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Required fields are shown with yellow backgrounds and asterisks.

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

File No.* SR - 2014 - * 128
Amendment No. (req. for Amendments *)

Filing by NASDAQ Stock Market

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

Initial * [x] Amendment * [ ] Withdrawal [ ]

Section 19(b)(2) * [ ] Section 19(b)(3)(A) * [x] Section 19(b)(3)(B) * [ ]

Pilot [ ]

Extension of Time Period for Commission Action * [ ]

Date Expires *

Rule

[ ] 19b-4(f)(1) [ ] 19b-4(f)(4)
[x] 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 *).

Proposed changes to lower access fees in order to attract more investor orders to the public markets.

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 * 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 12/19/2014
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.

edward.knight@nasdaq.com

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 lower access fees in order to attract more investor orders to the public markets. In response to claims that public markets are too expensive, NASDAQ will modify NASDAQ Rule 7018(a) to lower execution fees for a select group of securities where access fees may be discouraging the use of public markets. NASDAQ believes that the data generated by this experimental approach will contribute to the on-going debate on the structure of U.S. markets. NASDAQ is also making clarifying changes to Rule 7014.

While the changes proposed herein are effective upon filing, the Exchange has designated that the amendments be operative on February 2, 2015. 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 16, 2014. NASDAQ staff will advise the Board of Directors of NASDAQ of any action taken

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

2 17 CFR 240.19b-4.

pursuant to delegated authority. No other action by NASDAQ is necessary for the filing of the rule change.

Questions regarding this rule filing may be directed to Jeffrey S. Davis, Deputy General Counsel, The NASDAQ OMX Group, at (301) 978-8484, or T. Sean Bennett, Associate General Counsel, The NASDAQ OMX Group, at (301) 978-8499.

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

a. Purpose

Hundreds of exchange-listed securities trade more volume on off-exchange markets than on exchange markets. Off-exchange orders do not generate quotes on public markets, do not interact with orders on public markets and consequently do not promote or contribute to price discovery to the same extent as do orders posted and executed on exchanges.[3] Economic studies from markets spanning the world conclude that as more orders migrate away from exchanges, the price discovery process weakens, trading spreads widen, and overall investor trading costs increase.[4] NASDAQ has been

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3 NASDAQ notes that a displayed order at the NBBO of an exchange, and the subsequent execution thereof, contributes significantly to price discovery because both the displayed order prior to execution, and the execution itself, provide a reference price to the market. Further, a non-displayed order on an exchange contributes to price discovery as it is part of the continuous auction on a market with publicly displayed orders and quotes - albeit the contribution of a non-displayed order on an exchange is less than the contribution of a displayed order on the exchange. A non-displayed order on an off-exchange venue contributes less to price discovery because it is resting in a less transparent trading venue that is not part of the continuous auction of a "lit" exchange.

4 See, e.g., Australian Securities and Investments Commission, Report 331 "Dark Liquidity and High-Frequency Trading" (March 2013) (available at: http://download.asic.gov.au/media/1344182/rep331-published-18-March-2013.pdf); see also International Organization of Securities Commissions, Technical Committee, Final Report "Principals for Dark Liquidity" (May 2011) (available at: http://www.iosco.org/library/pubdocs/pdf/IOSCOPD353.pdf).

an advocate for improvements to the market structure regulations that have enabled -- and even exacerbated -- this shift by failing to evolve as technological advances have transformed trading over the last decade. In the absence of market-wide regulatory changes, NASDAQ OMX, through its subsidiary exchanges including NASDAQ, has attempted multiple times and in multiple ways to improve market structure to the extent possible by a single player in an interconnected, multi-player ecosystem. While these programs have met mixed success, NASDAQ believes that each one makes an important contribution to the continued evolution of U.S. market structure by showing regulators and market participants potential paths to positive change.

