OMB APPROVAL

OMB Number: 3235-0045
Estimated average burden
hours per response............38

Required fields are shown with yellow backgrounds and asterisks.

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
Form 19b-4

File No.* SR - 2014 - * 031
Amendment No. (req. for Amendments *)

Filing by NASDAQ Stock Market

Pursuant to Rule 19b-4 under the Securities Exchange Act of 1934

Initial *	Amendment *	Withdrawal	Section 19(b)(2) *	Section 19(b)(3)(A) *	Section 19(b)(3)(B) *
☑	☐	☐	☐	☑	☐

Pilot ☐

Extension of Time Period for Commission Action * ☐

Date Expires *

Rule

☐ 19b-4(f)(1) ☐ 19b-4(f)(4)
☐ 19b-4(f)(2) ☐ 19b-4(f)(5)
☐ 19b-4(f)(3) ☑ 19b-4(f)(6)

Notice of proposed change pursuant to the Payment, Clearing, and Settlement Act of 2010

Section 806(e)(1) * ☐

Section 806(e)(2) * ☐

Security-Based Swap Submission pursuant to the Securities Exchange Act of 1934

Section 3C(b)(2) * ☐

Exhibit 2 Sent As Paper Document ☐

Exhibit 3 Sent As Paper Document ☐

Description

Provide a brief description of the action (limit 250 characters, required when Initial is checked *).

A proposed changes to the Qualified Market Maker (“QMM”) Incentive Program under Rule 7014, and the schedule of fees and rebates for execution and routing of orders under Rule 7018.

Contact Information

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 * T. Sean
Last Name * Bennett
Title * Associate General Counsel
E-mail * sean.bennett@nasdaqomx.com
Telephone * (301) 978-8499
Fax (301) 978-8472

Signature

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.

Date 03/31/2014

By Edward S. Knight

(Name *)

(Title *)

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,

Required fields are shown with yellow backgrounds and asterisks.

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

For complete Form 19b-4 instructions please refer to the EFFS 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 Proposed Rule Change

(a) Pursuant to the provisions of Section 19(b)(1) under the Securities Exchange Act of 1934 (“Act”)[1] and Rule 19b-4 thereunder,[2] The NASDAQ Stock Market LLC (“NASDAQ” or “Exchange”) is filing with the Securities and Exchange Commission (“Commission”) proposed changes to the Qualified Market Maker (“QMM”) Incentive Program under Rule 7014, and the schedule of fees and rebates for execution and routing of orders under Rule 7018.

A notice of the proposed rule change for publication in the Federal Register is attached hereto as Exhibit 1 and the text of the proposed rule change is attached 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. While the changes proposed herein are effective upon filing, the Exchange has designated that the changes be operative on April 1, 2014.

Questions regarding this rule filing may be directed to T. Sean Bennett, Associate General Counsel, The NASDAQ OMX Group, Inc., (301) 978-8499.

---

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

2 17 CFR 240.19b-4.

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

a. Purpose

NASDAQ is proposing several changes to the QMM Incentive Program under Rule 7014 and to the schedule of fees and credits applicable to execution and routing of orders under Rule 7018, which are described in detail below.

QMM Incentive Program

NASDAQ is adding a new QMM eligibility requirement to the QMM Incentive Program under Rule 7014(d). A QMM is a member that makes a significant contribution to market quality by providing liquidity at the National Best Bid or Offer ("NBBO") in a large number of stocks for a significant portion of the day. In addition, the member must avoid imposing the burdens on NASDAQ and its market participants that may be associated with excessive rates of entry of orders away from the inside and/or order cancellation. The designation reflects the QMM's commitment to provide meaningful and consistent support to market quality and price discovery by extensive quoting at the NBBO in a large number of securities. In return for its contributions, certain financial benefits are provided to a QMM with respect to a particular MPID (a "QMM MPID"), as described under Rule 7014(e). Currently, a member may be designated as a QMM with respect to one or more of its MPIDs if the member is not assessed any "Excess Order Fee" under Rule 7018 during the month, and through such MPID the member quotes at the NBBO at least 25% of the time during regular market hours in an average of at least 1,000 securities per day during the month.[3] NASDAQ is proposing to now require a member to

[3] Rule 7014(d).

also execute at least 0.30% of Consolidated Volume[4] in an MPID in a month to qualify as a QMM, in addition to the existing QMM eligibility requirements under Rule 7014(d). Adding the 0.30% Consolidated Volume requirement furthers the goals of the program to promote price discovery and market quality by requiring the member to not only add to the quality of the markets in the price of its orders relative to the NBBO, but also to add a certain level of liquidity as well. A liquidity provider that executes substantive volume demonstrates its willingness to stand ready to buy or sell securities (i.e., to provide liquidity) by consummating transactions. The requirement outlined above is intended to ensure that QMMs remain *bona fide* liquidity providers, in addition to participants that actively quote at the NBBO.

