

Required fields are shown with yellow backgrounds and asterisks.

Page 1 of * 37	SECURITIES AND EXCHANGE COMMISSION WASHINGTON, D.C. 20549 Form 19b-4		File No.* SR - 2014 - * 013	Amendment No. (req. for Amendments *)	
Filing by NASDAQ Stock Market Pursuant to Rule 19b-4 under the Securities Exchange Act of 1934					
Initial * <input checked="" type="checkbox"/>	Amendment * <input type="checkbox"/>	Withdrawal <input type="checkbox"/>	Section 19(b)(2) * <input type="checkbox"/>	Section 19(b)(3)(A) * <input checked="" type="checkbox"/>	Section 19(b)(3)(B) * <input type="checkbox"/>
Pilot <input type="checkbox"/>	Extension of Time Period for Commission Action * <input type="checkbox"/>	Date Expires * <input type="text"/>	Rule <input type="checkbox"/> 19b-4(f)(1) <input type="checkbox"/> 19b-4(f)(4) <input checked="" type="checkbox"/> 19b-4(f)(2) <input type="checkbox"/> 19b-4(f)(5) <input type="checkbox"/> 19b-4(f)(3) <input type="checkbox"/> 19b-4(f)(6)		
Notice of proposed change pursuant to the Payment, Clearing, and Settlement Act of 2010 Section 806(e)(1) * <input type="checkbox"/>			Security-Based Swap Submission pursuant to the Securities Exchange Act of 1934 Section 3C(b)(2) * <input type="checkbox"/>		
Exhibit 2 Sent As Paper Document <input type="checkbox"/>		Exhibit 3 Sent As Paper Document <input type="checkbox"/>			
<b>Description</b> Provide a brief description of the action (limit 250 characters, required when Initial is checked *).  NASDAQ Options Fees and Rebates					
<b>Contact Information</b> Provide the name, telephone number, and e-mail address of the person on the staff of the self-regulatory organization prepared to respond to questions and comments on the action.  First Name * Angela Last Name * Dunn Title * Associate General Counsel E-mail * angela.dunn@nasdaqomx.com Telephone * (215) 496-5692 Fax <input type="text"/>					
<b>Signature</b> Pursuant to the requirements of the Securities Exchange Act of 1934,  has duly caused this filing to be signed on its behalf by the undersigned thereunto duly authorized.  (Title *) Date 01/29/2014 By Edward S. Knight (Name *) Executive Vice President and General Counsel  NOTE: Clicking the button at right will digitally sign and lock this form. A digital signature is as legally binding as a physical signature, and once signed, this form cannot be changed.  Persona Not Validated - 1383935917270,					

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

For complete Form 19b-4 instructions please refer to the EFFF website.

**Form 19b-4 Information \***

Add Remove View

The self-regulatory organization must provide all required information, presented in a clear and comprehensible manner, to enable the public to provide meaningful comment on the proposal and for the Commission to determine whether the proposal is consistent with the Act and applicable rules and regulations under the Act.

**Exhibit 1 - Notice of Proposed Rule Change \***

Add Remove View

The Notice section of this Form 19b-4 must comply with the guidelines for publication in the Federal Register as well as any requirements for electronic filing as published by the Commission (if applicable). The Office of the Federal Register (OFR) offers guidance on Federal Register publication requirements in the Federal Register Document Drafting Handbook, October 1998 Revision. For example, all references to the federal securities laws must include the corresponding cite to the United States Code in a footnote. All references to SEC rules must include the corresponding cite to the Code of Federal Regulations in a footnote. All references to Securities Exchange Act Releases must include the release number, release date, Federal Register cite, Federal Register date, and corresponding file number (e.g., SR-[SRO]-xx-xx). A material failure to comply with these guidelines will result in the proposed rule change being deemed not properly filed. See also Rule 0-3 under the Act (17 CFR 240.0-3)

**Exhibit 1A- Notice of Proposed Rule Change, Security-Based Swap Submission, or Advance Notice by Clearing Agencies \***

Add Remove View

The Notice section of this Form 19b-4 must comply with the guidelines for publication in the Federal Register as well as any requirements for electronic filing as published by the Commission (if applicable). The Office of the Federal Register (OFR) offers guidance on Federal Register publication requirements in the Federal Register Document Drafting Handbook, October 1998 Revision. For example, all references to the federal securities laws must include the corresponding cite to the United States Code in a footnote. All references to SEC rules must include the corresponding cite to the Code of Federal Regulations in a footnote. All references to Securities Exchange Act Releases must include the release number, release date, Federal Register cite, Federal Register date, and corresponding file number (e.g., SR-[SRO]-xx-xx). A material failure to comply with these guidelines will result in the proposed rule change, security-based swap submission, or advance notice being deemed not properly filed. See also Rule 0-3 under the Act (17 CFR 240.0-3)

**Exhibit 2 - Notices, Written Comments, Transcripts, Other Communications**

Add Remove View

Exhibit Sent As Paper Document

Copies of notices, written comments, transcripts, other communications. If such documents cannot be filed electronically in accordance with Instruction F, they shall be filed in accordance with Instruction G.

**Exhibit 3 - Form, Report, or Questionnaire**

Add Remove View

Exhibit Sent As Paper Document

Copies of any form, report, or questionnaire that the self-regulatory organization proposes to use to help implement or operate the proposed rule change, or that is referred to by the proposed rule change.

**Exhibit 4 - Marked Copies**

Add Remove View

The full text shall be marked, in any convenient manner, to indicate additions to and deletions from the immediately preceding filing. The purpose of Exhibit 4 is to permit the staff to identify immediately the changes made from the text of the rule with which it has been working.

**Exhibit 5 - Proposed Rule Text**

Add Remove View

The self-regulatory organization may choose to attach as Exhibit 5 proposed changes to rule text in place of providing it in Item I and which may otherwise be more easily readable if provided separately from Form 19b-4. Exhibit 5 shall be considered part of the proposed rule change.

**Partial Amendment**

Add Remove View

If the self-regulatory organization is amending only part of the text of a lengthy proposed rule change, it may, with the Commission's permission, file only those portions of the text of the proposed rule change in which changes are being made if the filing (i.e. partial amendment) is clearly understandable on its face. Such partial amendment shall be clearly identified and marked to show deletions and additions.

