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

File No.* SR - 2014 - * 077
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 *).

Relating to Rebates and Fees in Penny and Non-Penny Pilot Options

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 *	Angela
Last Name *	Dunn
Title *	Associate General Counsel
E-mail *	angela.dunn@nasdaqomx.com
Telephone *	(215) 496-5692
Fax	

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 07/30/2014

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.

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SECURITIES AND EXCHANGE COMMISSION
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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 the 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") 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[3] Fee for Removing Liquidity in Penny Pilot Options;[4] (ii) amend certain Penny Pilot Options

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

2 17 CFR 240.19b-4.

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

4 The Penny Pilot was established in March 2008 and in October 2009 was expanded and extended through December 31, 2014. See Securities Exchange Act Release Nos. 57579 (March 28, 2008), 73 FR 18587 (April 4, 2008) (SR-NASDAQ-2008-026) (notice of filing and immediate effectiveness establishing Penny Pilot); 60874 (October 23, 2009), 74 FR 56682 (November 2, 2009)(SR-NASDAQ-2009-091) (notice of filing and immediate effectiveness expanding and extending Penny Pilot); 60965 (November 9, 2009), 74 FR 59292 (November 17, 2009)(SR-NASDAQ-2009-097) (notice of filing and immediate effectiveness adding seventy-five classes to Penny Pilot); 61455 (February 1, 2010), 75 FR 6239 (February 8, 2010) (SR-NASDAQ-2010-013) (notice of filing and 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

Rebates to Add Liquidity and Non-Penny Pilot Options Fees for Adding Liquidity applicable to Firms,[5] Non-NOM Market Makers[6] and Broker Dealers;[7] and (iii) amend NOM Market Maker[8] Penny Pilot Options Rebates to Add Liquidity.

While the changes proposed herein are effective upon filing, the Exchange has designated that the amendments be operative on August 1, 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.

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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); 71105 (December 17, 2013), 78 FR 77530 (December 23, 2013) (SR-NASDAQ-2013-154) and 72244 (May 23, 2014), 79 FR 31151 (May 30, 2014) (SR-NASDAQ-2014-056). See also NOM Rules, Chapter VI, Section 5.

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

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

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

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

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 16, 2014. 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 and comments on the proposed rule change may be directed to Angela Saccomandi Dunn, Associate General Counsel, The NASDAQ OMX Group, Inc. 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 modify Chapter XV, entitled "Options Pricing," at Section 2(1) governing the rebates and fees assessed for option orders entered into NOM. The Exchange proposes to: (i) amend the Customer Penny Pilot Options Fee for Removing Liquidity; (ii) delete certain Firm, Non-NOM Market Maker and Broker-Dealer pricing in Chapter XV, Section 2; and (iii) amend the NOM Market Maker Pilot Options Rebates to Add Liquidity.

Today the Exchange assesses the following Penny Pilot Options Fees for Removing Liquidity: Customer $0.47 per contract, and Professional,[9] Firm, Non-NOM

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

Market Maker, NOM Market Maker and Broker-Dealer $0.49 per contract. In addition a Professional, Firm, Non-NOM Market Maker, NOM Market Maker and Broker-Dealer that qualifies 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, NOM Market Maker or Broker-Dealer Fee for Removing Liquidity in Penny Pilot Options of $0.47 per contract.

The Exchange is proposing to make two amendments related to the Customer Penny Pilot Options Fees for Removing Liquidity. The Exchange is proposing to increase the Customer Penny Pilot Options Fee for Removing Liquidity from $0.47 to $0.48 per contract. Despite the increase to this fee, the Exchange believes market participants will continue to remove Customer orders on NOM. Additionally, the Exchange is proposing to amend note "d" in Section 2, Chapter XV to provide, "Participants or Participants under Common Ownership[10] that qualify for Customer or Professional Rebates to Add Liquidity Tiers 7 or 8 in a given month will be assessed a Professional, Firm, Non-NOM Market Maker, NOM Market Maker or Broker-Dealer Fee for Removing Liquidity in Penny Pilot Options of $0.48 per contract *and a Customer Fee for Removing Liquidity in Penny Pilot Options of $0.47 per contract.*" The Exchange is therefore proposing to offer Customers the opportunity to lower the Customer Fee for Removing Liquidity in Penny Pilot Options to $0.47 per contract, provided they qualify for Customer or Professional Rebates to Add Liquidity Tiers 7 or 8 in a given month. Today, the Exchange offers tiered Penny Pilot Options Rebates to Add Liquidity to

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10 The term **"**Common Ownership**"** shall mean Participants under 75% common ownership or control.

Customers and Professionals based on various criteria with rebates ranging from $0.20 to $0.48 per contract. To obtain the Tier 7 Customer and Professional Rebates to Add Liquidity in Penny Pilot Options, a Participant must have Total Volume[11] 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.[12] Tier 7 pays a $0.47 per contract rebate. To obtain the Tier 8 Customer and Professional Rebate to Add Liquidity in Penny Pilot Options, a Participant 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. Tier 8 pays a rebate of $0.48 per contract for Customers and $0.47 per contract for Professionals.

The Exchange proposes to amend the Firm, Non-NOM Market Maker and Broker-Dealer Penny Pilot Options Rebates to Add Liquidity and Non-Penny Pilot Fees for Adding Liquidity by removing the opportunity to lower fees as specified in note 2 in

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

12 Tier 8 requires the Participant have 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.

Section 2, Chapter XV which states, "[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." Firms, Non-NOM Market Makers and Broker-Dealers would therefore receive a $0.10 per contract Penny Pilot Options Rebate to Add Liquidity and pay a $0.45 per contract Non-Penny Pilot Options Fee for Adding Liquidity. The Exchange believes that this incentive is not encouraging Firms, Non-NOM Market Makers and Broker-Dealers to transact additional liquidity on NOM and therefore the Exchange desires to remove this incentive.