Amended Fees for Execution and Routing of Securities Listed on NASDAQ (Tape C)

NASDAQ is proposing to reduce the credits provided to members that enter orders that provide non-displayed liquidity (other than Supplemental Orders) in NASDAQ-listed securities. Currently, NASDAQ provides a credit of $0.0017 per share executed for midpoint orders if the member provides an average daily volume of 5 million or more shares through midpoint orders during the month, and a credit of $0.0014 per share executed for midpoint orders if the member provides an average daily volume of less than 5 million shares through midpoint orders during the month. For other non-displayed orders, NASDAQ provides a credit of $0.0010 per share executed if the member provides an average daily volume of 1 million or more shares per day through midpoint orders or other non-displayed orders during the month, and a credit of $0.0005

[4] Consolidated Volume is defined as: the total consolidated volume reported to all consolidated transaction reporting plans by all exchanges and trade reporting facilities during a month, excluding executed orders with a size of less than one round lot. For purposes of calculating Consolidated Volume and the extent of a member's trading activity, expressed as a percentage of or ratio to Consolidated Volume, the date of the annual reconstitution of the Russell Investments Indexes shall be excluded from both total Consolidated Volume and the member's trading activity. See Rule 7014(h)(5).

per share executed for other non-displayed orders. NASDAQ is proposing to reduce the credit to a member that provides an average daily volume of 1 million or more shares per day through midpoint orders or other non-displayed orders during the month from $0.0010 per share executed to $0.0005 per share executed. NASDAQ is also proposing to eliminate the $0.0005 per share executed credit currently provided for other non-displayed orders and to provide no credit or fee for such orders. NASDAQ recognizes the special role that it plays as the listing market for securities listed on the NASDAQ stock market and seeks to encourage displayed quotation as much as possible for these securities. By reducing the financial incentive to provide non-displayed liquidity, NASDAQ believes it may increase the incentive to provide displayed liquidity, thereby increasing the pool of available liquidity. This has various beneficial effects, not least of which is improved price stability.

Fees for Execution in the Opening Cross

NASDAQ is proposing to add a new eligibility requirement to the fee cap on Opening Cross executions under Rule 7018(e). Currently, members that participate in the Opening Cross are assessed fees for their executions in the cross up to a maximum of $20,000. The fee cap is designed to balance the need to assess fees for executions, yet also promote liquidity in the Opening Cross. NASDAQ is proposing to require that, to be eligible for the $20,000 fee cap, a member must add at least one million shares of liquidity to the market, on average, per month. NASDAQ believes that the primary impact of this change will be to encourage firms that currently have a relatively large presence in the opening cross, but a disproportionately small presence during the continuous market, to increase their participation in the continuous market in order to continue to receive the benefit afforded by the cap. The improvement in available liquidity will, in turn, benefit all market participants.

b. Statutory Basis

NASDAQ believes that the proposed rule change is consistent with the provisions of Section 6 of the Act,[5] in general, and with Sections 6(b)(4) and 6(b)(5) of the Act,[6] 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.

The proposed new eligibility requirement under the QMM Incentive Program is reasonable because it furthers the goal of the program, namely, to promote price discovery and market quality by adding a requirement that a member provide a certain level of Consolidated Volume through its MPIDs. The new Consolidated Volume requirement promotes market liquidity, which NASDAQ believes is an appropriate application of the program and the favorable pricing it provides to liquidity providers that qualify for the program. The proposed new eligibility requirement is consistent with an equitable allocation of fees and is not unfairly discriminatory because the pricing applies equally to all NASDAQ members that are QMMs. Moreover, the favorable pricing of the incentive program is designed to encourage meaningful improvement to the market by ensuring liquidity providers are active and providing order activity that promotes price discovery and market stability. As a consequence, although some members may no longer qualify for the program due to the new requirement, NASDAQ believes that the new requirement is not unfairly discriminatory because such liquidity providers may elect to direct increased order flow to NASDAQ to meet the Consolidated Volume requirement.