1. Text of the Proposed Rule Change

(a) Pursuant to the provisions of Section 19(b)(1) under the Securities Exchange Act of 1934 (“Act”)<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> The NASDAQ Stock Market LLC (“NASDAQ” or “Exchange”) is filing with the Securities and Exchange Commission (“Commission”) a proposed rule change 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: (i) amend the Customer Non-Penny Pilot Options<sup>3</sup> Rebate to Add Liquidity; (ii) amend the Customer and Professional Rebates to Add Liquidity in Penny Pilot Options;<sup>4</sup> and (iii) amend the Penny Pilot Options Customer Fee for Removing Liquidity.

---

<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 17 CFR 240.19b-4.

<sup>3</sup> The Non-Penny Pilot Options pricing includes options overlying the Nasdaq 100 Index traded under the symbol NDX.

<sup>4</sup> The Penny Pilot was established in March 2008 and in October 2009 was expanded and extended through June 30, 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 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

While the changes proposed herein are effective upon filing, the Exchange has designated that the amendments be operative on February 3, 2014.

A notice of the proposed rule change for publication in the Federal Register is attached hereto as Exhibit 1 and a copy of the applicable portion of the rule text is attached hereto as Exhibit 5.

(b) Not applicable.

(c) Not applicable.

2. Procedures of the Self-Regulatory Organization

The proposed rule change was approved by senior management of NASDAQ pursuant to authority delegated by the Board of Directors of NASDAQ on July 17, 2013. NASDAQ staff will advise the Board of Directors of NASDAQ of any action taken pursuant to delegated authority. No other action by NASDAQ is necessary for the filing of the rule change.

Questions regarding this rule filing may be directed to Angela Saccomandi Dunn, Associate General Counsel, at (215) 496-5692.

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

a. Purpose

NASDAQ proposes to amend certain fees in Chapter XV, Section 2. The

---

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) and 71105 (December 17, 2013), 78 FR 77530 (December 23, 2013) (SR-NASDAQ-2013-154). See also NOM Rules, Chapter VI, Section 5.

Exchange proposes to amend the Non-Penny Pilot Options Customer Rebate to Add Liquidity to encourage Participants to add liquidity by earning a higher Non-Penny Pilot Customer Rebate to Add Liquidity. The Exchange also proposes to amend the Tier 8 Rebate to Add Liquidity to lower the Professional rebate paid for that tier. While the Exchange is lowering the Professional Rebate to Add Liquidity in Penny Pilot Options, the Exchange believes that the rebate will continue to encourage Participants to add volume to earn the rebate. The Exchange proposes to increase the Customer Penny Pilot Options Fee for Removing Liquidity from \$0.45 to \$0.47 per contract. Despite the increase, the Exchange believes this fee remains competitive.

*Non-Penny Pilot Customer Rebate to Add Liquidity*

The Exchange currently pays a Customer Non-Penny Pilot Rebate to Add Liquidity of \$0.84 per contract. Non-Customer Participants do not receive a Non-Penny Pilot Rebate to Add Liquidity. The Exchange proposes to pay an additional \$0.01 per contract Non-Penny Pilot Options Customer Rebate to Add Liquidity (for a total rebate of \$0.85 per contract) to a Participant that qualifies for a Tier 7 or 8 Customer or Professional Penny Pilot Options Rebate to Add Liquidity in a given month. Participants would receive the additional \$0.01 per contract rebate for each transaction which adds liquidity in Non-Penny Pilot Options in that month.

*Penny Pilot Options Customer and Professional Rebate to Add Liquidity*

The Exchange currently pays Customer and Professional Rebates to Add Liquidity based on an eight tier rebate structure as follows:

<b>Monthly Volume</b>	<b>Rebate to Add Liquidity</b>
<b>Tier</b> Participant adds Customer and/or Professional liquidity	\$0.25

- 1** in Penny Pilot Options and/or Non-Penny Pilot Options of up to 0.20% of total industry customer equity and ETF option average daily volume ("ADV") contracts per day in a month
- Tier** Participant adds Customer and/or Professional liquidity \$0.42
- 2** 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
- Tier** Participant adds Customer and/or Professional liquidity \$0.43
- 3** 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
- Tier** Participant adds Customer and/or Professional liquidity \$0.45
- 4** in Penny Pilot Options and/or Non-Penny Pilot Options above 0.40% or more of total industry customer equity and ETF option ADV contracts per day in a month
- Tier** 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 \$0.45
- 5**
- Tier** Participant has Total Volume of 100,000 or more contracts per day in a month, of which 25,000 or more contracts per day in a month must be Customer and/or Professional liquidity in Penny Pilot Options \$0.45
- 6**
- Tier** Participant has Total Volume of 150,000 or more contracts per day in a month, of which 50,000 or more contracts per day in a month must be Customer and/or Professional liquidity in Penny Pilot Options \$0.47
- 7**
- Tier** Participant adds 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. \$0.48
- 8**

For purposes of qualifying for a Customer and Professional Rebate to Add Liquidity tier, the Exchange determines the applicable percentage of total industry customer equity and ETF option average daily volume by including the Participant's Penny Pilot and Non-Penny Pilot Customer and/or Professional volume that adds

liquidity. The Exchange is proposing to make certain amendments to the tiers as noted below.

The Exchange proposes to amend the Tier 8 Professional Penny Pilot Options Rebate to Add Liquidity to reduce the rebate paid from \$0.48 to \$0.47 per contract. Today, the Exchange pays a \$0.48 per contract Customer and Professional Penny Pilot Options Tier 8 Rebate to Add Liquidity to 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. The Exchange would continue to pay a Penny Pilot Options Rebate to Add Liquidity of \$0.48 per contract to Participants that add Customer liquidity and qualify for Tier 8.

*Customer Penny Pilot Options Fee for Removing Liquidity*

The Exchange proposes to increase the Penny Pilot Options Customer Fee for Removing Liquidity from \$0.45 to \$0.47 per contract. The Exchange will continue to assess a NOM Market Maker a \$0.48 per contract Penny Pilot Options Fee for Removing Liquidity. A Professional, Firm, Non-NOM Market Maker and Broker-Dealer will continue to be assessed \$0.49 per contract.

b. Statutory Basis

NASDAQ believes that its proposal to amend its Pricing Schedule is consistent with Section 6(b) of the Act<sup>5</sup> in general, and furthers the objectives of Section 6(b)(4) and (b)(5) of the Act<sup>6</sup> in particular, in that it provides for the equitable allocation of

---

<sup>5</sup> 15 U.S.C. 78f(b).

<sup>6</sup> 15 U.S.C. 78f(b)(4), (5).

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.

