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

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

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 is proposing to amend NASDAQ Rule 7018(1), (2) and (3) to modify fees assessed for execution and routing securities listed on NASDAQ ("Tape C"), NYSE ("Tape A") and on exchanges other than NASDAQ and the NYSE ("Tape B"), respectively, (together, the "Tapes"). The Exchange is proposing two categories of changes to credits paid regarding midpoint liquidity: (1) changes to the calculation of Equity and Options-linked volume when the Exchange pays rebates to members that provide liquidity via midpoint orders that are executed; and (2) adding a tier of credits for midpoint liquidity provided via non-displayed orders that are executed. These changes are described in greater detail below.

Equity and Options-Linked Volume. With respect to credits paid for members adding liquidity via midpoint orders, the Exchange currently pays a credit of \$0.0030 per share executed for members (i) with shares of liquidity provided in all securities during the month representing at least 0.40% of Consolidated Volume during the month, through one or more of its Nasdaq Market Center MPIDs, and (ii) that qualifies for the Nasdaq Options Market Customer and Professional Rebate to add Liquidity in Penny Pilot Options Tier 8 under Chapter XV, Section 2

of the Nasdaq Options Market rules during the month through one or more of its Nasdaq Options Market MPIDs. The Tier 8 program requires that a “Participant adds 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 total industry customer equity and ETF option ADV contracts per day in a month.” The Tier 8 credit is designed to reward members that add liquidity broadly across NASDAQ’s equity and options trading platform whether for trading NASDAQ, NYSE or Amex or other exchange-listed securities.

NASDAQ is proposing to retain the credit rate of \$0.0030 for this activity tier and to modify the volume calculations for both equity and options volume for securities on all three Tapes. First, the Exchange is increasing the required percentage of Consolidated Volume of equities executed from 0.40 percent to 0.60 percent per member for one or more of that member’s MPIDs. Second, NASDAQ is retaining the existing link between equities and options trading, but it is modifying the measure of options volume. Specifically, the Exchange is modifying the rule to incorporate language from the Liquidity in Penny Pilot Options Tier 8 under Chapter XV, Section 2 of the Nasdaq Options Market. Additionally, the Exchange plans to credit members that add liquidity of 1.25 percent or more of average daily volume (“ADV”) for the industry in the customer clearing range³ in Equity and ETF Options⁴ based upon volume

³ The term “customer clearing range” refers to a clearing designation determined by the Options Clearing Corporation that applies throughout the options industry.

⁴ This proposed rule change applies to the same categories of options (Penny Pilot, Non-Penny Pilot, Equity and ETF options) and the same participant liquidity (Customer, Professional, Firm, Non-NOM Market Maker and Broker-Dealer) that are identified in Chapter XV, Section 2 of the Nasdaq Options Market Rules, Tier 8.

added by that member in the Customer,⁵ Professional,⁶ Firm,⁷ Non-NOM Market Maker⁸ and Broker-Dealer⁹ classifications as those classifications are defined in NOM rules.

Non-Displayed Volume. Currently, NASDAQ Rule 7018 provides for credits for the execution of non-displayed liquidity (other than via Supplemental Orders) when the member provides certain levels of liquidity and also provides certain levels of options liquidity simultaneously. The credits currently range from \$0.0025 to \$0.0005 depending upon the orders types used and the amount of liquidity provided, where midpoint liquidity is highest valued.

The Exchange is modifying three rebate tiers and adding a new rebate tier across Tapes A and B only; Tape C securities will remain unmodified. Specifically, the Exchange will raise the credit from \$0.0020 to \$0.0022 per share executed for midpoint orders if the member provides an average daily volume of 6 million or more shares through midpoint orders during the month, and

⁵ As defined in Chapter XV of the Nasdaq Options Market Rules, the term "Customer" or ("C") 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)).

⁶ As defined in Chapter XV of the Nasdaq Options Market Rules, the term "Professional" or ("P") 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.

⁷ As defined in Chapter XV of the Nasdaq Options Market Rules, the term "Firm" or ("F") applies to any transaction that is identified by a Participant for clearing in the Firm range at OCC.

⁸ As defined in Chapter XV of the Nasdaq Options Market Rules, 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.

⁹ As defined in Chapter XV of the Nasdaq Options Market Rules, 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.

from \$0.0017 to \$0.0020 per share executed for midpoint orders if the member provides an average daily volume between 5 million and less than 6 million shares through midpoint orders during the month. Additionally, the Exchange is adding a new rebate tier of \$0.0018 per share executed for midpoint orders if the member provides an average daily volume between 1 million and less than 5 million shares through midpoint orders during the month. Finally, the Exchange is retaining the rebate tier of \$0.0014 per share executed for midpoint orders but lowering the volume requirement from 5 million to 1 million shares average daily volume of midpoint liquidity provided during the month.