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

Monthly Volume		**Rebate to Add Liquidity**
Tier 1	Participant adds NOM Market Maker liquidity in Penny Pilot Options and/or Non-Penny Pilot Options of up to 0.10% of total industry customer equity and ETF option average daily volume ("ADV") contracts per day in a month	$0.20
Tier 2	Participant adds NOM Market Maker liquidity in Penny Pilot Options and/or Non-Penny Pilot Options above 0.10% to 0.30% of total industry customer equity and ETF option ADV contracts per day in a month	$0.25
Tier 3	Participant adds NOM Market Maker liquidity in Penny Pilot Options and/or Non-	$0.30

	Penny Pilot Options above 0.30% to 0.60% of total industry customer equity and ETF option ADV contracts per day in a month	
Tier 4	Participant adds NOM Market Maker liquidity in Penny Pilot Options and/or Non-Penny Pilot Options of above 0.60% of total industry customer equity and ETF option ADV 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
Tier 5	Participant adds NOM Market Maker liquidity in Penny Pilot Options and/or Non-Penny Pilot Options of above 0.30% of total industry customer equity and ETF option ADV contracts per day in a month and qualifies for the Tier 7 or Tier 8 Customer and/or Professional Rebate to Add Liquidity in Penny Pilot Options	$0.40
Tier 6	Participant adds NOM Market Maker liquidity in Penny Pilot Options and/or Non-Penny Pilot Options above 0.80% of total industry customer equity and ETF option ADV contracts per day in a month and qualifies for the Tier 7 or Tier 8 Customer and/or Professional Rebate to Add Liquidity in Penny Pilot Options or Participant adds NOM Market Maker liquidity in Penny Pilot Options and/or Non-Penny Pilot Options above 0.90% of total industry customer equity and ETF option ADV contracts per day in a month	$0.42

The Exchange proposes to amend the Tier 2 NOM Market Maker Rebate to Add Liquidity in Penny Pilot Options which currently pays a $0.25 per contract rebate to Participants that add NOM Market Maker liquidity in Penny Pilot Options and/or Non-Penny Pilot Options above 0.10% to 0.30% of total industry customer equity and ETF option ADV contracts per day in a month. The Exchange intends to instead continue to pay a $0.25 per contract rebate to Participant that add NOM Market Maker liquidity in Penny Pilot Options and/or Non-Penny Pilot Options above 0.10% to *0.25%* of total industry customer equity and ETF option ADV contracts per day in a month. By lowering this tier, the Exchange believes a greater number of NOM Market Makers may qualify for the Tier 2 rebate.

The Exchange proposes to amend the Tier 3 NOM Market Maker Rebate to Add Liquidity in Penny Pilot Options which currently pays a $0.30 per contract rebate to Participants that add NOM Market Maker liquidity in Penny Pilot Options and/or Non-Penny Pilot Options above 0.30% to 0.60% of total industry customer equity and ETF option ADV contracts per day in a month. The Exchange intends to instead continue to pay a $0.30 per contract rebate to Participants that add NOM Market Maker liquidity in Penny Pilot Options and/or Non-Penny Pilot Options above *0.25%* to 0.60% of total industry customer equity and ETF option ADV contracts per day in a month. Also, the Exchange intends to offer a higher rebate for Tier 3 qualifiers of $0.40 per contract in options overlying PowerShares QQQ ("QQQ"), SPDR S&P 500 ("SPY"), iPath S&P 500 VIX ST Futures ETN ("VXX"). By lowering this tier, and offering a higher rebate for certain symbols, the Exchange believes a greater number of NOM Market Makers may qualify for the Tier 3 rebate.

Finally, the Exchange proposes to amend the Tier 4 NOM Market Maker Rebate to Add Liquidity in Penny Pilot Options which currently pays a $0.32 rebate in all options, except options overlying Bank of America Corporation ("BAC"), SPDR Gold Shares ("GLD"), iShares Russell 2000 Index ("IWM"), QQQ and VXX, which pays a $0.38 per contract rebate, and SPY which pays a $0.40 per contract rebate. The Tier 4 rebate is paid to Participants that add NOM Market Maker liquidity in Penny Pilot Options and/or Non-Penny Pilot Options of above 0.60% of total industry customer equity and ETF option ADV contracts per day in a month. The Exchange proposes to amend the Tier 4 rebate to pay a $0.32 rebate in all options, except QQQ, VXX and SPY, which will pay a $0.40 per contract rebate. The Exchange will pay a $0.32 per contract rebate for BAC, GLD and IWM with this proposal. Additionally, in order to qualify for the Tier 4 rebate, a Participant must add NOM Market Maker liquidity in Penny Pilot Options and/or Non-Penny Pilot Options of above 0.60% *to 0.90%* of total industry customer equity and ETF option ADV contracts per day in a month. The Exchange believes that adding the language "above 0.60% *to 0.90%* of total industry customer equity" will clarify Tier 4 for purposes of obtaining the rebate. NOM Market Maker liquidity in Penny Pilot Options and/or Non-Penny Pilot Options of above 0.90% today qualifies for the Tier 6 NOM Market Maker rebate.[13] The Exchange believes the amendment to the description of the Tier 4 rebate is non-substantive and clarifies the qualification for the rebate. The Exchange believes that paying a higher rebate for QQQ and VXX transactions will encourage a greater number of transactions in these symbols. Despite the decrease in rebates paid for transaction in BAC, GLD and IWM, the

[13] The Tier 6 NOM Market Maker Rebate to Add Liquidity pays a $0.42 per contract rebate to Participants that add NOM Market Maker liquidity in Penny Pilot Options and/or Non-Penny Pilot Options above 0.80% of total industry customer equity and ETF option ADV contracts per day in a month and qualifies for the Tier 7 or Tier 8 Customer and/or Professional Rebate to Add Liquidity in Penny Pilot Options or Participant adds *NOM Market Maker liquidity in Penny Pilot Options and/or Non-Penny Pilot Options above 0.90% of total industry customer equity and ETF option ADV contracts per day in a month.*

Exchange believes that market participants will continue to transact volume in these symbols.

b. Statutory Basis

NASDAQ believes that the proposed rule changes are consistent with the provisions of Section 6 of the Act,[14] in general, and with Section 6(b)(4) of the Act,[15] in particular, in that they provide for the equitable allocation of reasonable dues, fees and other charges among members and issuers and other persons using any facility or system which NASDAQ operates or controls as described in detail below.

Customer Penny Pilot Options Fee for Removing Liquidity

The Exchange's proposal to increase the Customer Penny Pilot Options Fee for Removing Liquidity from $0.47 to $0.48 per contract is reasonable because the Exchange is seeking to recoup costs associated with offering Customer rebates in Penny Options to attract greater liquidity to the Exchange. The Exchange believes that increasing the Customer Fee for Removing Liquidity by $0.01 per contract ($0.47 to $0.48 per contract) allows the Exchange to recoup costs and offer even greater Customer rebates, thereby benefitting all market participants by attracting Customer order flow to NOM.

The Exchange's proposal to increase the Customer Penny Pilot Options Fee for Removing Liquidity from $0.47 to $0.48 per contract is equitable and not unfairly because Customers would continue to be assessed lower fees as compared to non-Customer market participants. Currently, Professionals, Firms, Non-NOM Market Makers and NOM Market Makers are assessed a $0.49 per contract Fee for Removing

[14] 15 U.S.C. 78f.