*Non-Penny Pilot Customer Rebate to Add Liquidity*

The Exchange's proposal to pay an additional \$0.01 per contract Non-Penny Pilot Options Customer Rebate to Add Liquidity to a Participant that qualifies for a Tier 7 or 8 Customer or Professional Penny Pilot Options Rebate to Add Liquidity in a given month is reasonable because the rebate encourages Participants to qualify for higher Customer or Professional Penny Pilot Options rebate tiers in order to also qualify for an additional Non-Penny Pilot Options Customer rebate. To qualify for a Tier 7 rebate, Participants require Total Volume of 150,000 or more contracts per day in a month, of which 50,000 or more contracts per day in a month must be Customer and/or Professional liquidity in Penny Pilot Options. 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. To qualify for a Tier 8 rebate, Participants must 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. The Exchange believes that by encouraging Participants to qualify for Tier 7 or 8 there will be an incentive to add a certain amount of Penny and/or Non-Penny Pilot Options volume and/or Customer and/or Professional liquidity, thereby attracting additional order flow to the benefit of all market participants. Today, the Exchange also incentivizes NOM Market Makers to post liquidity, by offering NOM Market Makers rebates, which



also benefit market participants through increased order interaction. Firms, Non-NOM Market Makers and Broker-Dealers are also offered rebates under the current pricing structure.

The Exchange's proposal to pay an additional \$0.01 per contract Non-Penny Pilot Options Customer Rebate to Add Liquidity to a Participant that qualifies for a Tier 7 or 8 Customer or Professional Penny Pilot Options Rebate to Add Liquidity in a given month is equitable and not unfairly discriminatory because the Exchange will pay the additional \$0.01 per contract rebate in addition to the Non-Penny Pilot Options Rebate to Add Liquidity to all Participants that qualify for a Tier 7 or 8 Customer or Professional Penny Pilot Options Rebate to Add Liquidity in a uniform manner. Today, no other market participant is entitled to a Non-Penny Pilot Options Rebate to Add Liquidity other than a Customer. The Exchange believes that it is reasonable, equitable and not unfairly discriminatory to only pay Customers a rebate in Non-Penny Pilot Options because Customer order flow is unique and benefits all market participants through the increased liquidity that such order flow brings to the market. The opportunity to increase the Non-Penny Pilot Options rebate will further encourage the addition of Penny Pilot and Non-Penny Pilot Options liquidity as well as Customer and Professional liquidity.

*Customer and Professional Penny Pilot Option Rebate to Add Liquidity*

The Exchange's proposal to lower the Tier 8 Professional Penny Pilot Options Rebate to Add Liquidity from \$0.48 to \$0.47 per contract is reasonable because the Exchange believes that the \$0.47 per contract rebate should continue to incentivize Participants to qualify for a Tier 8 Penny Pilot Options Rebate to Add Liquidity to earn the rebate.

The Exchange's proposal to lower the Tier 8 Professional Penny Pilot Options Rebate to Add Liquidity from \$0.48 to \$0.47 per contract is equitable and not unfairly discriminatory for the reasons which follow. The Exchange believes that Customers are entitled to higher rebates because Customer order flow brings unique benefits to the market through increased liquidity which benefits all market participants. The Exchange believes that offering Professionals the opportunity to earn the same rebates as Customers, as is the case today, or slightly lower rebates, as proposed for Tier 8, and higher rebates as compared to Firms, Broker-Dealers and Non-NOM Market Makers, and in some cases NOM Market Makers, is equitable and not unfairly discriminatory because the Exchange does not believe that the amount of the rebate offered by the Exchange has a material impact on a Participant's ability to execute orders in Penny Pilot Options. By offering Professionals, as well as Customers, higher rebates as compared to other market participants, the Exchange hopes to simply remain competitive with other venues so that it remains a choice for market participants when posting orders and the result may be additional Professional order flow for the Exchange, in addition to increased Customer order flow. A Participant may not be able to gauge the exact rebate tier it would qualify for until the end of the month because Professional volume would be commingled with Customer volume in calculating tier volume.<sup>7</sup> A Professional could only otherwise presume the Tier 1 rebate would be achieved in a month when determining price.<sup>8</sup>

---

<sup>7</sup> Customer and Professional volume is aggregated for purposes of determining which rebate tier a Participant qualifies for with respect to the Professional Rebate to Add Liquidity in Penny Pilot Options.

<sup>8</sup> A Professional would be unable to determine the exact rebate that would be paid on a transaction by transaction basis with certainty until the end of a given month when all Customer and Professional volume is aggregated for purposes of determining which tier the Participant qualified for in a given month.

Further, the Exchange initially established Professional pricing in order to “...bring additional revenue to the Exchange.”<sup>9</sup> The Exchange noted in the Professional Filing that it believes “...that the increased revenue from the proposal would assist the Exchange to recoup fixed costs.”<sup>10</sup> The Exchange also noted in that filing that it believes that establishing separate pricing for a Professional, which ranges between that of a customer and market maker, accomplishes this objective.<sup>11</sup> The Exchange does not believe that providing Professionals with the opportunity to obtain higher rebates, which may be equivalent to that of a Customer, creates a competitive environment where Professionals would be necessarily advantaged on NOM as compared to NOM Market Makers, Firms, Broker-Dealers or Non-NOM Market Makers. Also, a Professional is assessed the same fees as other market participants, except Customers.<sup>12</sup> For these reasons, the Exchange believes that continuing to offer Professionals the same rebates or slightly lower rebates

---

<sup>9</sup> See Securities Exchange Act Release No. 64494 (May 13, 2011), 76 FR 29014 (May 19, 2011) (SR-NASDAQ-2011-066) (“Professional Filing”). In this filing, the Exchange addressed the perceived favorable pricing of Professionals who were assessed fees and paid rebates like a Customer prior to the filing. The Exchange noted in that filing that a Professional, unlike a retail Customer, has access to sophisticated trading systems that contain functionality not available to retail Customers.

<sup>10</sup> See Securities Exchange Act Release No. 64494 (May 13, 2011), 76 FR 29014 (May 19, 2011) (SR-NASDAQ-2011-066).

<sup>11</sup> See Securities Exchange Act Release No. 64494 (May 13, 2011), 76 FR 29014 (May 19, 2011) (SR-NASDAQ-2011-066). The Exchange noted in this filing that it believes the role of the retail customer in the marketplace is distinct from that of the professional and the Exchange’s fee proposal at that time accounted for this distinction by pricing each market participant according to their roles and obligations.

