| OMB APPROVAL |
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| OMB Number: 3235-0045<br>Estimated average burden<br>hours per response............38 |

*Required fields are shown with yellow backgrounds and asterisks.*



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

File No.* SR - 2015 - * 032
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 *).

Proposed changes to NASDAQ Rules 7014 and 7018.

**Contact Information**

Provide the name, telephone number, and e-mail address of the person on the staff of the self-regulatory organization prepared to respond to questions and comments on the action.

First Name * Sean Last Name * Bennett
Title * Associate General Counsel
E-mail * sean.bennett@nasdaq.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 04/01/2015
By Edward S. Knight
(Name *)

(Title *)
Executive Vice President and General Counsel

edward.knight@nasdaq.com

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.

*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.

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| **Form 19b-4 Information *** <br> 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 *** <br> 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 *** <br> 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** <br> Add Remove View <br> 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** <br> Add Remove View <br> 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** <br> 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** <br> 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** <br> Add Remove View | If the self-regulatory organization is amending only part of the text of a lengthy proposed rule change, it may, with the Commission's permission, file only those portions of the text of the proposed rule change in which changes are being made if the filing (i.e. partial amendment) is clearly understandable on its face. Such partial amendment shall be clearly identified and marked to show deletions and additions. |

1. Text of Proposed Rule Change

(a) Pursuant to the provisions of Section 19(b)(1) under the Securities Exchange Act of 1934 ("Act")[1] and Rule 19b-4 thereunder,[2] The NASDAQ Stock Market LLC ("NASDAQ" or "Exchange") is filing with the Securities and Exchange Commission ("Commission") proposed changes to the Qualified Market Maker ("QMM") Incentive Program under Rule 7014, and the qualification requirements for certain fees relating to Market-on-Close and/or Limit-on-Close orders under Rule 7018(a).

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 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 T. Sean Bennett, Associate General Counsel, NASDAQ at (301) 978-8493 (telephone).

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

2 17 CFR 240.19b-4.

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

a. Purpose

NASDAQ is proposing to amend Rule 7014(d), which provides the qualification criteria for designation as a QMM under the QMM incentive program, to limit qualification to registered NASDAQ market makers ("Market Makers"). Currently, a QMM may be, but is not required to be, a Market Maker in any security.[3] The QMM program provides incentives to a member firm to make a significant contribution to market quality by providing liquidity at the NBBO in a large number of stocks for a significant portion of the day. In addition, the member must avoid imposing the burdens on NASDAQ and its market participants that may be associated with excessive rates of entry of orders away from the inside and/or order cancellation. The Exchange notes that the program, to date, has been used very little by member firms that are not Market Makers, and only Market Makers use the program at this time. Accordingly, the Exchange is proposing to amend Rule 7014(d)(3) to limit the program to Market Makers. The Exchange is also deleting the current qualification criteria under Rule 7014(d)(3) that requires a member firm to have liquidity provided in all securities through one of its NASDAQ Market Center MPIDs that represent 0.30% of Consolidated Volume during the month. The Exchange notes that the Consolidated Volume requirement is superfluous given that it is adopting Consolidated Volume eligibility criteria for the credits under the QMM program, and is adding an absolute Consolidated Volume

[3] Thus, the QMM designation does not by itself impose a two-sided quotation obligation or convey any of the benefits associated with being a registered market maker.

eligibility criteria to receive the reduced removal rate under the program, as discussed below.