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

Liquidity in Penny Options. Customer liquidity benefits all market participants by providing more trading opportunities, which attracts 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. Further, the Exchange is offering Customers, similar to other non-Customer market participants[16] the opportunity to lower the Customer Penny Pilot Options Fee for Removing Liquidity by qualifying for Customer or Professional Rebate to Add Liquidity Tiers 7 or 8 in a given month.[17]

The Exchange's proposal to offer Customers the opportunity to lower the Customer Fee for Removing Liquidity in Penny Pilot Options to $0.47 per contract, provided they qualify for Customer or Professional Rebate to Add Liquidity Tiers 7 or 8 in a given month is reasonable because today the Exchange offers all other non-Customer market participants (Professional, Firm, Non-NOM Market Maker, NOM Market Maker and Broker-Dealer) the opportunity to lower the Fee for Removing Liquidity in Penny Pilot Options from $0.49 to $0.48 per contract. The Exchange believes that incentivizing Customers, as today is done with other market participants,[18] to transact a greater number of Customer and Professional orders[19] in order to lower fees is reasonable because the

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16 See current note "d" in Section 2, Chapter XV of NOM Rules.

17 See proposed amendment to note "d" in Section 2, Chapter XV of NOM Rules.

18 See current note "d" in Section 2, Chapter XV of NOM Rules.

19 Tier 7 requires 50,000 or more contracts per day in a month to be Customer and/or Professional liquidity in Penny Pilot Options. Tier 8 requires Participants to 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.

liquidity from this order flow will benefit other market participants that have the opportunity to interact with this order flow.

The Exchange's proposal to offer Customers the opportunity to lower the Customer Fee for Removing Liquidity in Penny Pilot Options to $0.47 per contract, provided they qualify for Customer or Professional Rebate to Add Liquidity Tiers 7 or 8 in a given month, is equitable and not unfairly discriminatory because Customers will have the opportunity to lower fees similar to other non-Customer market participants.

Firm, Non-NOM Market Maker and Broker-Dealer Penny Pilot Options Rebate to Add Liquidity

The Exchange's proposal to amend the Firm, Non-NOM Market Maker and Broker-Dealer Penny Pilot Options Rebates to Add Liquidity and Non-Penny Pilot Options Fees for Adding Liquidity by removing the opportunity to lower fees as specified in note 2 in Section 2, Chapter XV which states, "[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" is reasonable because the Exchange no longer desires to incentivize these market participants in this manner. The Exchange believes that focusing on attracting Customer and Professional order flow will benefit all market participants. Additionally, the Exchange offers these market participants other incentives such as the incentive to reduce the Fee for Removing Liquidity in Penny Pilot Options by qualifying for Tiers 7 and 8.[20]

The Exchange's proposal to amend the Firm, Non-NOM Market Maker and

[20] See current note "d" in Section 2, Chapter XV of NOM Rules.

Broker-Dealer Penny Pilot Options Rebates to Add Liquidity and Fees for Adding Liquidity by removing the opportunity to lower fees as specified in note 2 in Section 2, Chapter XV which states, "[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" is equitable and not unfairly discriminatory because the Exchange would not offer this opportunity to earn higher rebates and receive lower fees to any market participant in this manner.

<u>NOM Market Maker Penny Pilot Options Rebates to Add Liquidity</u>

The Exchange's proposal to amend the Tier 2 NOM Market Maker Rebate to Add Liquidity in Penny Pilot Options which currently pays a $0.25 per contract rebate to apply to NOM Market Maker liquidity in Penny Pilot Options and/or Non-Penny Pilot Options above 0.10% to *0.25%* of total industry customer equity and ETF option ADV contracts per day in a month is reasonable because, specifically, the Exchange believes a greater number of NOM Market Makers may qualify for the Tier 2 rebate. Generally, the proposal is reasonable because it should incentivize NOM Market Makers to post liquidity on NOM. NOM Market Makers are valuable market participants that provide liquidity in the marketplace and incur costs unlike other market participants. The Exchange believes that encouraging NOM Market Makers to be more aggressive when posting liquidity benefits all market participants through increased liquidity.

The Exchange's proposal to amend the Tier 2 NOM Market Maker Rebate to Add Liquidity in Penny Pilot Options which currently pays a $0.25 per contract rebate to apply to NOM Market Maker liquidity in Penny Pilot Options and/or Non-Penny Pilot Options above 0.10% to *0.25%* of total industry customer equity and ETF option ADV contracts per day in a month is equitable and not unfairly discriminatory because all eligible Participants that qualify for the Tier 2 NOM Market Maker Penny Pilot Options Rebate to Add Liquidity metric will be uniformly paid the rebate.[21] Further, the NOM Market Maker rebate proposal is equitable and not unfairly discriminatory because it does not misalign the current rebate structure because NOM Market Makers will continue to earn higher rebates as compared to Firms, Non-NOM Market Makers and Broker-Dealers and will earn the same or lower rebates as compared to Customers and Professionals.

The Exchange's proposal to offer a higher rebate for Tier 3 of $0.40 per contract for options in SPY, QQQ and VXX is reasonable because the proposal seeks to encourage Participants to add liquidity in SPY, QQQ and VXX in order to obtain a higher rebate of $0.40 per contract. The Exchange believes that offering NOM Market Makers the ability to obtain higher rebates is reasonable because it will encourage additional order interaction. The Exchange's proposal to amend the Tier 3 NOM Market Maker Rebate to Add Liquidity in Penny Pilot Options which currently pays a $0.30 per contract rebate, or with this proposal $0.40 per contract for SPY,QQQ and VXX, to apply to NOM Market Maker liquidity in Penny Pilot Options and/or Non-Penny Pilot Options

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21 The NOM Market Maker obligations and regulatory requirements remain unchanged. Pursuant to NOM Rules at 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.

above *0.25%* to 0.60% of total industry customer equity and ETF option ADV contracts per day in a month is reasonable because the Exchange believes a greater number of NOM Market Makers may qualify for the Tier 3 rebate.

The Exchange's proposal to offer a higher rebate for Tier 3 of $0.40 per contract for options in SPY, QQQ and VXX, or $0.30 for other symbols, if the Participant adds NOM Market Maker liquidity in Penny Pilot Options and/or Non-Penny Pilot Options above *0.25%* to 0.60% of total industry customer equity and ETF option ADV contracts per day in a month is equitable and not unfairly discriminatory because all NOM Market Makers may qualify for the Tier 3 NOM Market Maker Penny Pilot Options Rebate to Add Liquidity.

The Exchange believes that it is reasonable, equitable, and not unfairly discriminatory to adopt specific pricing for SPY, QQQ and VXX because pricing by symbol is a common practice on many U.S. options exchanges as a means to incentivize order flow to be sent to an exchange for execution in the most actively traded options classes, in this case actively traded Penny Pilot Options.[22] The Exchange notes that SPY, QQQ and VXX are some of the most actively traded options in the U.S. The Exchange believes that this pricing will incentivize members to transact options on SPY, QQQ and on NOM in order to obtain the higher $0.40 per contract rebate.