<sup>12</sup> The Fee for Removing Liquidity in Penny Pilot Options is \$0.49 per contract for all market participants, except Customers who are assessed \$0.45 per contract and NOM Market Makers who are assessed \$0.48 per contract.

as Customers is equitable and not unfairly discriminatory. NOM Market Makers also receive higher rebates as compared to Firms, Non-NOM Market Makers and Broker-Dealers because NOM Market Makers are valuable market participants that provide liquidity in the marketplace and incur costs unlike other market participants. The Exchange believes that NOM Market Makers should be offered the opportunity to earn higher rebates as compared to Non-NOM Market Makers, Firms and Broker Dealers because NOM Market Makers add value through continuous quoting<sup>13</sup> and the commitment of capital. The Exchange believes that encouraging NOM Market Makers to be more aggressive when posting liquidity, by offering such higher rebates, benefits all market participants through increased liquidity. NOM Market Makers will continue to earn the same or lower rebates as compared to Customers and Professionals.<sup>14</sup>

---

<sup>13</sup> 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.

<sup>14</sup> The Tier 1 NOM Market Maker Rebate to Add Liquidity in Penny Pilot Options is the same rebate as the Tier 1 Customer and Professional rebate in Penny Pilot Options. The Exchange pays the highest Tier 1 Rebates to Add Liquidity in Penny Pilot Options of \$0.25 per contract to Customers, Professionals and NOM Market Makers for transacting one qualifying contract as compared to other market participants. Firms, Non-NOM Market Makers and Broker-Dealers receive a \$0.10 per contract Penny Pilot Option Rebate to Add Liquidity. In addition, Participants that adds Firm, Non-NOM Market Maker or Broker-Dealer liquidity in Penny Pilot Options and/or Non-Penny Pilot Options of 15,000 contracts per day or more in a given month will receive a Rebate to Add Liquidity in Penny Pilot Options of \$0.20 per contract.

*Customer Penny Pilot Options Fee for Removing Liquidity*

The Exchange's proposal to increase the Penny Pilot Options Customer Fee for Removing Liquidity from \$0.45 per contract to \$0.47 per contract is reasonable because the Exchange will continue to assess Customers the lowest Fee for Removing Liquidity as compared to other market participants. In addition, Participants may qualify for certain rebates by transacting Customer orders. The rebates for Customers are the highest rebates offered by the Exchange.

The Exchange's proposal to increase the Penny Pilot Options Customer Fee for Removing Liquidity from \$0.45 per contract to \$0.47 per contract is equitable and not unfairly discriminatory. The Exchange will assess the lowest Penny Pilot Options Fee for Removing Liquidity to Customers as is the case today. NOM Market Makers will also continue to receive a lower fee as compared to a Professional, Firm, Non-NOM Market Maker and Broker-Dealer because of the obligations borne by NOM Market Makers.<sup>15</sup>

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

NASDAQ does not believe that the proposed rule change will impose any burden on competition not necessary or appropriate in furtherance of the purposes of the Act. The Exchange believes that offering to pay an additional \$0.01 per contract Customer Non-Penny Pilot Options Rebate to Add Liquidity to Participants that qualify for a Tier 7 or 8 Customer or Professional Rebate to Add Liquidity does not impose an undue burden on competition, rather it encourages Participants to add liquidity to NOM to obtain the Customer rebate and in turn promotes competition. The Exchange does not believe that offering Participants that qualify for Tier 7 or 8 of the Customer and Professional Penny

---

<sup>15</sup> See note 13.

Pilot Options Rebate to Add Liquidity an additional Non-Penny Pilot Options Customer rebate would result in any burden on competition as between market participants because the remaining market participants, NOM Market Makers, Firms, Non-NOM Market Makers and Broker-Dealers, would continue to have an opportunity to earn Penny Pilot Options rebates. Today, the Exchange only pays Customers Non-Penny Pilot Options Rebates to Add Liquidity.<sup>16</sup> Customer order flow brings unique benefits to the market through increased liquidity which benefits all market participants.

The Exchange's proposal to pay an additional Non-Penny Pilot Options Customer Rebate to Add Liquidity, presuming the Participant qualifies for Tier 7 or 8 of the Customer and Professional Penny Pilot Options Rebate to Add Liquidity, will incentivize Participants to direct Penny and Non-Penny Pilot Options order flow, as well as Customer and Professional order flow, to NOM to the benefit of all other market participants. The Exchange believes the proposed pricing incentives contribute to the overall health of the market and benefit all Participants willing to 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 believes that lowering the Tier 8 Professional Penny Pilot Options Rebate to Add Liquidity does not burden competition because Professionals will continue to earn higher rebates as compared to other non-Customer market participants, except NOM Market Makers, as is the case today. The Tier 1 NOM Market Maker Rebate to Add Liquidity in Penny Pilot Options is the same rebate as the Tier 1 Customer and Professional rebate in Penny Pilot Options. The Exchange pays the highest Tier 1

---

<sup>16</sup> NASDAQ OMX BX, Inc. Options pays a Rebate to Remove Liquidity in All Other Penny Pilot Options of \$0.32 per contract to Customers only.

Rebates to Add Liquidity in Penny Pilot Options of \$0.25 per contract to Customers, Professionals and NOM Market Makers for transacting one qualifying contract as compared to other market participants. This will also remain the same. The Customer will earn a higher Tier 8 rebate as compared to a Professional. 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 attract Specialists and 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 continuing to encourage Participants to add Professional liquidity, by offering rebates, 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. For these reasons, the Exchange does not believe this proposal creates an undue burden on competition.

The Exchange does not believe that increasing the Customer Penny Pilot Options Fee for Removing Liquidity will create an undue burden on competition because the Exchange continues to assess the lowest fee to Customers. As noted above, Customer liquidity offers unique benefits to the market which benefits all market participants.

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's 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.

5. 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.

6. Extension of Time Period for Commission Action

Not applicable.

7. Basis for Summary Effectiveness Pursuant to Section 19(b)(3) or for Accelerated Effectiveness Pursuant to Section 19(b)(2)

The foregoing proposed rule change establishes or changes a due, fee, or other charge imposed by the self-regulatory organization on any person, whether or not the person is a member of the self-regulatory organization pursuant to Section 19(b)(3)(A)(ii) of the Act.<sup>17</sup>

8. Proposed Rule Change Based on Rules of Another Self-Regulatory Organization or of the Commission

Not applicable.

9. Security-Based Swap Submissions Filed Pursuant to Section 3C of the Act

Not applicable.