Now, in response to assertions that the shift in trading away from public markets is caused by high exchange access fees, NASDAQ is proposing another market structure experiment: to significantly reduce access fees, and related credits in a select set of securities. As discussed below, NASDAQ believes that proposed changes may improve price discovery in the select securities. Perhaps more importantly, the experimental fee reduction will generate much-needed data about the impact of access fees on the level of off-exchange trading and, potentially, on price discovery, trading costs, displayed liquidity and execution quality as well. NASDAQ further believes that a data driven, empirically-based review of the impacts of fees and rebates on market quality is the sound and prudent method to drive the equity markets to the right conclusion. NASDAQ believes the proposal is a means to that end.

Specifically, NASDAQ is proposing to amend NASDAQ Rule 7018(a) by reducing the fee assessed for accessing liquidity, and also reducing the credits provided for adding liquidity, on NASDAQ in certain securities. The proposed reduced fees and credits will be provided in lieu of other fees and credits under the fee schedule.[5] Currently, NASDAQ assesses fees and provides credits under Rule 7018(a) in securities that trade at $1 or more based on the market on which it is listed.[6] Under each section of the rule, NASDAQ provides various tiers of fees and rebates based on a member's trading activity. NASDAQ is proposing to modify the fees and credits applicable to trading activity in fourteen equity securities, denoted in the proposed rule by their ticker symbols ("Select Symbols").[7] NASDAQ is also amending Rule 7014 to make clear that the fees and credits described in Rule 7014 do not apply to Select Symbols. The proposed change is a part of NASDAQ's continuing efforts to improve market quality.

Rule 610 of Regulation NMS generally limits the fees that any trading center[8] can charge for accessing the best bid and offer of an exchange to no more than $0.0030 per share; however, there is no limit on how low an access fee may be under the regulation. Most national securities exchanges operate what is commonly known as a "maker-taker"

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5 For example, through the Investor Support Program and Qualified Market Maker Program NASDAQ provides certain credits and reduced fees for member firms that improve the market significantly. See Rule 7014. NASDAQ notes that although the proposed new fees and credits are in lieu of other fees and credits, the trading activity in these securities will be accounted for in calculations of measures used to qualify for fees and credits under Rule 7018(a) applied to securities not in the proposed program (for example, Consolidated Volume as defined under Rule 7018(a)).

6 Namely, NASDAQ, The New York Stock Exchange, or other exchanges.

7 Each of the Select Symbol securities trade in excess of $1. NASDAQ notes that the proposed fees and credits applicable to the Select Symbols do not apply to participation in the NASDAQ Opening, Closing, and Halt Crosses.

8 "Trading Center" is defined by Regulation NMS as a national securities exchange or national securities association that operates an SRO trading facility, an alternative trading system, an exchange market maker, an OTC market maker, or any other broker or dealer that executes orders internally by trading as principal or crossing orders as agent. See 17 CFR 242.600(b)(78).

model of pricing, whereby a liquidity maker is provided with a rebate if its order is executed and a liquidity taker is assessed a fee for removing that liquidity. By using the maker-taker model, exchanges are able to provide an incentive to liquidity makers to expose their orders, supported by the fee paid by the liquidity taker.

Under Rule 7018(a), NASDAQ currently assesses a fee of $0.0030 per share executed for accessing liquidity on NASDAQ, and provides various credits under the rule for providing liquidity. NASDAQ is proposing to reduce the fees assessed for accessing liquidity on the Exchange in the Select Symbols in an effort to attract more liquidity to the Exchange in those securities and thereby improve the quality of the market in them on NASDAQ. In terms of the fee assessed for accessing all liquidity on NASDAQ, the Exchange proposes to lower the fee from $0.0030 to $0.0005 for the fourteen Select Symbols, which are comprised of securities listed on either NASDAQ or the New York Stock Exchange ("NYSE"). NASDAQ is proposing to reduce the access fee regardless of whether the liquidity removed is displayed or not.

Concurrent with lowering the fee assessed for removing liquidity from NASDAQ in the Select Symbols, NASDAQ is also proposing to reduce the credits provided for adding liquidity in them. Currently, NASDAQ provides various credits to member firms that provide displayed liquidity[9] based on various measures of the nature and consistency of the member firm's beneficial market activity.[10] The credits NASDAQ provides for

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9 Other than Supplemental Orders and Designated Retail Orders, which have separate credits and eligibility requirements.