The Exchange's proposal to amend the Tier 4 rebates to assess BAC, GLD and IWM the lower rebate of $0.32 per contract is reasonable because the Exchange believes that despite the decrease, Participants will continue to be incentivized to earn the $0.32

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

per contract rebate. The Exchange's proposal to increase the Tier 4 rebates for QQQ and VXX to $0.40 per contract, similar to SPY, is reasonable because the proposal seeks to encourage Participants to add more liquidity in QQQ and VXX in order to obtain a higher rebate of $0.40 per contract. The Exchange believes that offering NOM Market Makers the ability to obtain higher rebates is reasonable because it will encourage additional order interaction.

The Exchange's proposals to amend the Tier 4 rebates to assess BAC, GLD and IWM the lower rebate of $0.32 per contract and the Exchange's proposal to increase the Tier 4 rebates for QQQ and VXX to $0.40 per contract, similar to SPY, are equitable and not unfairly discriminatory because all NOM Market Makers may qualify for the Tier 4 NOM Market Maker Penny Pilot Options Rebate to Add Liquidity.

The Exchange believes that adding to the phrase "above 0.60%" the words "*to 0.90%"* to Tier 4 is reasonable, equitable and not unfairly discriminatory because it will clarify the rule text with respect to the qualification for the rebate and apply uniformly to all market participants. The Exchange pays a Rebate to Add Liquidity in Tier 6 to Participants that add NOM Market Maker in Penny Pilot Options and/or Non-Penny Pilot Options above 0.90% in Tier 6.[23] The Exchange believes clarifying Tier 4 will make this clear.

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

NASDAQ does not believe that the proposed rule changes will result in any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act, as amended. The Exchange's proposal to increase the Customer Penny Pilot

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[23] See note 13.

Options Fee for Removing Liquidity to $0.48 per contract does not create an undue burden on competition because Customers will continue to be assessed lower fees as compared to non-Customer market participants. Customer liquidity benefits all market participants by providing more trading opportunities, which attracts 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. Also, the Exchange is offering Customers, similar to other non-Customer market participants, the opportunity to lower the Customer Penny Pilot Options Fee for Removing Liquidity by qualifying for Customer or Professional Rebate to Add Liquidity Tiers 7 or 8 in a given month. The Exchange believes that offering Customers the opportunity to lower the Customer Fee for Removing Liquidity in Penny Pilot Options, provided they qualify for Customer or Professional Rebate to Add Liquidity Tiers 7 or 8 in a given month, does not impose an unfair burden on competition because incentivizing Customers to transact a greater number of Customer and Professional orders,[24] in order to lower fees, results in increased liquidity which benefits other market participants that have the opportunity to interact with this order flow.

The Exchange's proposal to amend the Firm, Non-NOM Market Maker and Broker-Dealer Penny Pilot Options Rebates to Add Liquidity and Non-Penny Pilot Fees for Adding Liquidity to remove the incentive if a Participant 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 they will receive a Rebate to Add Liquidity in Penny Pilot Options of $0.20 per contract and will pay a Fee for

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[24] See note 18.

Adding Liquidity in Non-Penny Pilot Options of $0.36 per contract does not create an undue burden on competition because the Exchange would not offer this opportunity to earn higher rebates and receive lower fees to any market participant in this manner.

The Exchange's proposal to amend the Tier 2 NOM Market Maker Rebate to Add Liquidity in Penny Pilot Options which currently pays a $0.25 per contract rebate to apply to NOM Market Maker liquidity in Penny Pilot Options and/or Non-Penny Pilot Options above 0.10% to *0.25%* of total industry customer equity and ETF option ADV contracts per day in a month does not create an undue burden on competition because it should incentivize NOM Market Makers to post liquidity on NOM. NOM Market Makers are valuable market participants that provide liquidity in the marketplace and incur costs unlike other market participants. The Exchange believes that encouraging NOM Market Makers to be more aggressive when posting liquidity benefits all market participants through increased liquidity.

The Exchange's proposal to offer a higher rebate for Tier 3 of $0.40 per contract for options in SPY, QQQ and VXX does not create an undue burden on competition because all NOM Market Makers may qualify for the Tier 3 NOM Market Maker Penny Pilot Options Rebate to Add Liquidity. Also more Participants may qualify for the rebate because of the lower tier, 0.25% to 0.60% as compared to 0.30% to 0.60%.

The Exchange's proposal to amend the Tier 4 rebates to assess BAC, GLD and IWM the lower rebate of $0.32 per contract and raise the QQQ and VXX rebate to $0.40 per contract, similar to SPY, does not create an undue burden on competition because all NOM Market Makers may qualify for the Tier 4 NOM Market Maker Penny Pilot Options Rebate to Add Liquidity. The Exchange believes that adding the "to 0.90%"

language to Tier 4 does not create an undue burden on competition because it will clarify the rule text with respect to the qualification for the rebate and apply uniformly to all market participants.

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

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.[25]

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. Notice of proposed rule for publication in the Federal Register.

5. Applicable portion of the Exchange's rule text.

[25] 15 U.S.C. 78s(b)(3)(A)(ii).

Exhibit 1

SECURITIES AND EXCHANGE COMMISSION
(Release No. ; File No. SR-NASDAQ-2014-077)

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

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 July 30, 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[3] Fee for Removing

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

2 17 CFR 240.19b-4.

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

Liquidity in Penny Pilot Options;[4] (ii) amend certain Penny Pilot Options Rebates to Add Liquidity and Non-Penny Pilot Options Fees for Adding Liquidity applicable to Firms,[5] Non-NOM Market Makers[6] and Broker Dealers;[7] and (iii) amend NOM Market Maker[8]

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4 The Penny Pilot was established in March 2008 and in October 2009 was expanded and extended through December 31, 2014. See Securities Exchange Act Release Nos. 57579 (March 28, 2008), 73 FR 18587 (April 4, 2008) (SR-NASDAQ-2008-026) (notice of filing and immediate effectiveness establishing Penny Pilot); 60874 (October 23, 2009), 74 FR 56682 (November 2, 2009)(SR-NASDAQ-2009-091) (notice of filing and immediate effectiveness expanding and extending Penny Pilot); 60965 (November 9, 2009), 74 FR 59292 (November 17, 2009)(SR-NASDAQ-2009-097) (notice of filing and immediate effectiveness adding seventy-five classes to Penny Pilot); 61455 (February 1, 2010), 75 FR 6239 (February 8, 2010) (SR-NASDAQ-2010-013) (notice of filing and 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); 71105 (December 17, 2013), 78 FR 77530 (December 23, 2013) (SR-NASDAQ-2013-154) and 72244 (May 23, 2014), 79 FR 31151 (May 30, 2014) (SR-NASDAQ-2014-056). See also NOM Rules, Chapter VI, Section 5.

5 The term “Firm” or (“F”) applies to any transaction that is identified by a

Participant for clearing in the Firm range at OCC.