10. Advance Notices Filed Pursuant to Section 806(e) of the Payment, Clearing and Settlement Supervision Act

Not applicable.

---

<sup>17</sup> 15 U.S.C. 78s(b)(3)(A)(ii).



11. Exhibits

1. Notice of proposed rule for publication in the Federal Register.
5. Applicable portion of the Exchange's rule text.

Exhibit 1

SECURITIES AND EXCHANGE COMMISSION  
(Release No. \_\_\_\_\_ ; File No. SR-NASDAQ-2014-013)

January \_\_, 2014

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

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”),<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on January 29, 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: (i) amend the Customer Non-Penny Pilot Options<sup>3</sup> Rebate to Add Liquidity; (ii) amend the Customer and Professional Rebates to

---

<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 17 CFR 240.19b-4.

<sup>3</sup> The Non-Penny Pilot Options pricing includes options overlying the Nasdaq 100 Index traded under the symbol NDX.

Add Liquidity in Penny Pilot Options;<sup>4</sup> and (iii) amend the Penny Pilot Options Customer Fee for Removing Liquidity.

While the changes proposed herein are effective upon filing, the Exchange has designated that the amendments be operative on February 3, 2014.

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

---

<sup>4</sup> The Penny Pilot was established in March 2008 and in October 2009 was expanded and extended through June 30, 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 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) and 71105 (December 17, 2013), 78 FR 77530 (December 23, 2013) (SR-NASDAQ-2013-154). See also NOM Rules, Chapter VI, Section 5.

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 certain fees in Chapter XV, Section 2. The Exchange proposes to amend the Non-Penny Pilot Options Customer Rebate to Add Liquidity to encourage Participants to add liquidity by earning a higher Non-Penny Pilot Customer Rebate to Add Liquidity. The Exchange also proposes to amend the Tier 8 Rebate to Add Liquidity to lower the Professional rebate paid for that tier. While the Exchange is lowering the Professional Rebate to Add Liquidity in Penny Pilot Options, the Exchange believes that the rebate will continue to encourage Participants to add volume to earn the rebate. The Exchange proposes to increase the Customer Penny Pilot Options Fee for Removing Liquidity from \$0.45 to \$0.47 per contract. Despite the increase, the Exchange believes this fee remains competitive.

*Non-Penny Pilot Customer Rebate to Add Liquidity*

The Exchange currently pays a Customer Non-Penny Pilot Rebate to Add Liquidity of \$0.84 per contract. Non-Customer Participants do not receive a Non-Penny Pilot Rebate to Add Liquidity. The Exchange proposes to pay an additional \$0.01 per contract Non-Penny Pilot Options Customer Rebate to Add Liquidity (for a total rebate of \$0.85 per contract) to a Participant that qualifies for a Tier 7 or 8 Customer or Professional Penny Pilot Options Rebate to Add Liquidity in a given month. Participants

would receive the additional \$0.01 per contract rebate for each transaction which adds liquidity in Non-Penny Pilot Options in that month.

*Penny Pilot Options Customer and Professional Rebate to Add Liquidity*

The Exchange currently pays Customer and Professional Rebates to Add Liquidity based on an eight tier rebate structure as follows:

<b>Monthly Volume</b>	<b>Rebate to Add Liquidity</b>
<b>Tier 1</b> Participant adds Customer and/or Professional liquidity in Penny Pilot Options and/or Non-Penny Pilot Options of up to 0.20% of total industry customer equity and ETF option average daily volume ("ADV") contracts per day in a month	\$0.25
<b>Tier 2</b> Participant adds 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	\$0.42
<b>Tier 3</b> Participant adds 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	\$0.43
<b>Tier 4</b> Participant adds Customer and/or Professional liquidity in Penny Pilot Options and/or Non-Penny Pilot Options above 0.40% or more of total industry customer equity and ETF option ADV contracts per day in a month	\$0.45
<b>Tier 5</b> 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	\$0.45
<b>Tier 6</b> Participant has Total Volume of 100,000 or more contracts per day in a month, of which 25,000 or more contracts per day in a month must be Customer and/or Professional liquidity in Penny Pilot Options	\$0.45
<b>Tier 7</b> Participant has Total Volume of 150,000 or more contracts per day in a month, of which 50,000 or more contracts per day in a month must be Customer and/or Professional liquidity in Penny Pilot Options	\$0.47

**Tier 8** Participant adds 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. \$0.48

For purposes of qualifying for a Customer and Professional Rebate to Add Liquidity tier, the Exchange determines the applicable percentage of total industry customer equity and ETF option average daily volume by including the Participant's Penny Pilot and Non-Penny Pilot Customer and/or Professional volume that adds liquidity. The Exchange is proposing to make certain amendments to the tiers as noted below.

The Exchange proposes to amend the Tier 8 Professional Penny Pilot Options Rebate to Add Liquidity to reduce the rebate paid from \$0.48 to \$0.47 per contract. Today, the Exchange pays a \$0.48 per contract Customer and Professional Penny Pilot Options Tier 8 Rebate to Add Liquidity to 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. The Exchange would continue to pay a Penny Pilot Options Rebate to Add Liquidity of \$0.48 per contract to Participants that add Customer liquidity and qualify for Tier 8.

*Customer Penny Pilot Options Fee for Removing Liquidity*

The Exchange proposes to increase the Penny Pilot Options Customer Fee for Removing Liquidity from \$0.45 to \$0.47 per contract. The Exchange will continue to assess a NOM Market Maker a \$0.48 per contract Penny Pilot Options Fee for Removing Liquidity. A Professional, Firm, Non-NOM Market Maker and Broker-Dealer will continue to be assessed \$0.49 per contract.

## 2. Statutory Basis

NASDAQ believes that its proposal to amend its Pricing Schedule is consistent with Section 6(b) of the Act<sup>5</sup> in general, and furthers the objectives of Section 6(b)(4) and (b)(5) of the Act<sup>6</sup> 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.

### *Non-Penny Pilot Customer Rebate to Add Liquidity*

The Exchange's proposal to pay an additional \$0.01 per contract Non-Penny Pilot Options Customer Rebate to Add Liquidity to a Participant that qualifies for a Tier 7 or 8 Customer or Professional Penny Pilot Options Rebate to Add Liquidity in a given month is reasonable because the rebate encourages Participants to qualify for higher Customer or Professional Penny Pilot Options rebate tiers in order to also qualify for an additional Non-Penny Pilot Options Customer rebate. To qualify for a Tier 7 rebate, Participants require Total Volume of 150,000 or more contracts per day in a month, of which 50,000 or more contracts per day in a month must be Customer and/or Professional liquidity in Penny Pilot Options. 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. To qualify for a Tier 8 rebate, Participants must add Customer and/or Professional liquidity in Penny Pilot Options and/or Non-Penny Pilot Options of 0.75% or more of

---

<sup>5</sup> 15 U.S.C. 78f(b).