10 For example, NASDAQ provides a credit of $0.00305 per share executed to member firms that have (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

displayed liquidity range from $0.0015 to $0.00305 per share executed. NASDAQ is proposing to reduce the credit provided to a member firm that provides displayed liquidity in the select securities to $0.0004 per share executed.

The Exchange also provides a credit to member firms that contribute non-displayed mid-point liquidity to NASDAQ. Like the credits provided for displayed liquidity, NASDAQ provides several credits to member firms that provide non-displayed midpoint liquidity based on the nature and consistency of the member firm's beneficial contribution to market quality. These credits NASDAQ provides for non-displayed midpoint liquidity range from $0.0010 to a credit of $0.0025 per share executed. NASDAQ notes that, while displayed liquidity provides the greatest contribution to market quality, non-displayed mid-point liquidity often provides liquidity takers with significant price improvement. Accordingly, NASDAQ provides an incentive to market participants to provide non-displayed midpoint liquidity, albeit at a levels generally lower than what is provided for displayed liquidity. NASDAQ is proposing to provide a credit to a member firm that provides non-displayed midpoint liquidity in the select securities of $0.0002 per share executed.

Lastly, NASDAQ provides credits that range from $0.0018 to $0.0000 per share executed for certain other non-displayed orders, including Supplemental Orders,[11] if that

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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. Consolidated Volume is defined under the rule as the total consolidated volume reported to all consolidated transaction reporting plans by all exchanges and trade reporting facilities during a month in equity securities, excluding executed orders with a size of less than one round lot. As such, to qualify for the credit a member firm must consistently contribute significantly toward improving price discovery.

11 As defined by Rule 4751(f)(14).

member firm contributes a significant level of non-displayed liquidity during the month. Under the proposal, NASDAQ will not provide a credit for other non-displayed orders in the Select Symbols.

NASDAQ notes that it may, from time to time, alter the securities that are included in the list of Select Symbols and will file the appropriate rule filing if such a chance is proposed. NASDAQ will consider the impact the pricing has had on market quality and off-exchange volume of existing Select Symbols, and will also consider similar factors when selecting securities to be added as Select Symbols.

b. Statutory Basis

NASDAQ believes that the proposed rule change is consistent with the provisions of Section 6 of the Act,[12] in general, and with Sections 6(b)(4) and 6(b)(5) of the Act,[13] 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 designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in securities, to remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general, to protect investors and the public interest; and is not designed to permit unfair discrimination between customers, issuers, brokers, or dealers.

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[12] 15 U.S.C. 78f.

[13] 15 U.S.C. 78f(b)(4) and (5).

NASDAQ believes that the proposed fee and credits for trading in the Select Symbols are reasonable and equitably allocated because they are designed to improve market quality in securities that currently trade significantly off-exchange. NASDAQ notes that the proposed access fee is significantly lower than the access fee assessed by NASDAQ for all equity securities trading above $1. Although access fees have been debated before Regulation NMS was adopted, these fees and related credits have recently been the subject of intense debate and part of the larger discussion on U.S. market structure. Many commenters have noted that the exchange's fee and rebate structures have become too complex, which has resulted in a significant number of market participants to direct order flow to venues other than exchanges. NASDAQ believes that orders interacting on "lit" exchanges provide the greatest contribution to price competition and transparency. Accordingly, NASDAQ is proposing to reduce the access fee significantly in certain securities that have greater than average off-exchange transactions, which it believes may attract order flow that is currently directed to off-exchange trading venues. As a consequence of the access fee reduction in these securities, NASDAQ is also generally reducing the credit provided to liquidity makers for providing liquidity in the Select Symbols. As noted above, exchanges using the maker-taker model use, in part, the access fee assessed the liquidity taker to cover the credit provided to the liquidity maker. As such, NASDAQ believes that it reasonable to reduce the credits provided to liquidity makers in the Select Symbols given the reduction in the fee assessed liquidity takers. The Exchange notes that the credits provided for adding liquidity in the Select Symbols are tiered to provide the greatest credit to liquidity makers that provide the most beneficial liquidity. NASDAQ believes that providing such tiered credits is reasonable and an equitable allocation of the credit because doing so is consistent with the current structure under the rule, whereby member firms that provide displayed liquidity are generally provided the greatest credit and those that provide non-displayed liquidity receive the lowest.