NASDAQ is amending Rule 7014(e), which sets forth the criteria required to receive the benefits of the program, to move the two credits provided under subparagraphs (1) and (2) provided for executions in securities listed on The New York Stock Exchange (“NYSE”) (“Tape A”) and securities listed on exchanges other than NASDAQ and NYSE (“Tape B”) to a table format directly under Rule 7014(e). NASDAQ is also modifying the criteria a QMM must meet to receive the two tiers of credits under the rule. Currently, NASDAQ provides a rebate of $0.0002 per share executed (in addition to other credits received under Rule 7018(a)) 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; (D) were for securities listed on NYSE or securities listed on exchanges other than NASDAQ and NYSE and (E) that no additional rebate will be issued with respect to Designated Retail Orders (as defined in Rule 7018). NASDAQ is proposing to replace these requirements with a new requirement that a QMM execute shares of liquidity provided in all securities through one or more of its NASDAQ Market Center MPIDs that represent greater than 0.90% of Consolidated Volume during the month. The Exchange is replacing the current requirements, which provide the QMM with an incentive to provide displayed liquidity that sets the NBBO on NASDAQ, with a new requirement to provide a significant level Consolidated Volume in all securities through one or more of its MPIDs. Consolidated Volume is defined by Rule 7018(a) 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.[4] The Exchange believes that tying the rebate to the provision of greater overall volume will provide an increased impact to improving market quality over the current NBBO-based criteria.

Similarly, the Exchange is proposing to modify the requirements to receive a rebate of $0.0001 per share executed under Rule 7014(e)(2). Currently, a QMM will receive the rebate 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 that are entered through a QMM MPID in Tape A or B securities. The Exchange is proposing to now require that a QMM execute shares of liquidity provided in all securities through one or more of its Nasdaq Market Center MPIDs that represent from 0.70% up to and including 0.90% of Consolidated Volume during the month. The Exchange believes that tying the rebate to the provision of greater overall volume will provide an increased impact to improving market quality over the current requirement that the orders are displayed and provide liquidity.

As a consequence of moving and modifying the criteria of Rules 7014(e)(1) and (2), NASDAQ is moving certain rule text concerning the type of securities that the rule applies to, and certain exclusions from the program, from subparagraphs (1) and (2) to the first paragraph of Rule 7014(e). As noted above, NASDAQ is placing the two credits

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4 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.

provided under subparagraphs (1) and (2) in a table format and, consequently, is deleting those subparagraphs. NASDAQ is moving language, which is repeated in both subparagraphs, that notes the credits provided apply to securities priced at $1 or more per share to the new table under Rule 7014(e) where the two credits are now located. The Exchange is also moving text that concerns exclusion of Designated Retail Orders from subparagraphs (1) and (2) to directly above the new table under Rule 7014(e).

NASDAQ is proposing to amend the criteria under Rule 7014(e)(3)[5] required to receive the reduced remove rate fee of $0.00295 per share executed under the rule in Tape A and B securities priced at $1 or more for shares executed via its QMM MPID. Currently, NASDAQ will charge a fee of $0.0030 per share executed for orders in securities listed on NASDAQ ("Tape C") priced at $1 or more per share that access liquidity on the NASDAQ Market Center and that are entered through a QMM MPID, and charges a fee of $0.00295 per share executed for orders in Tape A or B securities 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) must not be 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). NASDAQ is proposing to eliminate the current Consolidated Volume requirement, which

5 In light of the deletions of the other subparagraphs under Rule 7014(e), NASDAQ is deleting the subparagraph (3) designation under the rule and keeping the rule text directly under Rule 7014(e).

relates to the first month in which an MPID qualified as a QMM MPID, and now require that the QMM executes shares of liquidity provided in all securities through one or more of its NASDAQ Market Center MPIDs of 0.80% or more of Consolidated Volume during the month. The Exchange believes that the changes will tie receipt of the reduced removal fee in Tape A and B securities to a more meaningful measure of market-improvement. Decoupling the measure from the QMM's first month QMM Consolidated Volume will ensure that all QMMs meet a minimum standard that is uniform. Increasing the Consolidated Volume required to receive the fee will provide incentive to QMMs to provide greater market-improving participation in return for the benefit.