<sup>6</sup> 15 U.S.C. 78f(b)(4), (5).

national customer volume in multiply-listed equity and ETF options classes in a month. The Exchange believes that by encouraging Participants to qualify for Tier 7 or 8 there will be an incentive to add a certain amount of Penny and/or Non-Penny Pilot Options volume and/or Customer and/or Professional liquidity, thereby attracting additional order flow to the benefit of all market participants. Today, the Exchange also incentivizes NOM Market Makers to post liquidity, by offering NOM Market Makers rebates, which also benefit market participants through increased order interaction. Firms, Non-NOM Market Makers and Broker-Dealers are also offered rebates under the current pricing structure.

The Exchange's proposal to pay an additional \$0.01 per contract Non-Penny Pilot Options Customer Rebate to Add Liquidity to a Participant that qualifies for a Tier 7 or 8 Customer or Professional Penny Pilot Options Rebate to Add Liquidity in a given month is equitable and not unfairly discriminatory because the Exchange will pay the additional \$0.01 per contract rebate in addition to the Non-Penny Pilot Options Rebate to Add Liquidity to all Participants that qualify for a Tier 7 or 8 Customer or Professional Penny Pilot Options Rebate to Add Liquidity in a uniform manner. Today, no other market participant is entitled to a Non-Penny Pilot Options Rebate to Add Liquidity other than a Customer. The Exchange believes that it is reasonable, equitable and not unfairly discriminatory to only pay Customers a rebate in Non-Penny Pilot Options because Customer order flow is unique and benefits all market participants through the increased liquidity that such order flow brings to the market. The opportunity to increase the Non-Penny Pilot Options rebate will further encourage the addition of Penny Pilot and Non-Penny Pilot Options liquidity as well as Customer and Professional liquidity.



*Customer and Professional Penny Pilot Option Rebate to Add Liquidity*

The Exchange's proposal to lower the Tier 8 Professional Penny Pilot Options Rebate to Add Liquidity from \$0.48 to \$0.47 per contract is reasonable because the Exchange believes that the \$0.47 per contract rebate should continue to incentivize Participants to qualify for a Tier 8 Penny Pilot Options Rebate to Add Liquidity to earn the rebate.

The Exchange's proposal to lower the Tier 8 Professional Penny Pilot Options Rebate to Add Liquidity from \$0.48 to \$0.47 per contract is equitable and not unfairly discriminatory for the reasons which follow. The Exchange believes that Customers are entitled to higher rebates because Customer order flow brings unique benefits to the market through increased liquidity which benefits all market participants. The Exchange believes that offering Professionals the opportunity to earn the same rebates as Customers, as is the case today, or slightly lower rebates, as proposed for Tier 8, and higher rebates as compared to Firms, Broker-Dealers and Non-NOM Market Makers, and in some cases NOM Market Makers, is equitable and not unfairly discriminatory because the Exchange does not believe that the amount of the rebate offered by the Exchange has a material impact on a Participant's ability to execute orders in Penny Pilot Options. By offering Professionals, as well as Customers, higher rebates as compared to other market participants, the Exchange hopes to simply remain competitive with other venues so that it remains a choice for market participants when posting orders and the result may be additional Professional order flow for the Exchange, in addition to increased Customer order flow. A Participant may not be able to gauge the exact rebate tier it would qualify for until the end of the month because Professional volume would be commingled with

Customer volume in calculating tier volume.<sup>7</sup> A Professional could only otherwise presume the Tier 1 rebate would be achieved in a month when determining price.<sup>8</sup> Further, the Exchange initially established Professional pricing in order to “...bring additional revenue to the Exchange.”<sup>9</sup> The Exchange noted in the Professional Filing that it believes “...that the increased revenue from the proposal would assist the Exchange to recoup fixed costs.”<sup>10</sup> The Exchange also noted in that filing that it believes that establishing separate pricing for a Professional, which ranges between that of a customer and market maker, accomplishes this objective.<sup>11</sup> The Exchange does not believe that providing Professionals with the opportunity to obtain higher rebates, which may be equivalent to that of a Customer, creates a competitive environment where Professionals

---

<sup>7</sup> Customer and Professional volume is aggregated for purposes of determining which rebate tier a Participant qualifies for with respect to the Professional Rebate to Add Liquidity in Penny Pilot Options.

<sup>8</sup> A Professional would be unable to determine the exact rebate that would be paid on a transaction by transaction basis with certainty until the end of a given month when all Customer and Professional volume is aggregated for purposes of determining which tier the Participant qualified for in a given month.

<sup>9</sup> See Securities Exchange Act Release No. 64494 (May 13, 2011), 76 FR 29014 (May 19, 2011) (SR-NASDAQ-2011-066) (“Professional Filing”). In this filing, the Exchange addressed the perceived favorable pricing of Professionals who were assessed fees and paid rebates like a Customer prior to the filing. The Exchange noted in that filing that a Professional, unlike a retail Customer, has access to sophisticated trading systems that contain functionality not available to retail Customers.

<sup>10</sup> See Securities Exchange Act Release No. 64494 (May 13, 2011), 76 FR 29014 (May 19, 2011) (SR-NASDAQ-2011-066).

<sup>11</sup> See Securities Exchange Act Release No. 64494 (May 13, 2011), 76 FR 29014 (May 19, 2011) (SR-NASDAQ-2011-066). The Exchange noted in this filing that it believes the role of the retail customer in the marketplace is distinct from that of the professional and the Exchange’s fee proposal at that time accounted for this distinction by pricing each market participant according to their roles and obligations.

would be necessarily advantaged on NOM as compared to NOM Market Makers, Firms, Broker-Dealers or Non-NOM Market Makers. Also, a Professional is assessed the same fees as other market participants, except Customers.<sup>12</sup> For these reasons, the Exchange believes that continuing to offer Professionals the same rebates or slightly lower rebates as Customers is equitable and not unfairly discriminatory. NOM Market Makers also receive higher rebates as compared to Firms, Non-NOM Market Makers and Broker-Dealers because NOM Market Makers are valuable market participants that provide liquidity in the marketplace and incur costs unlike other market participants. The Exchange believes that NOM Market Makers should be offered the opportunity to earn higher rebates as compared to Non-NOM Market Makers, Firms and Broker Dealers because NOM Market Makers add value through continuous quoting<sup>13</sup> and the commitment of capital. The Exchange believes that encouraging NOM Market Makers to be more aggressive when posting liquidity, by offering such higher rebates, benefits all market participants through increased liquidity. NOM Market Makers will continue to earn the same or lower rebates as compared to Customers and Professionals.<sup>14</sup>

---

<sup>12</sup> The Fee for Removing Liquidity in Penny Pilot Options is \$0.49 per contract for all market participants, except Customers who are assessed \$0.45 per contract and NOM Market Makers who are assessed \$0.48 per contract.