NASDAQ believes that the proposed changes are not unfairly discriminatory because they will apply uniformly to all member firms that trade in the Select Symbols. Moreover, applying the reduced access fee to the Select Symbols is not unfairly discriminatory because the Exchange seeks to provide incentive to member firms to direct order flow away from off-exchange venues and on to NASDAQ. NASDAQ notes that it is also reducing the credits provided to liquidity makers in the Select Symbols, which will offset the reduced fee received by NASDAQ from liquidity takers. As such, liquidity makers will continue to be rewarded for providing liquidity to NASDAQ, while liquidity takers will continue to be assessed a fee for removing liquidity. Lastly, NASDAQ is continuing its practice of providing greater credits to liquidity makers that provide liquidity that contributes most to price discovery.

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.[14] NASDAQ notes that it operates in a highly competitive market in which market participants can readily favor competing venues if they deem fee levels at a particular venue to be excessive, or rebate opportunities available at other venues to be more favorable. In such an environment, NASDAQ must continually adjust its fees to

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14 15 U.S.C. 78f(b)(8).

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, NASDAQ is making a significant reduction in the access fee assessed for removing liquidity in the Select Symbols. NASDAQ's goal in doing so is to attract liquidity to NASDAQ in these securities, thereby improving the level of price discovery. NASDAQ does not believe that the proposed changes will serve as a burden on competition in any way, but rather may promote competition among exchanges in the fees assessed and credits provided in the Select Symbols. Moreover, the proposed changes are reflective of the competition that exists between exchanges and off-exchange venues that are subject to lesser regulatory burdens than the exchanges, including transparency. Lastly, the proposed changes are designed to benefit market quality and ultimately, price competition among market participants on the Exchange.

In sum, if the changes proposed herein are unattractive to market participants, it is likely that NASDAQ will lose market share as a result. To the extent the proposed changes are effective at attracting order flow to the Exchange, the changes will promote competition among exchanges and other trading venues. Accordingly, NASDAQ does not believe that the proposed changes will unnecessarily impair the ability of members or other order execution venues to compete 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,[15] 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.

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

EXHIBIT 1

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34- ; File No. SR-NASDAQ-2014-128)

Self-Regulatory Organizations; The NASDAQ Stock Market LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Amend NASDAQ Rules 7014 and 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 December 19, 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 lower access fees in order to attract more investor orders to the public markets. In response to claims that public markets are too expensive, NASDAQ is proposing to amend Rule 7018(a) to lower execution fees for a select group of securities where access fees may be discouraging the use of public markets. NASDAQ believes that the data generated by this experimental approach will contribute to the on-going debate on the structure of U.S. markets. NASDAQ is also making clarifying changes to Rule 7014.

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

2 17 CFR 240.19b-4.

While the changes proposed herein are effective upon filing, the Exchange has designated that the amendments be operative on February 2, 2015. The text of the proposed rule change is available at nasdaq.cchwallstreet.com at NASDAQ's principal office, 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, 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

Hundreds of exchange-listed securities trade more volume on off-exchange markets than on exchange markets. Off-exchange orders do not generate quotes on public markets, do not interact with orders on public markets and consequently do not promote or contribute to price discovery to the same extent as do orders posted and executed on exchanges.[3] Economic studies from markets spanning the world conclude

[3] NASDAQ notes that a displayed order at the NBBO of an exchange, and the subsequent execution thereof, contributes significantly to price discovery because both the displayed order prior to execution, and the execution itself, provide a reference price to the market. Further, a non-displayed order on an exchange contributes to price discovery as it is part of the continuous auction on a market with publicly displayed orders and quotes - albeit the contribution of a non-displayed order on an exchange is less than the contribution of a displayed order on the exchange. A non-displayed order on an off-exchange venue contributes less to price discovery because it is resting in a less transparent trading venue that is not part of the continuous auction of a "lit" exchange.