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

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

8 The term “NOM Market Maker” means a Participant that has registered as a

Penny Pilot Options Rebates to Add Liquidity.

While the changes proposed herein are effective upon filing, the Exchange has designated that the amendments be operative on August 1, 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 and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. The Exchange has prepared summaries, set forth in sections A, B, and C below, of the most significant aspects of such statements.

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

1. Purpose

NASDAQ proposes to modify Chapter XV, entitled "Options Pricing," at Section 2(1) governing the rebates and fees assessed for option orders entered into NOM. The Exchange proposes to: (i) amend the Customer Penny Pilot Options Fee for Removing Liquidity; (ii) delete certain Firm, Non-NOM Market Maker and Broker-Dealer pricing in Chapter XV, Section 2; and (iii) amend the NOM Market Maker Pilot Options Rebates to Add Liquidity.

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

Today the Exchange assesses the following Penny Pilot Options Fees for Removing Liquidity: Customer $0.47 per contract, and Professional,[9] Firm, Non-NOM Market Maker, NOM Market Maker and Broker-Dealer $0.49 per contract. In addition a Professional, Firm, Non-NOM Market Maker, NOM Market Maker and Broker-Dealer that qualifies 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, NOM Market Maker or Broker-Dealer Fee for Removing Liquidity in Penny Pilot Options of $0.47 per contract.

The Exchange is proposing to make two amendments related to the Customer Penny Pilot Options Fees for Removing Liquidity. The Exchange is proposing to increase the Customer Penny Pilot Options Fee for Removing Liquidity from $0.47 to $0.48 per contract. Despite the increase to this fee, the Exchange believes market participants will continue to remove Customer orders on NOM. Additionally, the Exchange is proposing to amend note "d" in Section 2, Chapter XV to provide, "Participants or Participants under Common Ownership[10] that qualify for Customer or Professional Rebates to Add Liquidity Tiers 7 or 8 in a given month will be assessed a Professional, Firm, Non-NOM Market Maker, NOM Market Maker or Broker-Dealer Fee for Removing Liquidity in Penny Pilot Options of $0.48 per contract *and a Customer Fee*

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

10 The term **"**Common Ownership**"** shall mean Participants under 75% common ownership or control.

for Removing Liquidity in Penny Pilot Options of $0.47 per contract." The Exchange is therefore proposing to offer Customers the opportunity to lower the Customer Fee for Removing Liquidity in Penny Pilot Options to $0.47 per contract, provided they qualify for Customer or Professional Rebates to Add Liquidity Tiers 7 or 8 in a given month. Today, the Exchange offers tiered Penny Pilot Options Rebates to Add Liquidity to Customers and Professionals based on various criteria with rebates ranging from $0.20 to $0.48 per contract. To obtain the Tier 7 Customer and Professional Rebates to Add Liquidity in Penny Pilot Options, a Participant must have Total Volume[11] 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.[12] Tier 7 pays a $0.47 per contract rebate. To obtain the Tier 8 Customer and Professional Rebate to Add Liquidity in Penny Pilot Options, a Participant 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.

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

12 Tier 8 requires the Participant have 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.

Tier 8 pays a rebate of $0.48 per contract for Customers and $0.47 per contract for Professionals.

The Exchange proposes to amend the Firm, Non-NOM Market Maker and Broker-Dealer Penny Pilot Options Rebates to Add Liquidity and Non-Penny Pilot Fees for Adding Liquidity by removing the opportunity to lower fees as specified in note 2 in Section 2, Chapter XV which states, "[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." Firms, Non-NOM Market Makers and Broker-Dealers would therefore receive a $0.10 per contract Penny Pilot Options Rebate to Add Liquidity and pay a $0.45 per contract Non-Penny Pilot Options Fee for Adding Liquidity. The Exchange believes that this incentive is not encouraging Firms, Non-NOM Market Makers and Broker-Dealers to transact additional liquidity on NOM and therefore the Exchange desires to remove this incentive.

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

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

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

The Exchange proposes to amend the Tier 2 NOM Market Maker Rebate to Add Liquidity in Penny Pilot Options which currently pays a $0.25 per contract rebate to Participants that add NOM Market Maker liquidity in Penny Pilot Options and/or Non-Penny Pilot Options above 0.10% to 0.30% of total industry customer equity and ETF option ADV contracts per day in a month. The Exchange intends to instead continue to pay a $0.25 per contract rebate to Participant that add NOM Market Maker liquidity in Penny Pilot Options and/or Non-Penny Pilot Options above 0.10% to *0.25%* of total industry customer equity and ETF option ADV contracts per day in a month. By lowering this tier, the Exchange believes a greater number of NOM Market Makers may qualify for the Tier 2 rebate.

The Exchange proposes to amend the Tier 3 NOM Market Maker Rebate to Add Liquidity in Penny Pilot Options which currently pays a $0.30 per contract rebate to Participants that add NOM Market Maker liquidity in Penny Pilot Options and/or Non-Penny Pilot Options above 0.30% to 0.60% of total industry customer equity and ETF option ADV contracts per day in a month. The Exchange intends to instead continue to pay a $0.30 per contract rebate to Participants that add NOM Market Maker liquidity in Penny Pilot Options and/or Non-Penny Pilot Options above *0.25%* to 0.60% of total industry customer equity and ETF option ADV contracts per day in a month. Also, the Exchange intends to offer a higher rebate for Tier 3 qualifiers of $0.40 per contract in options overlying PowerShares QQQ (“QQQ”), SPDR S&P 500 (“SPY”), iPath S&P 500 VIX ST Futures ETN (“VXX”). By lowering this tier, and offering a higher rebate for certain symbols, the Exchange believes a greater number of NOM Market Makers may qualify for the Tier 3 rebate.

Finally, the Exchange proposes to amend the Tier 4 NOM Market Maker Rebate to Add Liquidity in Penny Pilot Options which currently pays a $0.32 rebate in all options, except options overlying Bank of America Corporation ("BAC"), SPDR Gold Shares ("GLD"), iShares Russell 2000 Index ("IWM"), QQQ and VXX, which pays a $0.38 per contract rebate, and SPY which pays a $0.40 per contract rebate. The Tier 4 rebate is paid to Participants that add NOM Market Maker liquidity in Penny Pilot Options and/or Non-Penny Pilot Options of above 0.60% of total industry customer equity and ETF option ADV contracts per day in a month. The Exchange proposes to amend the Tier 4 rebate to pay a $0.32 rebate in all options, except QQQ, VXX and SPY, which will pay a $0.40 per contract rebate. The Exchange will pay a $0.32 per contract rebate for BAC, GLD and IWM with this proposal. Additionally, in order to qualify for the Tier 4 rebate, a Participant must add NOM Market Maker liquidity in Penny Pilot Options and/or Non-Penny Pilot Options of above 0.60% *to 0.90%* of total industry customer equity and ETF option ADV contracts per day in a month. The Exchange believes that adding the language "above 0.60% *to 0.90%* of total industry customer equity" will clarify Tier 4 for purposes of obtaining the rebate. NOM Market Maker liquidity in Penny Pilot Options and/or Non-Penny Pilot Options of above 0.90% today qualifies for the Tier 6 NOM Market Maker rebate.[13] The Exchange believes the