<sup>13</sup> 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.

<sup>14</sup> The Tier 1 NOM Market Maker Rebate to Add Liquidity in Penny Pilot Options

*Customer Penny Pilot Options Fee for Removing Liquidity*

The Exchange's proposal to increase the Penny Pilot Options Customer Fee for Removing Liquidity from \$0.45 per contract to \$0.47 per contract is reasonable because the Exchange will continue to assess Customers the lowest Fee for Removing Liquidity as compared to other market participants. In addition, Participants may qualify for certain rebates by transacting Customer orders. The rebates for Customers are the highest rebates offered by the Exchange.

The Exchange's proposal to increase the Penny Pilot Options Customer Fee for Removing Liquidity from \$0.45 per contract to \$0.47 per contract is equitable and not unfairly discriminatory. The Exchange will assess the lowest Penny Pilot Options Fee for Removing Liquidity to Customers as is the case today. NOM Market Makers will also continue to receive a lower fee as compared to a Professional, Firm, Non-NOM Market Maker and Broker-Dealer because of the obligations borne by NOM Market Makers.<sup>15</sup>

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

NASDAQ does not believe that the proposed rule change will impose any burden on competition not necessary or appropriate in furtherance of the purposes of the Act. The Exchange believes that offering to pay an additional \$0.01 per contract Customer

---

is the same rebate as the Tier 1 Customer and Professional rebate in Penny Pilot Options. The Exchange pays the highest Tier 1 Rebates to Add Liquidity in Penny Pilot Options of \$0.25 per contract to Customers, Professionals and NOM Market Makers for transacting one qualifying contract as compared to other market participants. Firms, Non-NOM Market Makers and Broker-Dealers receive a \$0.10 per contract Penny Pilot Option Rebate to Add Liquidity. In addition, Participants that adds Firm, Non-NOM Market Maker or Broker-Dealer liquidity in Penny Pilot Options and/or Non-Penny Pilot Options of 15,000 contracts per day or more in a given month will receive a Rebate to Add Liquidity in Penny Pilot Options of \$0.20 per contract.

<sup>15</sup> See note 13.

Non-Penny Pilot Options Rebate to Add Liquidity to Participants that qualify for a Tier 7 or 8 Customer or Professional Rebate to Add Liquidity does not impose an undue burden on competition, rather it encourages Participants to add liquidity to NOM to obtain the Customer rebate and in turn promotes competition. The Exchange does not believe that offering Participants that qualify for Tier 7 or 8 of the Customer and Professional Penny Pilot Options Rebate to Add Liquidity an additional Non-Penny Pilot Options Customer rebate would result in any burden on competition as between market participants because the remaining market participants, NOM Market Makers, Firms, Non-NOM Market Makers and Broker-Dealers, would continue to have an opportunity to earn Penny Pilot Options rebates. Today, the Exchange only pays Customers Non-Penny Pilot Options Rebates to Add Liquidity.<sup>16</sup> Customer order flow brings unique benefits to the market through increased liquidity which benefits all market participants.

The Exchange's proposal to pay an additional Non-Penny Pilot Options Customer Rebate to Add Liquidity, presuming the Participant qualifies for Tier 7 or 8 of the Customer and Professional Penny Pilot Options Rebate to Add Liquidity, will incentivize Participants to direct Penny and Non-Penny Pilot Options order flow, as well as Customer and Professional order flow, to NOM to the benefit of all other market participants. The Exchange believes the proposed pricing incentives contribute to the overall health of the market and benefit all Participants willing to choose to transact options on NOM. For the reasons specified herein, the Exchange does not believe this proposal creates an undue burden on competition.

---

<sup>16</sup> NASDAQ OMX BX, Inc. Options pays a Rebate to Remove Liquidity in All Other Penny Pilot Options of \$0.32 per contract to Customers only.

The Exchange believes that lowering the Tier 8 Professional Penny Pilot Options Rebate to Add Liquidity does not burden competition because Professionals will continue to earn higher rebates as compared to other non-Customer market participants, except NOM Market Makers, as is the case today. The Tier 1 NOM Market Maker Rebate to Add Liquidity in Penny Pilot Options is the same rebate as the Tier 1 Customer and Professional rebate in Penny Pilot Options. The Exchange pays the highest Tier 1 Rebates to Add Liquidity in Penny Pilot Options of \$0.25 per contract to Customers, Professionals and NOM Market Makers for transacting one qualifying contract as compared to other market participants. This will also remain the same. The Customer will earn a higher Tier 8 rebate as compared to a Professional. 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 attract Specialists and 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 continuing to encourage Participants to add Professional liquidity, by offering rebates, 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. For these reasons, the Exchange does not believe this proposal creates an undue burden on competition.

The Exchange does not believe that increasing the Customer Penny Pilot Options Fee for Removing Liquidity will create an undue burden on competition because the

Exchange continues to assess the lowest fee to Customers. As noted above, Customer liquidity offers unique benefits to the market which benefits all market participants.

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's 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.<sup>17</sup> 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.

---

<sup>17</sup> 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](mailto:rule-comments@sec.gov). Please include File Number SR-NASDAQ-2014-013 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-2014-013. 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 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-2014-013 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.<sup>18</sup>

Kevin M. O'Neill  
Deputy Secretary

---

<sup>18</sup> 17 CFR 200.30-3(a)(12).

## Chapter XV Options Pricing

**NASDAQ Options Market Participants may be subject to the Charges for Membership, Services and Equipment in the Rule 7000 Series as well as the fees in this Chapter XV. For purposes of assessing fees and paying rebates, the following references should serve as guidance.**

\* \* \* \* \*

### Sec. 2 NASDAQ Options Market—Fees and Rebates

The following charges shall apply to the use of the order execution and routing services of the NASDAQ Options Market for all securities.