---

5 15 U.S.C. 78f.

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

The proposed reduction in the credits to members that enter orders that provide non-displayed liquidity (other than Supplemental Orders) in NASDAQ-listed securities is reasonable because NASDAQ is merely reducing the credit provided for such executions, and in the case of non-displayed liquidity that does not otherwise qualify for the other credits of the rule, is providing no credit. NASDAQ notes that the credits provided by the rule are given in lieu of assessing normal fees, and accordingly provide incentive to market participants to enter such orders. The proposed change balances the Exchange's desire to provide certain incentives to market participants with the costs the Exchange incurs in providing such incentives, which ultimately affect the ability to sustain them. The proposed changes to the credits provided to members that enter orders that provide non-displayed liquidity (other than Supplemental Orders) in NASDAQ-listed securities is consistent with an equitable allocation of fees and is not unfairly discriminatory because the pricing, which is the same for all NASDAQ participants, applies solely to members that opt to enter such non-displayed orders in NASDAQ-listed securities. Moreover, reducing the credits provided for such orders, yet providing greater incentives for identical orders in non-NASDAQ listed securities is not unfairly discriminatory because it is consistent with need to balance the credits provided by the Exchange with the order activity of the market.

The proposed new eligibility requirement for the $20,000 Opening Cross fee cap is reasonable because it requires participants in the Opening Cross to provide a certain level of liquidity to the market, thus providing incentive to such participants to improve the market throughout the trading day in order to gain the benefit of the fee cap. As such, the proposed change is consistent with NASDAQ's ongoing efforts to use pricing incentives to attract orders that NASDAQ believes will improve market quality. The proposed new eligibility requirement for the $20,000 Opening Cross fee cap is consistent with an equitable allocation of fees and is not unfairly discriminatory because the fee cap is available to all market participants that participate in the Opening Cross and ties the benefit of the fee cap to market activity that benefits all market participants.

Finally, 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. 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 the statutory standards applicable to exchanges. NASDAQ believes that the proposed rule change reflects this competitive environment because it is designed to ensure that the charges and credits for participation on NASDAQ reflect changes in the cost of such participation to NASDAQ, and its desire to attract order flow that improves the market for all participants.

4. <u>Self-Regulatory Organization's Statement on Burden on Competition</u>

NASDAQ does not believe that the proposed rule change will result in any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act, as amended.[7] The proposed changes to fees are reflective of NASDAQ's efforts to use reduced fees and credits to improve market quality and attract order flow. 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 and credits to remain competitive with other exchanges and with alternative trading

[7] 15 U.S.C. 78f(b)(8).

systems that have been exempted from compliance with 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, although the change to the eligibility requirement of the QMM program may limit the benefits of the program in NASDAQ-listed securities to the extent market makers no longer qualify, the incentive program remains in place and with a qualification requirement that is reasonable and which promotes improvement of market quality. Similarly, the changes to the credits provided for certain non-displayed orders in NASDAQ-listed securities and the eligibility for the Opening Cross fee cap do not impose a burden on competition because the benefit provided in the form of reduced fees are tied to reasonable requirements that are designed to improve market quality. Moreover, reducing the credit provided for certain non-displayed orders in NASDAQ-listed securities is consistent with the Exchange's need to balance the costs of such pricing with the benefit provided to the market. 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.

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

Written comments were neither solicited nor received.

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)

Pursuant to Section 19(b)(3)(A)(ii) of the Act,[8] NASDAQ has designated this proposal as establishing or changing 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, which renders the proposed rule change effective upon filing.

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.

11. Exhibits

1. Completed notice of proposed rule change for publication in the Federal Register.

5. Text of the proposed rule change.

---

8 15 U.S.C. 78s(b)(3)(A)(ii).