2. Statutory Basis

NASDAQ believes that the proposed rule change is consistent with the provisions of Section 6 of the Act,¹⁰ in general, and with Sections 6(b)(4) and 6(b)(5) of the Act,¹¹ in particular, in that it 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 not designed to permit unfair discrimination between customers, issuers, brokers, or dealers.

NASDAQ believes that the changes across all tapes to the calculation of the Equity and Options-linked credit of \$0.0030 for members that provide midpoint liquidity are reasonable, equitably allocated and not unfairly discriminatory. First, it is reasonable and equitable to increase the required percentage of Consolidated Volume of equities executed from 0.40 percent to 0.60 percent per member for one or more of that member's MPIDs. This change is designed to create incentives for members to add additional liquidity to the NASDAQ Market Center.

¹⁰ 15 U.S.C. 78f.

¹¹ 15 U.S.C. 78f(b)(4) and (5).

Liquidity is critical to the trading efficiency and quality of the exchange, and changes to enhance liquidity should be viewed favorably by all participants. This change will be applied equally to all similarly situated members and therefore should not be considered discriminatory, much less unfairly discriminatory.

NASDAQ also believes that it is reasonable, equitably allocated and not unfairly discriminatory to retain the existing link between equities and options trading, to modify the measure of options volume. As with the previous change, the Exchange is requiring members to add additional liquidity (1.25 versus 0.75 percent of ADV), and to apply the same numerator (volume added by that member in the Customer, Professional, Firm, Non-NOM Market Maker and Broker-Dealer classifications) and denominator (total volume in the customer clearing range in Equity and ETF Options) for that calculation. Again, it is important for the Exchange to encourage members to add liquidity to the platforms NASDAQ operates and fair to modify fees to accomplish that important goal.

The Exchange also believes it is reasonable, equitably allocated and not unfairly discriminatory to adjust rebate tiers for non-displayed liquidity for Tapes A and B. NASDAQ notes that each of the four changes results in higher rebates per executed share in the future for the same volume of shares previously executed. Three of the four changes are modifications to existing tiers and the fourth is the insertion of a new volume tier, each of which is designed to reward more generously the provision of midpoint liquidity on NASDAQ. Midpoint liquidity is valuable to the efficient operation and competitiveness of the Exchange, and particularly beneficial to investors matching at the midpoint.

NASDAQ believes it is not unfairly discriminatory to apply these changes to Tapes A and B versus Tape C because they will be absolute rather than relative requirements. As an

absolute standard, the liquidity requirements will apply uniformly to all Market Makers eligible to participate in the program. All members have incentives available and equal opportunity to earn the higher rebates for adding more liquidity in Tapes A and B securities. NASDAQ has determined that modifying the incentives is more necessary for Tape A and B securities than for Tape C securities due to differences in NASDAQ's share of trading and the total volume traded in the market. If NASDAQ's determination is incorrect, NASDAQ would expect its share of trading in Tape C securities to decline due to intense competition in the market.

Further, all participants may qualify to be eligible for these rebates, provided they transact the requisite amount of liquidity. It is reasonable to emphasize customer liquidity in options trading because it offers unique benefits to the market, which benefits all market participants. Customer liquidity benefits all options 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.

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.¹² NASDAQ notes that it operates in a highly competitive market in which market participants can readily favor competing venues if they deem fee levels at a particular venue to be excessive, or rebate opportunities available at other venues to be more favorable. In such an environment, NASDAQ must continually adjust its fees to remain competitive with other exchanges and with alternative trading systems that have been exempted from compliance with

¹² 15 U.S.C. 78f(b)(8).

the statutory standards applicable to exchanges. Because competitors are free to modify their own fees in response, and because market participants may readily adjust their order routing practices, NASDAQ believes that the degree to which fee changes in this market may impose any burden on competition is extremely limited.

In this instance, the changes to liquidity credits for midpoint liquidity and to equity and options-lined credits do not impose a burden on competition because NASDAQ's execution services are completely voluntary and subject to extensive competition both from other exchanges and from off-exchange venues. In sum, if the changes proposed herein are unattractive to market participants, it is likely that NASDAQ will lose market share as a result. Accordingly, NASDAQ does not believe that the proposed changes will impair the ability of members or competing order execution venues to maintain their competitive standing in the financial markets.

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.¹³

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: (i) necessary or appropriate in the public interest; (ii) for the protection of investors; or (iii) otherwise in furtherance of the purposes of the Act. If the Commission takes such action,

¹³ 15 U.S.C. 78s(b)(3)(A)(ii).

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-2015-052 on the subject line.

Paper comments:

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

All submissions should refer to File Number SR-NASDAQ-2015-052. 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 such filing also will be available for inspection and copying at the principal offices 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-2015-052, 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.¹⁴

Robert W. Errett,
Deputy Secretary.
[FR Doc. 2015-12015 Filed: 5/18/2015 08:45 am;
Publication Date: 5/19/2015]

¹⁴ 17 CFR 200.30-3(a)(12).