that as more orders migrate away from exchanges, the price discovery process weakens, trading spreads widen, and overall investor trading costs increase.[4] NASDAQ has been an advocate for improvements to the market structure regulations that have enabled -- and even exacerbated -- this shift by failing to evolve as technological advances have transformed trading over the last decade. In the absence of market-wide regulatory changes, NASDAQ OMX, through its subsidiary exchanges including NASDAQ, has attempted multiple times and in multiple ways to improve market structure to the extent possible by a single player in an interconnected, multi-player ecosystem. While these programs have met mixed success, NASDAQ believes that each one makes an important contribution to the continued evolution of U.S. market structure by showing regulators and market participants potential paths to positive change.

Now, in response to assertions that the shift in trading away from public markets is caused by high exchange access fees, NASDAQ is proposing another market structure experiment: to significantly reduce access fees, and related credits in a select set of securities. As discussed below, NASDAQ believes that proposed changes may improve price discovery in the select securities. Perhaps more importantly, the experimental fee reduction will generate much-needed data about the impact of access fees on the level of off-exchange trading and, potentially, on price discovery, trading costs, displayed liquidity and execution quality as well. NASDAQ further believes that a data driven, empirically-based review of the impacts of fees and rebates on market quality is the

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4 See, e.g., Australian Securities and Investments Commission, Report 331 "Dark Liquidity and High-Frequency Trading" (March 2013) (available at: http://download.asic.gov.au/media/1344182/rep331-published-18-March-2013.pdf); see also International Organization of Securities Commissions, Technical Committee, Final Report "Principals for Dark Liquidity" (May 2011) (available at: http://www.iosco.org/library/pubdocs/pdf/IOSCOPD353.pdf).

sound and prudent method to drive the equity markets to the right conclusion. NASDAQ believes the proposal is a means to that end.

Specifically, NASDAQ is proposing to amend NASDAQ Rule 7018(a) by reducing the fee assessed for accessing liquidity, and also reducing the credits provided for adding liquidity, on NASDAQ in certain securities. The proposed reduced fees and credits will be provided in lieu of other fees and credits under the fee schedule.[5] Currently, NASDAQ assesses fees and provides credits under Rule 7018(a) in securities that trade at $1 or more based on the market on which it is listed.[6] Under each section of the rule, NASDAQ provides various tiers of fees and rebates based on a member's trading activity. NASDAQ is proposing to modify the fees and credits applicable to trading activity in fourteen equity securities, denoted in the proposed rule by their ticker symbols ("Select Symbols").[7] NASDAQ is also amending Rule 7014 to make clear that the fees and credits described in Rule 7014 do not apply to Select Symbols. The proposed change is a part of NASDAQ's continuing efforts to improve market quality.

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5 For example, through the Investor Support Program and Qualified Market Maker Program NASDAQ provides certain credits and reduced fees for member firms that improve the market significantly. See Rule 7014. NASDAQ notes that although the proposed new fees and credits are in lieu of other fees and credits, the trading activity in these securities will be accounted for in calculations of measures used to qualify for fees and credits under Rule 7018(a) applied to securities not in the proposed program (for example, Consolidated Volume as defined under Rule 7018(a)).

6 Namely, NASDAQ, The New York Stock Exchange, or other exchanges.

7 Each of the Select Symbol securities trade in excess of $1. NASDAQ notes that the proposed fees and credits applicable to the Select Symbols do not apply to participation in the NASDAQ Opening, Closing, and Halt Crosses.

Rule 610 of Regulation NMS generally limits the fees that any trading center[8] can charge for accessing the best bid and offer of an exchange to no more than $0.0030 per share; however, there is no limit on how low an access fee may be under the regulation. Most national securities exchanges operate what is commonly known as a “maker-taker” model of pricing, whereby a liquidity maker is provided with a rebate if its order is executed and a liquidity taker is assessed a fee for removing that liquidity. By using the maker-taker model, exchanges are able to provide an incentive to liquidity makers to expose their orders, supported by the fee paid by the liquidity taker.