The Exchange is also proposing to increase the level of Consolidated Volume that a member firm must have in Market-on-Close and/or Limit-on-Close orders during the month in order to qualify for fees to remove liquidity in securities executed at or above $1 under Rule 7018(a)(1), (2) and (3). Currently, NASDAQ assesses a fee for member firms that qualify based on their Market-on-Close and/or Limit-on-Close order participation in the Closing Cross of $0.0030 per share executed in Tape C securities under Rule 7018(a)(1), and fees of $0.00295 per share executed in Tape A and B securities under Rules 7018(a)(2) and (3), respectively. To qualify under each of the rules, a member firm must have Market-on-Close and/or Limit-on-Close orders executed in the NASDAQ Closing Cross, entered through a single NASDAQ Market Center market participant identifier, that represent more than 0.06% of Consolidated Volume during the month. The Exchange is proposing to increase the minimum level of Consolidated Volume required under each of the rules to 0.15%.

b. Statutory Basis

NASDAQ believes that the proposed rule change is consistent with the provisions of Section 6 of the Act,[6] in general, and with Sections 6(b)(4) and 6(b)(5) of the Act,[7] in particular, in that it provides for the equitable allocation of reasonable dues, fees and other charges among members and issuers and other persons using any facility or system which NASDAQ operates or controls, and is not designed to permit unfair discrimination between customers, issuers, brokers, or dealers.

NASDAQ believes that the proposed changes to the QMM program in NASDAQ Rule 7014(d)(3) is reasonable and will not discriminate unfairly because they refine the program to focus on market participants who currently use the program. As discussed above, Market Makers have provided the vast majority of participation in the program and are currently the only market participant utilizing the program. Accordingly, restricting the program to Market Makers will not result in a material change in who participates in the program. Additionally, Market Makers have both obligations to the market and regulatory requirements that normally do not apply to other market participants. As such, the Exchange believes that providing additional incentives to Market Makers to provide liquidity for the benefit of all investors and other market participants is reasonable and not unfairly discriminatory. The proposed modifications to the QMM program recognize the benefits of increased Market Maker participation and the Exchange believes that this proposal will improve displayed liquidity, and thus the execution quality overall on the Exchange. Moreover, the Exchange believes that

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6 15 U.S.C. 78f.

7 15 U.S.C. 78f(b)(4) and (5).

eliminating the current Consolidated Volume requirement is reasonable and not unfairly discriminatory because it will become superfluous in light of additional requirements based on Consolidated Volume that are also being proposed herein. For the same reasons noted above, limiting eligibility in the program to Market Makers and eliminating the Consolidated Volume requirement under Rule 7014(d)(3) is an equitable allocation of the fees and credits provided by the program. In this regard, no current participants in the program will be excluded from being eligible to participate after the proposed change is effective, and applying the current Consolidated Volume criteria will have no significance in light of the proposed changes to the specific fees and credits under the program.

The Exchange believes that the proposed changes to Rule 7014(e) are reasonable and not unfairly discriminatory because they impose stricter requirements on Market Makers to receive the benefits of the program, which will be applied uniformly to all Market Makers that are eligible to participate in the QMM program. With regard to the $0.0002 rebate provided in Tape A and B securities, the Exchange is eliminating the NBBO-based criteria and tying the rebate to greater overall volume, which the Exchange believes will provide a greater impact to improving overall market quality because the economic benefits provided to the Market Maker are more certain and therefore provide the Market Maker a means to more aggressively provide displayed liquidity to the Exchange for the benefit of all market participants. In this regard, the Exchange notes that Market Makers must provide more than 0.90% of Consolidated Volume during the month, which is a significant level participation in the market. Similarly, NASDAQ is proposing a significant level of Consolidated Volume to receive the $0.0001 rebate under the rule, which currently only requires that the QMM participant provide displayed liquidity. The Exchange believes that it is reasonable and not unfairly discriminatory to impose stricter criteria designed to improve market quality in return for the credit NASDAQ elects to provide. NASDAQ also believes that the proposed changes to the eligibility requirements for the reduced removal fee in Tape A and B securities of $0.00295 per share executed are reasonable and not unfairly discriminatory because they increase the level of Consolidated Volume required, which will be an absolute requirement and not tied to historical levels of Consolidated Volume, thereby increasing the level of market improvement necessary to receive the reduced rate. As an absolute requirement, the Consolidated Volume requirement will apply uniformly to all Market Makers eligible to participate in the program. The Exchange believes that the proposed changes to the eligibility requirements under Rule 7014(e) are an equitable allocation because NASDAQ will provide the same rebates and fees to all Market Makers that qualify under the rule.