EXHIBIT 1

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34- ; File No. SR-NASDAQ-2014-031

Self-Regulatory Organizations; The NASDAQ Stock Market LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to the Qualified Market Maker Incentive Program under Rule 7014, and the Schedule of Fees and Rebates under Rule 7018

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),[1] and Rule 19b-4 thereunder,[2] notice is hereby given that on March 31, 2014 The NASDAQ Stock Market LLC ("NASDAQ" or the "Exchange") filed with the Securities and Exchange Commission ("Commission") a 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 Substance of the Proposed Rule Change

NASDAQ is proposing to make changes to the Qualified Market Maker ("QMM") Incentive Program under Rule 7014, and the schedule of fees and rebates for execution and routing of orders under Rule 7018. The changes will be implemented effective April 1, 2014.

The text of the proposed rule change is available at http://nasdaq.cchwallstreet.com, at NASDAQ's principal office, 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, NASDAQ included statements concerning the purpose of, and basis for, the proposed rule change and discussed any comments it received on the proposed rule change. The text of those 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 parts 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 several changes to the QMM Incentive Program under Rule 7014 and to the schedule of fees and credits applicable to execution and routing of orders under Rule 7018, which are described in detail below.

QMM Incentive Program

NASDAQ is adding a new QMM eligibility requirement to the QMM Incentive Program under Rule 7014(d). A QMM is a member that makes a significant contribution to market quality by providing liquidity at the National Best Bid or Offer ("NBBO") in a large number of stocks for a significant portion of the day. In addition, the member must avoid imposing the burdens on NASDAQ and its market participants that may be associated with excessive rates of entry of orders away from the inside and/or order cancellation. The designation reflects the QMM's commitment to provide meaningful and consistent support to market quality and price discovery by extensive quoting at the NBBO in a large number of securities. In return for its contributions, certain financial benefits are provided to a QMM with respect to a particular MPID (a "QMM MPID"), as described under Rule 7014(e). Currently, a member may be designated as a QMM with respect to one or more of its MPIDs if the member is not assessed any "Excess Order Fee" under Rule 7018 during the month, and through such MPID the member quotes at the NBBO at least 25% of the time during regular market hours in an average of at least 1,000 securities per day during the month.[3] NASDAQ is proposing to now require a member to also execute at least 0.30% of Consolidated Volume[4] in an MPID in a month to qualify as a QMM, in addition to the existing QMM eligibility requirements under Rule 7014(d). Adding the 0.30% Consolidated Volume requirement furthers the goals of the program to promote price discovery and market quality by requiring the member to not only add to the quality of the markets in the price of its orders relative to the NBBO, but also to add a certain level of liquidity as well. A liquidity provider that executes substantive volume demonstrates its willingness to stand ready to buy or sell securities (i.e., to provide liquidity) by consummating transactions. The requirement outlined above is intended to ensure that QMMs remain *bona fide* liquidity providers, in addition to participants that actively quote at the NBBO.

Amended Fees for Execution and Routing of Securities Listed on NASDAQ (Tape C)

NASDAQ is proposing to reduce the credits provided to members that enter orders that provide non-displayed liquidity (other than Supplemental Orders) in

---

3 Rule 7014(d).

4 Consolidated Volume is defined as: the total consolidated volume reported to all consolidated transaction reporting plans by all exchanges and trade reporting facilities during a month, excluding executed orders with a size of less than one round lot. For purposes of calculating Consolidated Volume and the extent of a member's trading activity, expressed as a percentage of or ratio to Consolidated Volume, the date of the annual reconstitution of the Russell Investments Indexes shall be excluded from both total Consolidated Volume and the member's trading activity. <u>See</u> Rule 7014(h)(5).

NASDAQ-listed securities. Currently, NASDAQ provides a credit of $0.0017 per share executed for midpoint orders if the member provides an average daily volume of 5 million or more shares through midpoint orders during the month, and a credit of $0.0014 per share executed for midpoint orders if the member provides an average daily volume of less than 5 million shares through midpoint orders during the month. For other non-displayed orders, NASDAQ provides a credit of $0.0010 per share executed if the member provides an average daily volume of 1 million or more shares per day through midpoint orders or other non-displayed orders during the month, and a credit of $0.0005 per share executed for other non-displayed orders. NASDAQ is proposing to reduce the credit to a member that provides an average daily volume of 1 million or more shares per day through midpoint orders or other non-displayed orders during the month from $0.0010 per share executed to $0.0005 per share executed. NASDAQ is also proposing to eliminate the $0.0005 per share executed credit currently provided for other non-displayed orders and to provide no credit or fee for such orders. NASDAQ recognizes the special role that it plays as the listing market for securities listed on the NASDAQ stock market and seeks to encourage displayed quotation as much as possible for these securities.. By reducing the financial incentive to provide non-displayed liquidity, NASDAQ believes it may increase the incentive to provide displayed liquidity, thereby increasing the pool of available liquidity. This has various beneficial effects, not least of which is improved price stability.