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[13] The Tier 6 NOM Market Maker Rebate to Add Liquidity pays a $0.42 per contract rebate to Participants that add NOM Market Maker liquidity in Penny Pilot Options and/or Non-Penny Pilot Options above 0.80% of total industry customer equity and ETF option ADV contracts per day in a month and qualifies for the Tier 7 or Tier 8 Customer and/or Professional Rebate to Add Liquidity in Penny Pilot Options or Participant adds *NOM Market Maker liquidity in Penny Pilot Options and/or Non-Penny Pilot Options above 0.90% of total industry customer equity and ETF option ADV contracts per day in a month.*

amendment to the description of the Tier 4 rebate is non-substantive and clarifies the qualification for the rebate. The Exchange believes that paying a higher rebate for QQQ and VXX transactions will encourage a greater number of transactions in these symbols. Despite the decrease in rebates paid for transaction in BAC, GLD and IWM, the Exchange believes that market participants will continue to transact volume in these symbols.

2. Statutory Basis

NASDAQ believes that the proposed rule changes are consistent with the provisions of Section 6 of the Act,[14] in general, and with Section 6(b)(4) of the Act,[15] in particular, in that they provide for the equitable allocation of reasonable dues, fees and other charges among members and issuers and other persons using any facility or system which NASDAQ operates or controls as described in detail below.

Customer Penny Pilot Options Fee for Removing Liquidity

The Exchange's proposal to increase the Customer Penny Pilot Options Fee for Removing Liquidity from $0.47 to $0.48 per contract is reasonable because the Exchange is seeking to recoup costs associated with offering Customer rebates in Penny Options to attract greater liquidity to the Exchange. The Exchange believes that increasing the Customer Fee for Removing Liquidity by $0.01 per contract ($0.47 to $0.48 per contract) allows the Exchange to recoup costs and offer even greater Customer rebates, thereby benefitting all market participants by attracting Customer order flow to NOM.

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14 15 U.S.C. 78f.

15 15 U.S.C. 78f(b)(4).

The Exchange's proposal to increase the Customer Penny Pilot Options Fee for Removing Liquidity from $0.47 to $0.48 per contract is equitable and not unfairly because Customers would continue to be assessed lower fees as compared to non-Customer market participants. Currently, Professionals, Firms, Non-NOM Market Makers and NOM Market Makers are assessed a $0.49 per contract Fee for Removing Liquidity in Penny Options. Customer liquidity benefits all market participants by providing more trading opportunities, which attracts 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. Further, the Exchange is offering Customers, similar to other non-Customer market participants[16] the opportunity to lower the Customer Penny Pilot Options Fee for Removing Liquidity by qualifying for Customer or Professional Rebate to Add Liquidity Tiers 7 or 8 in a given month.[17]

The Exchange's proposal to offer Customers the opportunity to lower the Customer Fee for Removing Liquidity in Penny Pilot Options to $0.47 per contract, provided they qualify for Customer or Professional Rebate to Add Liquidity Tiers 7 or 8 in a given month is reasonable because today the Exchange offers all other non-Customer market participants (Professional, Firm, Non-NOM Market Maker, NOM Market Maker and Broker-Dealer) the opportunity to lower the Fee for Removing Liquidity in Penny Pilot Options from $0.49 to $0.48 per contract. The Exchange believes that incentivizing

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16 See current note "d" in Section 2, Chapter XV of NOM Rules.

17 See proposed amendment to note "d" in Section 2, Chapter XV of NOM Rules.

Customers, as today is done with other market participants,[18] to transact a greater number of Customer and Professional orders[19] in order to lower fees is reasonable because the liquidity from this order flow will benefit other market participants that have the opportunity to interact with this order flow.

The Exchange's proposal to offer Customers the opportunity to lower the Customer Fee for Removing Liquidity in Penny Pilot Options to $0.47 per contract, provided they qualify for Customer or Professional Rebate to Add Liquidity Tiers 7 or 8 in a given month, is equitable and not unfairly discriminatory because Customers will have the opportunity to lower fees similar to other non-Customer market participants.

Firm, Non-NOM Market Maker and Broker-Dealer Penny Pilot Options Rebate to Add Liquidity

The Exchange's proposal to amend the Firm, Non-NOM Market Maker and Broker-Dealer Penny Pilot Options Rebates to Add Liquidity and Non-Penny Pilot Options Fees for Adding Liquidity by removing the opportunity to lower fees as specified in note 2 in Section 2, Chapter XV which states, "[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" is reasonable because the Exchange no longer desires to incentivize these market participants in this

18 See current note "d" in Section 2, Chapter XV of NOM Rules.

19 Tier 7 requires 50,000 or more contracts per day in a month to be Customer and/or Professional liquidity in Penny Pilot Options. Tier 8 requires Participants to 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.

manner. The Exchange believes that focusing on attracting Customer and Professional order flow will benefit all market participants. Additionally, the Exchange offers these market participants other incentives such as the incentive to reduce the Fee for Removing Liquidity in Penny Pilot Options by qualifying for Tiers 7 and 8.[20]

The Exchange's proposal to amend the Firm, Non-NOM Market Maker and Broker-Dealer Penny Pilot Options Rebates to Add Liquidity and Fees for Adding Liquidity by removing the opportunity to lower fees as specified in note 2 in Section 2, Chapter XV which states, "[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" is equitable and not unfairly discriminatory because the Exchange would not offer this opportunity to earn higher rebates and receive lower fees to any market participant in this manner.

NOM Market Maker Penny Pilot Options Rebates to Add Liquidity

The Exchange's proposal to amend the Tier 2 NOM Market Maker Rebate to Add Liquidity in Penny Pilot Options which currently pays a $0.25 per contract rebate to apply to NOM Market Maker liquidity in Penny Pilot Options and/or Non-Penny Pilot Options above 0.10% to *0.25%* of total industry customer equity and ETF option ADV contracts per day in a month is reasonable because, specifically, the Exchange believes a greater number of NOM Market Makers may qualify for the Tier 2 rebate. Generally, the proposal is reasonable because it should incentivize NOM Market Makers to post

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[20] See current note "d" in Section 2, Chapter XV of NOM Rules.

liquidity on NOM. NOM Market Makers are valuable market participants that provide liquidity in the marketplace and incur costs unlike other market participants. The Exchange believes that encouraging NOM Market Makers to be more aggressive when posting liquidity benefits all market participants through increased liquidity.