Lastly, NASDAQ notes that Market Makers serve an important role on the Exchange with regard to order interaction and provide continuous, passive liquidity in the marketplace. Additionally, Market Makers incur costs unlike the majority of other market participants including, but not limited to, their own infrastructure and other technology costs associated with market making activities. Consequently, the proposed differentiation between Market Makers and other market participants recognizes the differing contributions made to the quality of the market on the Exchange by Market Makers and the heightened regulatory requirements and costs associated with being a Market Maker. In brief, the Exchange believes that the proposed changes to the QMM program further incentives registered Market Makers to provide liquidity improves market qualify, furthers the price discovery process and benefits investors.

The Exchange believes that the proposed changes to the level of Consolidated Volume in Market-on-Close and/or Limit-on-Close order participation in the Closing Cross required to receive the fees for orders that remove liquidity under Rules 7018(a)(1), (2), and (3) are reasonable and not unfairly discriminatory because they represent an increase in the level of market-improving Consolidated Volume contributed to the Closing Cross. NASDAQ provides discounted fees in Market-on-Close and/or Limit-on-Close orders in Tape A and B securities to provide incentives to member firms to provide liquidity in the closing process. NASDAQ is increasing the Consolidated Volume requirement to better align the discounted remove fees with members that use the closing cross process more regulatory over alternatives and also access liquidity more frequently on the Exchange as opposed to other members. Nonetheless, NASDAQ believes that it is reasonable and not unfairly discriminatory to change the eligibility criteria so that it mirrors the eligibility criteria of the related fees under Rules 7018(a)(2) and (3). Lastly, the Exchange believes that the proposed changes to the rules are an equitable allocation of the fees because the fee is provided uniformly to all member firms that qualify for the fees and all member firms have an equal opportunity to earn the discounted fee for accessing liquidity.

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.[8] 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 or even non-existent. In this instance, the changes to eligibility criteria required to receive credits and reduced fees under the QMM program do not impose a burden on competition because the incentive program remains in place, still offers economically advantageous credits and reduced fees, and is reflective of the need for exchanges to offer, and to let, the financial incentives to attract order flow evolve. While the Exchange does not believe that the proposed changes to the QMM program will result in any burden on competition, if the changes proposed herein are unattractive to market participants it is likely that NASDAQ will lose market share as a result. Similarly, the proposed changes to the eligibility criteria for remove fees under Rule 7018(a) based on Market-on-Close and/or Limit-on-Close order participation in the Closing Cross are designed to increase participation in the Closing Cross by setting the minimum level of Consolidated Volume eligibility criteria higher, thereby improving the market at the market close. To the extent the qualification criteria is too onerous or unattractive to

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

market participants, NASDAQ will likely lose order flow and participation in the Closing Cross as a result.

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,[9] 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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9 15 U.S.C. 78s(b)(3)(A)(ii).

**EXHIBIT 1**

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34- ; File No. SR-NASDAQ-2015-032)

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 April 1, 2015, 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 changes to the Qualified Market Maker ("QMM") Incentive Program under Rule 7014, and the qualification requirements for certain fees relating to Market-on-Close and/or Limit-on-Close orders under Rule 7018(a).

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

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

2 17 CFR 240.19b-4.

received on the proposed rule change. The text of those statements may be examined at the places specified in Item IV below. The Exchange has prepared summaries, set forth in sections A, B, and C below, of the most significant parts of such statements.

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

1. Purpose

NASDAQ is proposing to amend Rule 7014(d), which provides the qualification criteria for designation as a Qualified Market Maker ("QMM") under the QMM incentive program, to limit qualification to registered NASDAQ market makers ("Market Makers"). Currently, a QMM may be, but is not required to be, a Market Maker in any security.[3] The QMM program provides incentives to a member firm to make a significant contribution to market quality by providing liquidity at the NBBO in a large number of stocks for a significant portion of the day. In addition, the member must avoid imposing the burdens on NASDAQ and its market participants that may be associated with excessive rates of entry of orders away from the inside and/or order cancellation. The Exchange notes that the program, to date, has been used very little by member firms that are not Market Makers, and only Market Makers use the program at this time. Accordingly, the Exchange is proposing to amend Rule 7014(d)(3) to limit the program to Market Makers. The Exchange is also deleting the current qualification criteria under Rule 7014(d)(3) that requires a member firm to have liquidity provided in all securities through one of its NASDAQ Market Center MPIDs that represent 0.30% of Consolidated Volume during the month. The Exchange notes that the Consolidated Volume