Fees for Execution in the Opening Cross

NASDAQ is proposing to add a new eligibility requirement to the fee cap on Opening Cross executions under Rule 7018(e). Currently, members that participate in the

Opening Cross are assessed fees for their executions in the cross up to a maximum of $20,000. The fee cap is designed to balance the need to assess fees for executions, yet also promote liquidity in the Opening Cross. NASDAQ is proposing to require that, to be eligible for the $20,000 fee cap, a member must add at least one million shares of liquidity to the market, on average, per month. NASDAQ believes that the primary impact of this change will be to encourage firms that currently have a relatively large presence in the opening cross, but a disproportionately small presence during the continuous market, to increase their participation in the continuous market in order to continue to receive the benefit afforded by the cap. The improvement in available liquidity will, in turn, benefit all market participants.

2. Statutory Basis

NASDAQ believes that the proposed rule change is consistent with the provisions of Section 6 of the Act,[5] in general, and with Sections 6(b)(4) and 6(b)(5) of the Act,[6] 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.

The proposed new eligibility requirement under the QMM Incentive Program is reasonable because it furthers the goal of the program, namely, to promote price discovery and market quality by adding a requirement that a member provide a certain level of Consolidated Volume through its MPIDs. The new Consolidated Volume

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

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

requirement promotes market liquidity, which NASDAQ believes is an appropriate application of the program and the favorable pricing it provides to liquidity providers that qualify for the program. The proposed new eligibility requirement is consistent with an equitable allocation of fees and is not unfairly discriminatory because the pricing applies equally to all NASDAQ members that are QMMs. Moreover, the favorable pricing of the incentive program is designed to encourage meaningful improvement to the market by ensuring liquidity providers are active and providing order activity that promotes price discovery and market stability. As a consequence, although some members may no longer qualify for the program due to the new requirement, NASDAQ believes that the new requirement is not unfairly discriminatory because such liquidity providers may elect to direct increased order flow to NASDAQ to meet the Consolidated Volume requirement.

The proposed reduction in the credits to members that enter orders that provide non-displayed liquidity (other than Supplemental Orders) in NASDAQ-listed securities is reasonable because NASDAQ is merely reducing the credit provided for such executions, and in the case of non-displayed liquidity that does not otherwise qualify for the other credits of the rule, is providing no credit. NASDAQ notes that the credits provided by the rule are given in lieu of assessing normal fees, and accordingly provide incentive to market participants to enter such orders. The proposed change balances the Exchange's desire to provide certain incentives to market participants with the costs the Exchange incurs in providing such incentives, which ultimately affect the ability to sustain them. The proposed changes to the credits provided to members that enter orders that provide non-displayed liquidity (other than Supplemental Orders) in NASDAQ-listed securities is consistent with an equitable allocation of fees and is not unfairly discriminatory because the pricing, which is the same for all NASDAQ participants, applies solely to members that opt to enter such non-displayed orders in NASDAQ-listed securities. Moreover, reducing the credits provided for such orders, yet providing greater incentives for identical orders in non-NASDAQ listed securities is not unfairly discriminatory because it is consistent with need to balance the credits provided by the Exchange with the order activity of the market.

The proposed new eligibility requirement for the $20,000 Opening Cross fee cap is reasonable because it requires participants in the Opening Cross to provide a certain level of liquidity to the market, thus providing incentive to such participants to improve the market throughout the trading day in order to gain the benefit of the fee cap. As such, the proposed change is consistent with NASDAQ's ongoing efforts to use pricing incentives to attract orders that NASDAQ believes will improve market quality. The proposed new eligibility requirement for the $20,000 Opening Cross fee cap is consistent with an equitable allocation of fees and is not unfairly discriminatory because the fee cap is available to all market participants that participate in the Opening Cross and ties the benefit of the fee cap to market activity that benefits all market participants.