The Exchange's proposal to amend the Tier 2 NOM Market Maker Rebate to Add Liquidity in Penny Pilot Options which currently pays a $0.25 per contract rebate to apply to NOM Market Maker liquidity in Penny Pilot Options and/or Non-Penny Pilot Options above 0.10% to *0.25%* of total industry customer equity and ETF option ADV contracts per day in a month is equitable and not unfairly discriminatory because all eligible Participants that qualify for the Tier 2 NOM Market Maker Penny Pilot Options Rebate to Add Liquidity metric will be uniformly paid the rebate.[21] Further, the NOM Market Maker rebate proposal is equitable and not unfairly discriminatory because it does not misalign the current rebate structure because NOM Market Makers will continue to earn higher rebates as compared to Firms, Non-NOM Market Makers and Broker-Dealers and will earn the same or lower rebates as compared to Customers and Professionals.

The Exchange's proposal to offer a higher rebate for Tier 3 of $0.40 per contract for options in SPY, QQQ and VXX is reasonable because the proposal seeks to encourage Participants to add liquidity in SPY, QQQ and VXX in order to obtain a higher

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21 The NOM Market Maker obligations and regulatory requirements remain unchanged. Pursuant to NOM Rules at 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.

rebate of $0.40 per contract. The Exchange believes that offering NOM Market Makers the ability to obtain higher rebates is reasonable because it will encourage additional order interaction. The Exchange's proposal to amend the Tier 3 NOM Market Maker Rebate to Add Liquidity in Penny Pilot Options which currently pays a $0.30 per contract rebate, or with this proposal $0.40 per contract for SPY,QQQ and VXX, to apply to NOM Market Maker liquidity in Penny Pilot Options and/or Non-Penny Pilot Options above *0.25%* to 0.60% of total industry customer equity and ETF option ADV contracts per day in a month is reasonable because the Exchange believes a greater number of NOM Market Makers may qualify for the Tier 3 rebate.

The Exchange's proposal to offer a higher rebate for Tier 3 of $0.40 per contract for options in SPY, QQQ and VXX, or $0.30 for other symbols, if the Participant adds NOM Market Maker liquidity in Penny Pilot Options and/or Non-Penny Pilot Options above *0.25%* to 0.60% of total industry customer equity and ETF option ADV contracts per day in a month is equitable and not unfairly discriminatory because all NOM Market Makers may qualify for the Tier 3 NOM Market Maker Penny Pilot Options Rebate to Add Liquidity.

The Exchange believes that it is reasonable, equitable, and not unfairly discriminatory to adopt specific pricing for SPY, QQQ and VXX because pricing by symbol is a common practice on many U.S. options exchanges as a means to incentivize order flow to be sent to an exchange for execution in the most actively traded options classes, in this case actively traded Penny Pilot Options.[22] The Exchange notes that SPY,

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

QQQ and VXX are some of the most actively traded options in the U.S. The Exchange believes that this pricing will incentivize members to transact options on SPY, QQQ and on NOM in order to obtain the higher $0.40 per contract rebate.

The Exchange's proposal to amend the Tier 4 rebates to assess BAC, GLD and IWM the lower rebate of $0.32 per contract is reasonable because the Exchange believes that despite the decrease, Participants will continue to be incentivized to earn the $0.32 per contract rebate. The Exchange's proposal to increase the Tier 4 rebates for QQQ and VXX to $0.40 per contract, similar to SPY, is reasonable because the proposal seeks to encourage Participants to add more liquidity in QQQ and VXX in order to obtain a higher rebate of $0.40 per contract. The Exchange believes that offering NOM Market Makers the ability to obtain higher rebates is reasonable because it will encourage additional order interaction.

The Exchange's proposals to amend the Tier 4 rebates to assess BAC, GLD and IWM the lower rebate of $0.32 per contract and the Exchange's proposal to increase the Tier 4 rebates for QQQ and VXX to $0.40 per contract, similar to SPY, are equitable and not unfairly discriminatory because all NOM Market Makers may qualify for the Tier 4 NOM Market Maker Penny Pilot Options Rebate to Add Liquidity.

The Exchange believes that adding to the phrase "above 0.60%" the words "*to 0.90%"* to Tier 4 is reasonable, equitable and not unfairly discriminatory because it will clarify the rule text with respect to the qualification for the rebate and apply uniformly to all market participants. The Exchange pays a Rebate to Add Liquidity in Tier 6 to Participants that add NOM Market Maker in Penny Pilot Options and/or Non-Penny Pilot

Options above 0.90% in Tier 6.[23] The Exchange believes clarifying Tier 4 will make this clear.

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

NASDAQ does not believe that the proposed rule changes will result in any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act, as amended. The Exchange's proposal to increase the Customer Penny Pilot Options Fee for Removing Liquidity to $0.48 per contract does not create an undue burden on competition because Customers will continue to be assessed lower fees as compared to non-Customer market participants. Customer liquidity benefits all market participants by providing more trading opportunities, which attracts 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. Also, the Exchange is offering Customers, similar to other non-Customer market participants, the opportunity to lower the Customer Penny Pilot Options Fee for Removing Liquidity by qualifying for Customer or Professional Rebate to Add Liquidity Tiers 7 or 8 in a given month. The Exchange believes that offering Customers the opportunity to lower the Customer Fee for Removing Liquidity in Penny Pilot Options, provided they qualify for Customer or Professional Rebate to Add Liquidity Tiers 7 or 8 in a given month, does not impose an unfair burden on competition because incentivizing Customers to transact a greater number of Customer and Professional orders,[24] in order to lower fees, results in increased liquidity which benefits

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[23] See note 13.

[24] See note 18.

other market participants that have the opportunity to interact with this order flow.

The Exchange's proposal to amend the Firm, Non-NOM Market Maker and Broker-Dealer Penny Pilot Options Rebates to Add Liquidity and Non-Penny Pilot Fees for Adding Liquidity to remove the incentive if a Participant 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 they 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 does not create an undue burden on competition because the Exchange would not offer this opportunity to earn higher rebates and receive lower fees to any market participant in this manner.

The Exchange's proposal to amend the Tier 2 NOM Market Maker Rebate to Add Liquidity in Penny Pilot Options which currently pays a $0.25 per contract rebate to apply to NOM Market Maker liquidity in Penny Pilot Options and/or Non-Penny Pilot Options above 0.10% to *0.25%* of total industry customer equity and ETF option ADV contracts per day in a month does not create an undue burden on competition because it should incentivize NOM Market Makers to post liquidity on NOM. NOM Market Makers are valuable market participants that provide liquidity in the marketplace and incur costs unlike other market participants. The Exchange believes that encouraging NOM Market Makers to be more aggressive when posting liquidity benefits all market participants through increased liquidity.