[3] Thus, the QMM designation does not by itself impose a two-sided quotation obligation or convey any of the benefits associated with being a registered market maker.

requirement is superfluous given that it is adopting Consolidated Volume eligibility criteria for the credits under the QMM program, and is adding an absolute Consolidated Volume eligibility criteria to receive the reduced removal rate under the program, as discussed below.

NASDAQ is amending Rule 7014(e), which sets forth the criteria required to receive the benefits of the program, to move the two credits provided under subparagraphs (1) and (2) provided for executions in securities listed on NYSE ("Tape A") and securities listed on exchanges other than NASDAQ and NYSE ("Tape B") to a table format directly under Rule 7014(e). NASDAQ is also modifying the criteria a QMM must meet to receive the two tiers of credits under the rule. Currently, NASDAQ provides a rebate of $0.0002 per share executed (in addition to other credits received under Rule 7018(a)) 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; (D) were for securities listed on NYSE or securities listed on exchanges other than NASDAQ and NYSE and (E) that no additional rebate will be issued with respect to Designated Retail Orders (as defined in Rule 7018). NASDAQ is proposing to replace these requirements with a new requirement that a QMM execute shares of liquidity provided in all securities through one or more of its NASDAQ Market Center MPIDs that represent greater than 0.90% of Consolidated Volume during the month. The Exchange is replacing the current requirements, which provide the QMM with an incentive to provide displayed liquidity that sets the NBBO on NASDAQ, with a new requirement to provide a significant level Consolidated Volume in all securities through one or more of its MPIDs. Consolidated Volume is defined by Rule 7018(a) 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.[4] The Exchange believes that tying the rebate to the provision of greater overall volume will provide an increased impact to improving market quality over the current NBBO-based criteria.

Similarly, the Exchange is proposing to modify the requirements to receive a rebate of $0.0001 per share executed under Rule 7014(e)(2). Currently, a QMM will receive the rebate 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 that are entered through a QMM MPID in Tape A or B securities. The Exchange is proposing to now require that a QMM execute shares of liquidity provided in all securities through one or more of its Nasdaq Market Center MPIDs that represent from 0.70% up to and including 0.90% of Consolidated Volume during the month. The Exchange believes that tying the rebate to the provision of greater overall volume will provide an increased impact to improving market quality over the current requirement that the orders are displayed and provide liquidity.

As a consequence of moving and modifying the criteria of Rules 7014(e)(1) and (2), NASDAQ is moving certain rule text concerning the type of securities that the rule

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4 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.

applies to, and certain exclusions from the program, from subparagraphs (1) and (2) to the first paragraph of Rule 7014(e). As noted above, NASDAQ is placing the two credits provided under subparagraphs (1) and (2) in a table format and, consequently, is deleting those subparagraphs. NASDAQ is moving language, which is repeated in both subparagraphs, that notes the credits provided apply to securities priced at $1 or more per share to the new table under Rule 7014(e) where the two credits are now located. The Exchange is also moving text that concerns exclusion of Designated Retail Orders from subparagraphs (1) and (2) to directly above the new table under Rule 7014(e).

NASDAQ is proposing to amend the criteria under Rule 7014(e)(3) required to receive the reduced remove rate fee of $0.00295 per share executed under the rule in Tape A and B securities priced at $1 or more for shares executed via its QMM MPID. Currently, NASDAQ will charge a fee of $0.0030 per share executed for orders in securities listed on NASDAQ ("Tape C") priced at $1 or more per share that access liquidity on the NASDAQ Market Center and that are entered through a QMM MPID, and charges a fee of $0.00295 per share executed for orders in Tape A or B securities 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) must not be 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). NASDAQ is proposing to eliminate the current Consolidated Volume requirement, which relates to the first month in which an MPID qualified as a QMM MPID, and now require that the QMM executes shares of liquidity provided in all securities through one or more of its NASDAQ Market Center MPIDs of 0.80% or more of Consolidated Volume during the month. The Exchange believes that the changes will tie receipt of the reduced removal fee in Tape A and B securities to a more meaningful measure of market-improvement. Decoupling the measure from the QMM's first month QMM Consolidated Volume will ensure that all QMMs meet a minimum standard that is uniform. Increasing the Consolidated Volume required to receive the fee will provide incentive to QMMs to provide greater market-improving participation in return for the benefit.