Under Rule 7018(a), NASDAQ currently assesses a fee of $0.0030 per share executed for accessing liquidity on NASDAQ, and provides various credits under the rule for providing liquidity. NASDAQ is proposing to reduce the fees assessed for accessing liquidity on the Exchange in the Select Symbols in an effort to attract more liquidity to the Exchange in those securities and thereby improve the quality of the market in them on NASDAQ. In terms of the fee assessed for accessing all liquidity on NASDAQ, the Exchange proposes to lower the fee from $0.0030 to $0.0005 for the fourteen Select Symbols, which are comprised of securities listed on either NASDAQ or the New York Stock Exchange (“NYSE”). NASDAQ is proposing to reduce the access fee regardless of whether the liquidity removed is displayed or not.

Concurrent with lowering the fee assessed for removing liquidity from NASDAQ in the Select Symbols, NASDAQ is also proposing to reduce the credits provided for

8 “Trading Center” is defined by Regulation NMS as a national securities exchange or national securities association that operates an SRO trading facility, an alternative trading system, an exchange market maker, an OTC market maker, or any other broker or dealer that executes orders internally by trading as principal or crossing orders as agent. See 17 CFR 242.600(b)(78).

adding liquidity in them. Currently, NASDAQ provides various credits to member firms that provide displayed liquidity[9] based on various measures of the nature and consistency of the member firm's beneficial market activity.[10] The credits NASDAQ provides for displayed liquidity range from $0.0015 to $0.00305 per share executed. NASDAQ is proposing to reduce the credit provided to a member firm that provides displayed liquidity in the select securities to $0.0004 per share executed.

The Exchange also provides a credit to member firms that contribute non-displayed mid-point liquidity to NASDAQ. Like the credits provided for displayed liquidity, NASDAQ provides several credits to member firms that provide non-displayed midpoint liquidity based on the nature and consistency of the member firm's beneficial contribution to market quality. These credits NASDAQ provides for non-displayed midpoint liquidity range from $0.0010 to a credit of $0.0025 per share executed. NASDAQ notes that, while displayed liquidity provides the greatest contribution to market quality, non-displayed mid-point liquidity often provides liquidity takers with significant price improvement. Accordingly, NASDAQ provides an incentive to market

9 Other than Supplemental Orders and Designated Retail Orders, which have separate credits and eligibility requirements.

10 For example, NASDAQ provides a credit of $0.00305 per share executed to member firms that have (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. Consolidated Volume is defined under the rule as the total consolidated volume reported to all consolidated transaction reporting plans by all exchanges and trade reporting facilities during a month in equity securities, excluding executed orders with a size of less than one round lot. As such, to qualify for the credit a member firm must consistently contribute significantly toward improving price discovery.

participants to provide non-displayed midpoint liquidity, albeit at a levels generally lower than what is provided for displayed liquidity. NASDAQ is proposing to provide a credit to a member firm that provides non-displayed midpoint liquidity in the select securities of $0.0002 per share executed.

Lastly, NASDAQ provides credits that range from $0.0018 to $0.0000 per share executed for certain other non-displayed orders, including Supplemental Orders,[11] if that member firm contributes a significant level of non-displayed liquidity during the month. Under the proposal, NASDAQ will not provide a credit for other non-displayed orders in the Select Symbols.

NASDAQ notes that it may, from time to time, alter the securities that are included in the list of Select Symbols and will file the appropriate rule filing if such a chance is proposed. NASDAQ will consider the impact the pricing has had on market quality and off-exchange volume of existing Select Symbols, and will also consider similar factors when selecting securities to be added as Select Symbols.

2. Statutory Basis

NASDAQ believes that the proposed rule change is consistent with the provisions of Section 6 of the Act,[12] in general, and with Sections 6(b)(4) and 6(b)(5) of the Act,[13] 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 designed to prevent fraudulent and

11 As defined by Rule 4751(f)(14).

12 15 U.S.C. 78f.

13 15 U.S.C. 78f(b)(4) and (5).

manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in securities, to remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general, to protect investors and the public interest; and is not designed to permit unfair discrimination between customers, issuers, brokers, or dealers.