#### (1) Fees for Execution of Contracts on the NASDAQ Options Market

	Fees and Rebates (per executed contract)					
	Customer	Professional	Firm	Non-NOM Market Maker	NOM Market Maker	Broker- Dealer
<b>Penny Pilot Options:</b>						
Rebate to Add Liquidity	***	***	\$0.10 <sup>2</sup>	\$0.10 <sup>2</sup>	#	\$0.10 <sup>2</sup>
Fee for Removing Liquidity	\$0.4[5]7	\$0.49 <sup>d</sup>	\$0.49 <sup>d</sup>	\$0.49 <sup>d</sup>	\$0.48	\$0.49 <sup>d</sup>
<b>Non-Penny Pilot Options (including NDX<sup>1</sup>):</b>						
Fee for Adding Liquidity	N/A	\$0.45	\$0.45 <sup>2</sup>	\$0.45 <sup>2</sup>	\$0.35	\$0.45 <sup>2</sup>
Fee for Removing Liquidity	\$0.85	\$0.89	\$0.89	\$0.89	\$0.89	\$0.89
Rebate to Add Liquidity	\$0.84 <sup>3</sup>	N/A	N/A	N/A	N/A	
<b>SOX, HGX and OSX:</b>						
Fee for Adding Liquidity	\$0.40	\$0.89	\$0.89	\$0.89	\$0.40	\$0.89
Fee for Removing Liquidity	\$0.40	\$0.89	\$0.89	\$0.89	\$0.40	\$0.89

<sup>1</sup>For transactions in NDX, a surcharge of \$0.15 per contract will be added to the Fee for Adding Liquidity and the Fee for Removing Liquidity in Non-Penny Pilot Options, except for a Customer who will not be assessed a surcharge.

<sup>2</sup>A Participant that adds Firm, Non-NOM Market Maker or Broker-Dealer liquidity in Penny

Pilot Options and/or Non-Penny Pilot Options of 15,000 contracts per day or more in a given month will receive a Rebate to Add Liquidity in Penny Pilot Options of \$0.20 per contract and will pay a Fee for Adding Liquidity in Non-Penny Pilot Options of \$0.36 per contract.

<sup>3</sup> A Participant that qualifies for Penny Pilot Options Customer or Professional Rebate to Add Liquidity Tiers 7 or 8 in a given month will receive an additional \$0.01 per contract Non-Penny Pilot Options Customer Rebate to Add Liquidity for each transaction which adds liquidity in Non-Penny Pilot Options in that month.

\*\*\* The Customer and Professional Rebate to Add Liquidity in Penny Pilot Options will be paid as noted below. To determine the applicable percentage of total industry customer equity and ETF option average daily volume, the Participant's Penny Pilot and Non-Penny Pilot Customer and/or Professional volume that adds liquidity will be included.

<b>Monthly Volume</b>	<b>Rebate to Add Liquidity</b>
<b>Tier 1</b> Participant adds Customer and/or Professional liquidity in Penny Pilot Options and/or Non-Penny Pilot Options of up to 0.20% of total industry customer equity and ETF option average daily volume ("ADV") contracts per day in a month	\$0.25
<b>Tier 2</b> Participant adds 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	\$0.42
<b>Tier 3</b> Participant adds 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	\$0.43
<b>Tier 4</b> Participant adds Customer and/or Professional liquidity in Penny Pilot Options and/or Non-Penny Pilot Options above 0.40% or more of total industry customer equity and ETF option ADV contracts per day in a month	\$0.45
<b>Tier 5<sup>a</sup></b> 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	\$0.45
<b>Tier 6<sup>b,c</sup></b> Participant has Total Volume of 100,000 or more contracts per day in a month, of which 25,000 or more contracts per day in a month must be Customer and/or Professional liquidity in Penny Pilot Options	\$0.45

<b>Tier 7<sup>b,c,d</sup></b>	Participant has Total Volume of 150,000 or more contracts per day in a month, of which 50,000 or more contracts per day in a month must be Customer and/or Professional liquidity in Penny Pilot Options	\$0.47
<b>Tier 8<sup>b,c,d</sup></b>	Participant adds 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.	\$0.48 (Customer) and \$0.47 (Professional)

<sup>a</sup>For purposes of Tier 5, the Exchange will allow a NOM Participant to qualify for the rebate if a NASDAQ member under Common Ownership with the NOM Participant has certified for the Investor Support Program and executed at least one order on NASDAQ's equity market.

<sup>b</sup>For purposes of Tiers 6, 7 and 8, "Total Volume" shall be 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.

<sup>c</sup>For purposes of Tiers 6, 7 and 8, the Exchange will allow NOM Participants under Common Ownership to aggregate their volume to qualify for the rebate.

<sup>d</sup>Participants that qualify for Customer or Professional Rebate to Add Liquidity Tiers 7 or 8 in a given month will be assessed a Professional, Firm, Non-NOM Market Maker or Broker-Dealer Fee for Removing Liquidity in Penny Pilot Options of \$0.48 per contract.

# The NOM Market Maker Rebate to Add Liquidity in Penny Pilot Options will be paid as noted below.

<b>Monthly Volume</b>	<b>Rebate to Add Liquidity</b>
<b>Tier 1</b> Participant adds NOM Market Maker liquidity in Penny Pilot Options and/or Non-Penny Pilot Options of up to 29,999 contracts per day in a month	\$0.25
<b>Tier 2</b> Participant adds NOM Market Maker liquidity in Penny Pilot Options and/or Non-Penny Pilot Options of 30,000 to 59,999 contracts per day in a month	\$0.30
<b>Tier 3</b> Participant adds NOM Market Maker liquidity in Penny Pilot Options and/or Non-Penny Pilot Options of 60,000 to 79,999 contracts per day in	\$0.32

a month

---

<b>Tier 4</b>	Participant adds NOM Market Maker liquidity in Penny Pilot Options and/or Non-Penny Pilot Options of 80,000 or more contracts per day in a month	\$0.32 or \$0.38 in the following symbols BAC, GLD, IWM, QQQ and VXX or \$0.40 in SPY
---------------	--	---

---

<b>Tier 5</b>	Participant adds NOM Market Maker liquidity in Penny Pilot Options and/or Non-Penny Pilot Options of 40,000 or more 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
---------------	--	--------

---

(2) – (4) No Change

\* \* \* \* \*