The Exchange is also proposing to increase the level of Consolidated Volume that a member firm must have in Market-on-Close and/or Limit-on-Close orders during the month in order to qualify for fees to remove liquidity in securities executed at or above $1 under Rule 7018(a)(1), (2) and (3). Currently, NASDAQ assesses a fee for member firms that qualify based on their Market-on-Close and/or Limit-on-Close order participation in the Closing Cross of $0.0030 per share executed in Tape C securities under Rule 7018(a)(1), and fees of $0.00295 per share executed in Tape A and B securities under Rules 7018(a)(2) and (3), respectively. To qualify under each of the rules, a member firm must have Market-on-Close and/or Limit-on-Close orders executed in the NASDAQ Closing Cross, entered through a single NASDAQ Market Center market participant identifier, that represent more than 0.06% of Consolidated Volume during the month. The Exchange is proposing to increase the minimum level of Consolidated Volume required under each of the rules to 0.15%.

2. Statutory Basis

NASDAQ believes that the proposed rule change is consistent with the provisions of Section 6 of the Act,[5] in general, and with Sections 6(b)(4) and 6(b)(5) of the Act,[6] in particular, in that it provides for the equitable allocation of reasonable dues, fees and other charges among members and issuers and other persons using any facility or system which NASDAQ operates or controls, and is not designed to permit unfair discrimination between customers, issuers, brokers, or dealers.

NASDAQ believes that the proposed changes to the QMM program in NASDAQ Rule 7014(d)(3) is reasonable and will not discriminate unfairly because they refine the program to focus on market participants who currently use the program. As discussed above, Market Makers have provided the vast majority of participation in the program and are currently the only market participant utilizing the program. Accordingly, restricting the program to Market Makers will not result in a material change in who participates in the program. Additionally, Market Makers have both obligations to the market and regulatory requirements that normally do not apply to other market participants. As such, the Exchange believes that providing additional incentives to Market Makers to provide liquidity for the benefit of all investors and other market participants is reasonable and not unfairly discriminatory. The proposed modifications to the QMM program recognize the benefits of increased Market Maker participation and the Exchange believes that this proposal will improve displayed liquidity, and thus the execution quality overall on the Exchange. Moreover, the Exchange believes that

5 15 U.S.C. 78f.

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

eliminating the current Consolidated Volume requirement is reasonable and not unfairly discriminatory because it will become superfluous in light of additional requirements based on Consolidated Volume that are also being proposed herein. For the same reasons noted above, limiting eligibility in the program to Market Makers and eliminating the Consolidated Volume requirement under Rule 7014(d)(3) is an equitable allocation of the fees and credits provided by the program. In this regard, no current participants in the program will be excluded from being eligible to participate after the proposed change is effective, and applying the current Consolidated Volume criteria will have no significance in light of the proposed changes to the specific fees and credits under the program.