NASDAQ believes that the proposed fee and credits for trading in the Select Symbols are reasonable and equitably allocated because they are designed to improve market quality in securities that currently trade significantly off-exchange. NASDAQ notes that the proposed access fee is significantly lower than the access fee assessed by NASDAQ for all equity securities trading above $1. Although access fees have been debated before Regulation NMS was adopted, these fees and related credits have recently been the subject of intense debate and part of the larger discussion on U.S. market structure. Many commenters have noted that the exchange's fee and rebate structures have become too complex, which has resulted in a significant number of market participants to direct order flow to venues other than exchanges. NASDAQ believes that orders interacting on "lit" exchanges provide the greatest contribution to price competition and transparency. Accordingly, NASDAQ is proposing to reduce the access fee significantly in certain securities that have greater than average off-exchange transactions, which it believes may attract order flow that is currently directed to off-exchange trading venues. As a consequence of the access fee reduction in these securities, NASDAQ is also generally reducing the credit provided to liquidity makers for providing liquidity in the Select Symbols. As noted above, exchanges using the maker-taker model use, in part, the access fee assessed the liquidity taker to cover the credit provided to the liquidity maker. As such, NASDAQ believes that it reasonable to reduce the credits provided to liquidity makers in the Select Symbols given the reduction in the fee assessed liquidity takers. The Exchange notes that the credits provided for adding liquidity in the Select Symbols are tiered to provide the greatest credit to liquidity makers that provide the most beneficial liquidity. NASDAQ believes that providing such tiered credits is reasonable and an equitable allocation of the credit because doing so is consistent with the current structure under the rule, whereby member firms that provide displayed liquidity are generally provided the greatest credit and those that provide non-displayed liquidity receive the lowest.

NASDAQ believes that the proposed changes are not unfairly discriminatory because they will apply uniformly to all member firms that trade in the Select Symbols. Moreover, applying the reduced access fee to the Select Symbols is not unfairly discriminatory because the Exchange seeks to provide incentive to member firms to direct order flow away from off-exchange venues and on to NASDAQ. NASDAQ notes that it is also reducing the credits provided to liquidity makers in the Select Symbols, which will offset the reduced fee received by NASDAQ from liquidity takers. As such, liquidity makers will continue to be rewarded for providing liquidity to NASDAQ, while liquidity takers will continue to be assessed a fee for removing liquidity. Lastly, NASDAQ is continuing its practice of providing greater credits to liquidity makers that provide liquidity that contributes most to price discovery.

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

NASDAQ does not believe that the proposed rule changes will result in any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act, as amended.[14] NASDAQ notes that it operates in a highly competitive market in which market participants can readily favor competing venues if they deem fee levels at a particular venue to be excessive, or rebate opportunities available at other venues to be more favorable. In such an environment, NASDAQ must continually adjust its fees to remain competitive with other exchanges and with alternative trading systems that have been exempted from compliance with 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, NASDAQ is making a significant reduction in the access fee assessed for removing liquidity in the Select Symbols. NASDAQ's goal in doing so is to attract liquidity to NASDAQ in these securities, thereby improving the level of price discovery. NASDAQ does not believe that the proposed changes will serve as a burden on competition in any way, but rather may promote competition among exchanges in the fees assessed and credits provided in the Select Symbols. Moreover, the proposed changes are reflective of the competition that exists between exchanges and off-exchange venues that are subject to lesser regulatory burdens than the exchanges, including transparency. Lastly, the proposed changes are designed to benefit market quality and ultimately, price competition among market participants on the Exchange.

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[14] 15 U.S.C. 78f(b)(8).

In sum, if the changes proposed herein are unattractive to market participants, it is likely that NASDAQ will lose market share as a result. To the extent the proposed changes are effective at attracting order flow to the Exchange, the changes will promote competition among exchanges and other trading venues. Accordingly, NASDAQ does not believe that the proposed changes will unnecessarily impair the ability of members or other order execution venues to compete 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)(ii) of the Act[15]. At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act.

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

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

- Send an e-mail to rule-comments@sec.gov. Please include File Number SR-NASDAQ-2014-128 on the subject line.