Finally, 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. 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 the statutory standards applicable to exchanges. NASDAQ believes that the proposed rule change reflects this competitive environment because it is designed to ensure that the charges and credits for participation on NASDAQ reflect changes in the cost of such participation to NASDAQ, and its desire to attract order flow that improves the market for all participants.

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

NASDAQ does not believe that the proposed rule change will result in any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act, as amended.[7] The proposed changes to fees are reflective of NASDAQ's efforts to use reduced fees and credits to improve market quality and attract order flow. 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 and credits to remain competitive with other exchanges and with alternative trading systems that have been exempted from compliance with 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, although the change to the eligibility requirement of the QMM program may limit the benefits of the program in NASDAQ-listed securities to the extent market makers no longer qualify, the incentive program remains in place and with a qualification requirement that is reasonable and which promotes improvement of market quality. Similarly, the changes to the credits provided for certain non-displayed

7 15 U.S.C. 78f(b)(8).

orders in NASDAQ-listed securities and the eligibility for the Opening Cross fee cap do not impose a burden on competition because the benefit provided in the form of reduced fees are tied to reasonable requirements that are designed to improve market quality. Moreover, reducing the credit provided for certain non-displayed orders in NASDAQ-listed securities is consistent with the Exchange's need to balance the costs of such pricing with the benefit provided to the market. 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

Written comments were neither solicited nor received.

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

The foregoing change has become effective pursuant to Section 19(b)(3)(A) of the Act,[8] and paragraph (f)[9] of Rule 19b-4, thereunder. 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.

---

8 15 U.S.C. 78s(b)(3)(A).

9 17 CFR 240.19b-4(f)

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-2014-031 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-2014-031. 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 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-2014-031, 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.[10]

Kevin M. O'Neill
Deputy Secretary

[10] 17 CFR 200.30-3(a)(12).

EXHIBIT 5

The text of the proposed rule change is below. Proposed new language is underlined; proposed deletions are bracketed.

7014. Market Quality Incentive Programs

Investor Support Program

(a) – (c) No change.

Qualified Market Maker ("QMM") Program

(d) A member may be designated as a QMM with respect to one or more of its MPIDs if:

(1) the member is not assessed any "Excess Order Fee" under Rule 7018 during the month; and

(2) through such MPID the member quotes at the NBBO at least 25% of the time during regular market hours in an average of at least 1,000 securities per day during the month. For purposes of this rule, a member MPID is considered to be quoting at the NBBO if it has a displayed order (other than a Designated Retail Order) at either the national best bid or the national best offer or both the national best bid and offer. On a daily basis, NASDAQ will determine the number of securities in which the member satisfied the 25% NBBO requirement. To qualify for QMM designation, the MPID must meet the requirement for an average of 1,000 securities per day over the course of the month. If a member seeking to be designated as a QMM terminates the use of one MPID and simultaneously commences use of another MPID during the course of a month, it may aggregate activity on the two MPIDs for purposes of determining its eligibility as a QMM.

<u>(3) the member executes shares of liquidity provided in all securities through one of its Nasdaq Market Center MPIDs that represent 0.30% or more of Consolidated Volume during the month.</u>

(e) – (i) No change.

* * * * *

7018. Nasdaq Market Center Order Execution and Routing

(a) The following charges shall apply to the use of the order execution and routing services of the Nasdaq Market Center by members for all securities priced at $1 or more that it trades. For purposes of determining a member's shares of liquidity routed, TFTY, MOPB, MOPP, SAVE, SOLV, CART, QDRK, QCST and directed orders are not counted. As used in this rule, the term "Consolidated Volume" shall mean the total consolidated volume reported to all consolidated transaction reporting plans by all exchanges and trade reporting facilities during a month, excluding executed orders with a size of less than one round lot. For purposes of calculating Consolidated Volume and the extent of a member's trading activity, expressed as a percentage of or ratio to Consolidated Volume, the date of the annual reconstitution of the Russell Investments Indexes shall be excluded from both total Consolidated Volume and the member's trading activity.