The Exchange believes that the proposed changes to Rule 7014(e) are reasonable and not unfairly discriminatory because they impose stricter requirements on Market Makers to receive the benefits of the program, which will be applied uniformly to all Market Makers that are eligible to participate in the QMM program. With regard to the $0.0002 rebate provided in Tape A and B securities, the Exchange is eliminating the NBBO-based criteria and tying the rebate to greater overall volume, which the Exchange believes will provide a greater impact to improving overall market quality because the economic benefits provided to the Market Maker are more certain and therefore provide the Market Maker a means to more aggressively provide displayed liquidity to the Exchange for the benefit of all market participants. In this regard, the Exchange notes that Market Makers must provide more than 0.90% of Consolidated Volume during the month, which is a significant level participation in the market. Similarly, NASDAQ is proposing a significant level of Consolidated Volume to receive the $0.0001 rebate under the rule, which currently only requires that the QMM participant provide displayed liquidity. The Exchange believes that it is reasonable and not unfairly discriminatory to impose stricter criteria designed to improve market quality in return for the credit NASDAQ elects to provide. NASDAQ also believes that the proposed changes to the eligibility requirements for the reduced removal fee in Tape A and B securities of $0.00295 per share executed are reasonable and not unfairly discriminatory because they increase the level of Consolidated Volume required, which will be an absolute requirement and not tied to historical levels of Consolidated Volume, thereby increasing the level of market improvement necessary to receive the reduced rate. As an absolute requirement, the Consolidated Volume requirement will apply uniformly to all Market Makers eligible to participate in the program. The Exchange believes that the proposed changes to the eligibility requirements under Rule 7014(e) are an equitable allocation because NASDAQ will provide the same rebates and fees to all Market Makers that qualify under the rule.

Lastly, NASDAQ notes that Market Makers serve an important role on the Exchange with regard to order interaction and provide continuous, passive liquidity in the marketplace. Additionally, Market Makers incur costs unlike the majority of other market participants including, but not limited to, their own infrastructure and other technology costs associated with market making activities. Consequently, the proposed differentiation between Market Makers and other market participants recognizes the differing contributions made to the quality of the market on the Exchange by Market Makers and the heightened regulatory requirements and costs associated with being a Market Maker. In brief, the Exchange believes that the proposed changes to the QMM program further incentives registered Market Makers to provide liquidity improves market qualify, furthers the price discovery process and benefits investors.

The Exchange believes that the proposed changes to the level of Consolidated Volume in Market-on-Close and/or Limit-on-Close order participation in the Closing Cross required to receive the fees for orders that remove liquidity under Rules 7018(a)(1), (2), and (3) are reasonable and not unfairly discriminatory because they represent an increase in the level of market-improving Consolidated Volume contributed to the Closing Cross. NASDAQ provides discounted fees in Market-on-Close and/or Limit-on-Close orders in Tape A and B securities to provide incentives to member firms to provide liquidity in the closing process. NASDAQ is increasing the Consolidated Volume requirement to better align the discounted remove fees with members that use the closing cross process more regulatory over alternatives and also access liquidity more frequently on the Exchange as opposed to other members. Nonetheless, NASDAQ believes that it is reasonable and not unfairly discriminatory to change the eligibility criteria so that it mirrors the eligibility criteria of the related fees under Rules 7018(a)(2) and (3). Lastly, the Exchange believes that the proposed changes to the rules are an equitable allocation of the fees because the fee is provided uniformly to all member firms that qualify for the fees and all member firms have an equal opportunity to earn the discounted fee for accessing liquidity.

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.[7] 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 or even non-existent. In this instance, the changes to eligibility criteria required to receive credits and reduced fees under the QMM program do not impose a burden on competition because the incentive program remains in place, still offers economically advantageous credits and reduced fees, and is reflective of the need for exchanges to offer, and to let, the financial incentives to attract order flow evolve. While the Exchange does not believe that the proposed changes to the QMM program will result in any burden on competition, if the changes proposed herein are unattractive to market participants it is likely that NASDAQ will lose market share as a result. Similarly, the proposed changes to the eligibility criteria for remove fees under Rule 7018(a) based on Market-on-Close and/or Limit-on-Close order participation in the Closing Cross are designed to increase participation in the Closing Cross by setting the minimum level of Consolidated Volume eligibility criteria higher, thereby improving the market at the market close. To the extent the qualification criteria is too onerous or unattractive to

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

market participants, NASDAQ will likely lose order flow and participation in the Closing Cross as a result.

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

Written comments were neither solicited nor received.

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

The foregoing change has become effective pursuant to Section 19(b)(3)(A) of the Act[8] and paragraph (f) of Rule 19b-4[9] thereunder. At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is: (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

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:

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

9 17 CFR 240.19b-4(f).