The Exchange's proposal to offer a higher rebate for Tier 3 of $0.40 per contract for options in SPY, QQQ and VXX does not create an undue burden on competition because all NOM Market Makers may qualify for the Tier 3 NOM Market Maker Penny

Pilot Options Rebate to Add Liquidity. Also more Participants may qualify for the rebate because of the lower tier, 0.25% to 0.60% as compared to 0.30% to 0.60%.

The Exchange's proposal to amend the Tier 4 rebates to assess BAC, GLD and IWM the lower rebate of $0.32 per contract and raise the QQQ and VXX rebate to $0.40 per contract, similar to SPY, does not create an undue burden on competition because all NOM Market Makers may qualify for the Tier 4 NOM Market Maker Penny Pilot Options Rebate to Add Liquidity. The Exchange believes that adding the "to 0.90%" language to Tier 4 does not create an undue burden on competition because it will clarify the rule text with respect to the qualification for the rebate and apply uniformly to all market participants.

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

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

No written comments were either solicited or received.

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

Because the foregoing proposed rule change does not: (i) significantly affect the protection of investors or the public interest; (ii) impose any significant burden on competition; and (iii) become operative for 30 days from the date on which it was filed, or such shorter time as the Commission may designate, it has become effective pursuant to Section 19(b)(3)(A)(ii) of the Act[25] and subparagraph (f)(6) of Rule 19b-4 thereunder.[26]

At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is: (i) necessary or appropriate in the public interest; (ii) for the protection of investors; or (iii) otherwise in furtherance of the purposes of the Act. If the Commission takes such action, the Commission shall institute proceedings to determine whether the proposed rule should be approved or disapproved. The Exchange has provided the Commission written notice of its intent to file the proposed rule change, along with a brief description and text of the proposed rule change, at least five business days prior to the date of filing of the proposed rule change

IV. Solicitation of Comments

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[25] 15 U.S.C. 78s(b)(3)(a)(ii).

[26] 17 CFR 240.19b-4(f)(6).

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-2014-077 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-2014-077. 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-2014-077 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.[27]

Kevin M. O'Neill
Deputy Secretary

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[27] 17 CFR 200.30-3(a)(12).

EXHIBIT 5

New text is underlined and deleted text is in brackets.

NASDAQ Stock Market Rules

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Chapter XV Options Pricing

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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**
Penny Pilot Options:						
Rebate to Add Liquidity	***	***	$0.10[2]	$0.10 [2]	#	$0.10 [2]
Fee for Removing Liquidity	$0.[47]<u>48</u>	$0.49 [d]	$0.49 [d]	$0.49 [d]	$0.49 [d]	$0.49 [d]
Non-Penny Pilot Options (including NDX [1]):						
Fee for Adding Liquidity	N/A	$0.45	$0.45[2]	$0.45 [2]	$0.35	$0.45 [2]
Fee for Removing Liquidity	$0.85	$0.89	$0.89	$0.89	$0.89	$0.89
Rebate to Add Liquidity	$0.84 [3]	N/A	N/A	N/A	N/A	
SOX, HGX and OSX:						
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

[1]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.

[[2]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.]

[3]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.

Monthly Volume		**Rebate to Add Liquidity**
Tier 1	Participant adds Customer and/or Professional liquidity in Penny Pilot Options and/or Non-Penny Pilot Options of up to 0.10% of total industry customer equity and ETF option average daily volume ("ADV") contracts per day in a month	$0.20
Tier 2	Participant adds Customer and/or Professional liquidity in Penny Pilot Options and/or Non-Penny Pilot Options above 0.10% to 0.20% of total industry customer equity and ETF option ADV contracts per day in a month	$0.25
Tier 3	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
Tier 4	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
Tier 5 [a]	Participant adds Customer and/or Professional liquidity in Penny Pilot Options and/or Non-Penny Pilot Options above 0.40% of total industry customer equity and ETF option ADV contracts per day in a month, or 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	$0.45

	7014, and (3) the Participant executed at least one order on NASDAQ's equity market	
Tier 6 [b,c]	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
Tier 7 [b,c,d]	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 [b,c,d]	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 [e] (Customer) and $0.47 (Professional)

[a]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.

[b]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.

[c]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.

[d]Participants or Participants under Common Ownership 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, NOM Market Maker or Broker-Dealer Fee for Removing Liquidity in Penny Pilot Options of $0.48 per contract <u>and a Customer Fee for Removing Liquidity in Penny Pilot Options of $0.47 per contract</u>.

[e]Participants that add Customer and/or Professional liquidity in Penny Pilot Options and/or Non-Penny Pilot Options of 1.25% or more of national customer volume in multiply-listed equity and ETF options classes in a month will receive an additional $0.02 per contract Penny Pilot Options Customer Rebate to Add Liquidity for each transaction which adds liquidity in Penny Pilot Options in that month.

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

Monthly Volume		**Rebate to Add Liquidity**
Tier 1	Participant adds NOM Market Maker liquidity in	$0.20

	Penny Pilot Options and/or Non-Penny Pilot Options of up to 0.10% of total industry customer equity and ETF option average daily volume ("ADV") contracts per day in a month	
Tier 2	Participant adds NOM Market Maker liquidity in Penny Pilot Options and/or Non-Penny Pilot Options above 0.10% to 0.[30]25% of total industry customer equity and ETF option ADV contracts per day in a month	$0.25
Tier 3	Participant adds NOM Market Maker liquidity in Penny Pilot Options and/or Non-Penny Pilot Options above 0.[30]25% to 0.60% of total industry customer equity and ETF option ADV contracts per day in a month	$0.30 or $0.40 in the following symbols QQQ, SPY and VXX
Tier 4	Participant adds NOM Market Maker liquidity in Penny Pilot Options and/or Non-Penny Pilot Options of above 0.60% to 0.90% of total industry customer equity and ETF option ADV contracts per day in a month	$0.32 or $0.[38]40 in the following symbols [BAC,] [GLD, IWM,] QQQ, [and] VXX [or $0.40 in] and SPY
Tier 5	Participant adds NOM Market Maker liquidity in Penny Pilot Options and/or Non-Penny Pilot Options of above 0.30% of total industry customer equity and ETF option ADV contracts per day in a month and qualifies for the Tier 7 or Tier 8 Customer and/or Professional Rebate to Add Liquidity in Penny Pilot Options	$0.40
Tier 6	Participant adds NOM Market Maker liquidity in Penny Pilot Options and/or Non-Penny Pilot Options above 0.80% of total industry customer equity and ETF option ADV contracts per day in a month and qualifies for the Tier 7 or Tier 8 Customer and/or Professional Rebate to Add Liquidity in Penny Pilot Options or Participant adds NOM Market Maker liquidity in Penny Pilot Options and/or Non-Penny Pilot Options above 0.90% of total industry customer equity and ETF option ADV contracts per day in a month	$0.42

(2) – **(5)** No Change.

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