(1) Fees for Execution and Routing of Orders in Nasdaq-Listed Securities

Charge to enter orders that execute in the Nasdaq Market Center:	
member with Market-on-Close and/or Limit-on-Close orders executed in the Nasdaq Closing Cross, entered through a single Nasdaq Market Center market participant identifier (“MPID”), that represent more than 0.06% of Consolidated Volume during the month:	$0.0030 per share executed
all other orders that execute in the Nasdaq Market Center:	$0.0030 per share executed
Charge to member entering STGY, SCAN, SKNY, or SKIP order that executes in a venue other than the Nasdaq Market Center and charge to member entering a LIST order that executes in a venue other than the Nasdaq Market Center, but not in an opening, re-opening, or closing process:	$0.0030 per share executed
Charge or credit to member entering TFTY, MOPB, MOPP, SAVE, SOLV, CART, QDRK, QCST or directed order that executes in a venue other than the Nasdaq Market Center:	Charge of $0.0035 per share executed for directed orders Charge of $0.0030 per share executed for TFTY orders that execute at NASDAQ OMX PSX For CART orders that execute at NASDAQ OMX PSX, Nasdaq will pass through all fees assessed and rebates offered by NASDAQ OMX PSX

	No charge or credit for TFTY, SOLV, CART, or SAVE orders that execute at NASDAQ OMX BX Charge of $0.0030 per share executed for SAVE or SOLV orders that execute at venues other than NASDAQ OMX BX Charge of $0.0035 per share executed for a MOPB or MOPP order Charge of $0.0007 per share executed for TFTY orders that execute on venues other than NASDAQ OMX BX or NASDAQ OMX PSX Charge of $0.0007 per share executed for QCST and QDRK orders, except no charge or credit for QCST orders that execute on NASDAQ OMX BX
Credit to member for displayed quotes/orders (other than Supplemental Orders or Designated Retail Orders) that provide liquidity:	
member with (i) shares of liquidity provided in all securities through one of its Nasdaq Market Center MPIDs that represent 1.60% or more of Consolidated Volume during the month, or (ii) shares of liquidity provided in all securities through one or more of its Nasdaq Market Center MPIDs that represent 1.60% or more of Consolidated Volume during the month, and shares of liquidity provided in all securities through one of its Nasdaq Market Center MPIDs that represent 0.75% or more of Consolidated Volume during the month:	$0.00305 per share executed
member with (i) shares of liquidity provided in all securities through one of its Nasdaq Market Center MPIDs that	$0.0030 per share executed

represent 1.20% or more of Consolidated Volume during the month, or (ii) shares of liquidity provided in all securities through one or more of its Nasdaq Market Center MPIDs that represent 1.20% or more of Consolidated Volume during the month, and shares of liquidity provided in all securities through one of its Nasdaq Market Center MPIDs that represent 0.75% or more of Consolidated Volume during the month:	
member with shares of liquidity provided in all securities through one of its Nasdaq Market Center MPIDs that represent more than 0.90% of Consolidated Volume during the month:	\$0.00295 per share executed
member (i) that is a registered market maker through one of its Nasdaq Market Center MPIDs in at least 7,000 securities, (ii) with shares of liquidity provided in all securities through one of its Nasdaq Market Center MPIDs that represent more than 0.75% of Consolidated Volume during the month, and (iii) with shares of liquidity provided in all securities through one or more of its Nasdaq Market Center MPIDs that represent more than 0.90% of Consolidated Volume during the month:	\$0.00295 per share executed
member with shares of liquidity provided in all securities through one or more of its Nasdaq Market Center MPIDs that represent more than 0.45% of Consolidated Volume during the month:	\$0.0029 per share executed

member with shares of liquidity provided in all securities through one or more of its Nasdaq Market Center MPIDs that represent more than 0.30% of Consolidated Volume during the month:	$0.0027 per share executed
member with shares of liquidity provided in all securities through one or more of its Nasdaq Market Center MPIDs that represent more than 0.30% of Consolidated Volume during the month, including shares of liquidity provided with respect to securities that are listed on exchanges other than NASDAQ or NYSE that represent more than 0.10% of Consolidated Volume:	$0.0029 per share executed
member with shares of liquidity provided in all securities through one or more of its Nasdaq Market Center MPIDs that represent more than 0.10% of Consolidated Volume during the month:	$0.0025 per share executed
member with shares of liquidity accessed in all securities through one or more of its Nasdaq Market Center MPIDs representing more than 0.65% of Consolidated Volume during the month; provided that the member also provides a daily average of at least 2 million shares of liquidity in all securities through one or more of its Nasdaq Market Center MPIDs during the month:	$0.0029 per share executed
member with shares of liquidity	$0.0025 per share executed