Electronic comments:

- Use the Commission's Internet comment form (http://www.sec.gov/rules/sro.shtml); or
- Send an e-mail to rule-comments@sec.gov. Please include File Number SR-NASDAQ-2015-032 on the subject line.

Paper comments:

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

All submissions should refer to File Number SR-NASDAQ-2015-032. 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-2015-032, and should be submitted on or before [insert date 21 days from publication in the Federal Register].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.[10]

Kevin M. O'Neill
Deputy Secretary

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

**EXHIBIT 5**

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

* * * * *

**7014. Market Quality Incentive Programs**

**Investor Support Program**

(a) – (c) No change.

**Qualified Market Maker ("QMM") Program**

(d) A member may be designated as a QMM with respect to its Primary Nasdaq Market Center MPID [one or more of its] (a "QMM MPID[s]") if:

(1) – (2) No change.

(3) the member is a registered Nasdaq market maker[the member executes shares of liquidity provided in all securities through one of its Nasdaq Market Center MPIDs that represent 0.30% or more of Consolidated Volume during the month].

(e) [The following pricing incentives will be provided to a member that is a QMM with respect to a particular MPID (a "QMM MPID"):]Nasdaq will provide a rebate per share executed (as defined in the below table) 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 and were for securities listed on NYSE ("Tape A QMM Incentive") or securities listed on exchanges other than Nasdaq and NYSE ("Tape B QMM Incentive"). Such rebate will be in addition to any rebate payable under Rule 7018:

| | QMM Tiers | Tape A QMM Incentive | Tape B QMM Incentive |
|---|---|---|---|
| Tier 1 | QMM executes shares of liquidity provided in all securities through one or more of its Nasdaq Market Center MPIDs that represent above 0.70% up to, and including, 0.90% of Consolidated | $0.0001 | $0.0001 |

| | | | |
|---|---|---|---|
| | Volume during the month | | |
| Tier 2 | QMM executes shares of liquidity provided in all securities through one or more of its Nasdaq Market Center MPIDs that represent above 0.90% of Consolidated Volume during the month | $0.0002 | $0.0002 |

[(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; (D) were for securities listed on NYSE or securities listed on exchanges other than NASDAQ and NYSE and (E) that no additional rebate will be issued with respect to Designated Retail Orders (as defined in Rule 7018). However, i]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. The rebate does not apply to Select Symbol securities listed under Rule 7018(a)(4).

[(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 and were for securities listed on NYSE or securities listed on exchanges other than NASDAQ and NYSE. 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 through one or more of its Nasdaq Market Center MPIDs[, provided, and/or routed through the QMM MPID] during the month (as a percentage of Consolidated Volume) is not less than 0.80[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.

* * * * *

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

| | |
|---|---|
| Charge to enter orders that execute in the Nasdaq Market Center: | |
| member with Market-on-Close and/or Limit-on-Close orders executed in the Nasdaq Closing Cross, entered through a single Nasdaq Market Center market participant identifier (“MPID”), that represent more than 0.15[06]% of Consolidated Volume during the month: | $0.0030 per share executed |

* * * * *

**(2) Fees for Execution and Routing of Securities Listed on NYSE**

| | |
|---|---|
| Charge to enter orders that execute in the Nasdaq Market Center: | |
| member with Market-on-Close and/or Limit-on-Close orders executed in the Nasdaq Closing Cross, entered through a single Nasdaq Market Center MPID, that represent more than 0.<u>15</u>[06]% of Consolidated Volume during the month: | $0.00295 per share executed |

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**(3) Fees for Execution and Routing of Orders in Securities Listed on Exchanges other than Nasdaq and NYSE ("Tape B Securities")**

| | |
|---|---|
| Charge to member entering order that executes in the Nasdaq Market Center: | |
| member with Market-on-Close and/or Limit-on-Close orders executed in the Nasdaq Closing Cross, entered through a single Nasdaq Market Center MPID, that represent more than 0.<u>15</u>[06]% of Consolidated Volume during the month: | $0.00295 per share executed |

* * * * *

(4) No change.

(b) – (m) No change.

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