  Paper comments:

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

All submissions should refer to File Number SR-NASDAQ-2014-128. 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-2014-128, and should be submitted on or before [insert date 21 days from publication in the Federal Register].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.[16]

Kevin M. O'Neill
Deputy Secretary

16 17 CFR 200.30-3(a)(12).

EXHIBIT 5

The text of the proposed rule change is below. Proposed new language is underlined.

* * * * *

7014. Market Quality Incentive Programs
Investor Support Program

(a) No change.

(b) Subject to the conditions set forth in section (c) of this Rule, Nasdaq shall issue to the member a monthly ISP credit, which shall be determined by multiplying $0.00005, $0.0001, or $0.0002 by the number of shares of displayed liquidity to which a particular rate applies, as described below. <u>The credit does not apply to Select Symbol securities listed under Rule 7018(a)(4).</u>

Except as provided in Rule 7014(e) and (f), an ISP credit issued under this Rule will be in addition to (and will not replace) any other credit or rebate for which a member may qualify.

(c) No change.

Qualified Market Maker ("QMM") Program

(d) No change.

(e) The following pricing incentives will be provided to a member that is a QMM with respect to a particular MPID (a "QMM MPID"):

> (1) NASDAQ will provide an additional rebate of $0.0002 per share executed with respect to orders that are executed at a price of $1 or more and (A) displayed a quantity of at least one round lot at the time of execution; (B) either established the NBBO or was the first order posted on Nasdaq that had the same price as an order posted at another trading center with a protected quotation that established the NBBO; (C) were entered through a QMM MPID; and (4) that no additional rebate will be issued with respect to Designated Retail Orders (as defined in Rule 7018). However, if a QMM also participates in the ISP, NASDAQ will pay the greater of any applicable credit under the ISP or the above listed additional rebate, but not both. <u>The rebate does not apply to Select Symbol securities listed under Rule 7018(a)(4).</u>
>
> (2) NASDAQ will provide a credit of $0.0001 per share executed with respect to all other displayed orders (other than Designated Retail Orders, as defined in Rule 7018) in securities priced at $1 or more per share that provide liquidity and that are entered through a QMM MPID. Such credit will be in addition to any credit payable under Rule 7018. However, if a QMM also participates in the ISP, NASDAQ will pay the greater of any applicable credit under the ISP or the QMM program, but not a credit

under both programs. The credit does not apply to Select Symbol securities listed under Rule 7018(a)(4).

(3) NASDAQ will charge a fee of $0.0030 per share executed for orders in NASDAQ-listed securities priced at $1 or more per share that access liquidity on the NASDAQ Market Center and that are entered through a QMM MPID, and charge a fee of $0.00295 per share executed for orders in securities listed on exchanges other than NASDAQ priced at $1 or more per share that access liquidity on the NASDAQ Market Center and that are entered through a QMM MPID; provided, however, that after the first month in which an MPID becomes a QMM MPID, the QMM's volume of liquidity added, provided, and/or routed through the QMM MPID during the month (as a percentage of Consolidated Volume) is not less than 0.05% lower than the volume of liquidity added, provided, and/or routed through such QMM MPID during the first month in which the MPID qualified as a QMM MPID (as a percentage of Consolidated Volume). The fees of this rule do not apply to Select Symbol securities listed under Rule 7018(a)(4).

(f) – (i) No change.

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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 in equity securities, 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) – (3) No change.

(4) Fees and Credits for Execution of Orders in Select Symbols

In lieu of the fees and credits provided in paragraphs (1) through (3) above, NASDAQ will assess the following fees, and provide the following credits, to members for the securities listed below:

Fees to Remove Liquidity:	$0.0005
Credit for Adding Displayed Liquidity:	$0.0004

Credit for Adding Non-Displayed Midpoint:	$0.0002
Credit for Adding Other Non-Displayed Liquidity:	$0.0000

The Select Symbols to which the above fees and credits apply are: AAL, AVNR, BAC, FEYE, GE, GPRO, GRPN, KMI, RAD, RIG, S, SIRI, TWTR, and ZNGA.

(b) – (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.

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