accessed in all securities through one or more of its Nasdaq Market Center MPIDs representing more than 0.45% of Consolidated Volume during the month; provided that the member also provides a daily average of at least 2 million shares of liquidity in all securities through one or more of its Nasdaq Market Center MPIDs during the month:	
member (i) with shares of liquidity provided in all securities during the month representing more than 0.10% of Consolidated Volume during the month, through one or more of its Nasdaq Market Center MPIDs, and (ii) that adds Total NOM Market Maker Volume, as defined in Chapter XV, Section 2 of the Nasdaq Options Market rules, of 80,000 or more contracts per day in a month executed through one or more of its Nasdaq Options Market MPIDs:	$0.0029 per share executed
member with (i) shares of liquidity provided in all securities during the month representing more than 0.15% of Consolidated Volume during the month, through one or more of its Nasdaq Market Center MPIDs, and (ii) Total Volume, as defined in Chapter XV, Section 2 of the Nasdaq Options Market rules, of 100,000 or more contracts per day in a month executed through one or more of its Nasdaq Option Market MPIDs:	$0.0029 per share executed
member (i) with shares of liquidity provided in all securities during the month representing at least 0.40% of	$0.0030 per share executed

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:	
member with shares of liquidity provided in all securities during the month representing less than 0.10% of Consolidated Volume during the month, through one or more of its Nasdaq Market Center MPIDs; provided that (i) the member also provides a daily average of at least 250,000 shares of liquidity provided in securities listed on an exchange other than NASDAQ, or (ii) the member routes a daily average volume of at least 10,000 shares during the month via the QDRK routing strategy:	\$0.0020 per share executed
Credit to other members:	\$0.0015 per share executed
Credit for non-displayed orders (other than Supplemental Orders) that provide liquidity:	\$0.0017 per share executed for midpoint orders if the member provides an average daily volume of 5 million or more shares through midpoint orders during the month \$0.0014 per share executed for midpoint orders if the member provides an average daily volume of less than 5 million shares through midpoint orders during the month \$0.0005[10] per share executed for other non-displayed orders if the member provides an average daily volume of 1

	million or more shares per day through midpoint orders or other non-displayed orders during the month [$0.0005 per share executed]<u>No charge or credit</u> for other non-displayed orders
Credit for Supplemental Orders:	$0.0018 per share executed for Supplemental Orders entered through a Nasdaq Market Center MPID through which the member provides an average daily volume during the month of more than 1 million shares of liquidity via Supplemental Orders $0.0015 per share executed for other Supplemental Orders
Credit for displayed Designated Retail Orders:*	$0.0033 per share executed
LIST order that executes in Nasdaq's closing process:	Applicable charges as provided in Rule 7018(d)
LIST order that executes in Nasdaq's opening process:	Applicable charges as provided in Rule 7018(e)
LIST order that executes in Nasdaq's halt cross process:	Applicable charges as provided in Rule 7018(f)

(2) – (3) No change.

(b) – (d) No change.

(e) Opening Cross

(1)

Market-on-Open, Limit-on-Open, Good-till-Cancelled, and Immediate-or-Cancel orders executed in the Nasdaq Opening Cross	$0.0010 per share executed
All other quotes and orders executed in the Nasdaq Opening Cross	$0.0002 per share executed

(2) Firms that execute orders in the Nasdaq Opening Cross will be subject to fees for such executions up to a monthly maximum of $20,000<u>, provided, however, that such firms add at least one million shares of liquidity, on average, per month</u>.

(f) – (m) No change.

* A “Designated Retail Order” is agency or riskless principal order that originates from a natural person and is submitted to Nasdaq by a member that designates it pursuant to this rule, provided that no change is made to the terms of the order with respect to price or side of market and the order does not originate from a trading algorithm or any other computerized methodology. Members must submit a signed written attestation, in a form prescribed by Nasdaq, that they have implemented policies and procedures that are reasonably designed to ensure that every order designated by the member as a “Designated Retail Order” complies with these requirements. Orders may be designated on an order-by-order basis, or by designating all orders on a particular order entry port as Designated Retail Orders.