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

File No.* SR - 2015 - * 061

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) * ☐

Rule

Pilot ☐

Extension of Time Period for Commission Action * ☐

Date Expires *

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

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

Section 806(e)(1) * ☐

Section 806(e)(2) * ☐

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

Section 3C(b)(2) * ☐

Exhibit 2 Sent As Paper Document ▣

Exhibit 3 Sent As Paper Document ▣

Description

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

Relating to the Volume-Based and Multi-Trigger Thresholds

Contact Information

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

First Name * Angela   Last Name * Dunn

Title * Associate General Counsel

E-mail * angela.dunn@nasdaqomx.com

Telephone * (215) 496-5692   Fax

Signature

Pursuant to the requirements of the Securities Exchange Act of 1934,

has duly caused this filing to be signed on its behalf by the undersigned thereunto duly authorized.

(Title *)

Date 06/12/2015

By Edward S. Knight

Executive Vice President and General Counsel

(Name *)

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 *

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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 *

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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 *

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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

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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

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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

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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

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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

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

1.   Text of the Proposed Rule Change

(a) The NASDAQ Stock Market LLC ("Exchange" or "NASDAQ"), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act")[1] and Rule 19b-4 thereunder,[2] is filing with the Securities and Exchange Commission ("Commission") a proposal to amend Chapter VII, Section 6, entitled "Market Maker Quotations," of the rules governing the NASDAQ Options Market ("NOM" or "Exchange"). The Exchange proposes to adopt two new NOM Market Maker[3] optional risk protections, a volume-based threshold and a multi-trigger threshold.[4]

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 is attached hereto as Exhibit 5.

(b)   Not applicable.

(c)   Not applicable.

2.   Procedures of the Self-Regulatory Organization

The proposed rule change was approved by senior management of the Exchange pursuant to authority delegated by the Board of Directors of the Exchange (the "Board") on July 16, 2014. Exchange staff will advise the Board of any action taken pursuant to delegated authority. No other action is necessary for the filing of the rule change.

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

[2]   17 CFR 240.19b-4.

[3]   The term "NOM Market Maker" means a Participant that has registered as a Market Maker on NOM pursuant to Chapter VII, Section 2, and must also remain in good standing pursuant to Chapter VII, Section 4.

[4]   Market Makers will be required to continue to utilize the Risk Monitor Mechanism in Chapter VI, Section 19, as is the case today.

Questions and comments on the proposed rule change may be directed to Angela Saccomandi Dunn, Associate General Counsel, The NASDAQ OMX Group, Inc. at (215) 496-5692.

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

a.   Purpose

The purpose of the filing is to adopt two new risk protections for NOM Market Maker's to monitor marketplace risk. These protections are intended to assist NOM Market Makers to control their trading risks.[5] Quoting across many series in an option creates the possibility of "rapid fire" executions that can create large, unintended principal positions that expose NOM Market Makers, who are required to continuously quote in assigned options, to potentially significant market risk. Today, the Exchange's rules permit NOM Market Makers to monitor risk arising from multiple executions across multiple options series of a single underlying security.[6]

The Exchange is proposing to offer a new volume-based and multi-trigger threshold protection to NOM Market Makers. The Exchange proposes to amend NOM's Rules at Chapter VII, Section 6(f) to establish: (1) a threshold used to calculate each NOM Market Maker's total volume executed in all series of a given underlying security within a specified time period and compares that to a pre-determined threshold

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[5]   Pursuant to NOM Rules at Chapter VII, Section 5, entitled "Obligations of Market Makers", in registering as a market maker, an Options Participant commits himself to various obligations. Transactions of a NOM Market Maker must constitute a course of dealings reasonably calculated to contribute to the maintenance of a fair and orderly market, and Market Makers should not make bids or offers or enter into transactions that are inconsistent with such course of dealings. Further, all Market Makers are designated as specialists on NOM for all purposes under the Act or rules thereunder. See Chapter VII, Section 5.

[6]   See NOM Chapter VI, Section 19, "Risk Monitor Mechanism."

("Volume-Based Threshold"), and (2) a threshold which measures the number of times the System has triggered[7] based on the Risk Monitor Mechanism ("Percentage-Based Threshold") pursuant to Chapter VI, Section 19 and Volume-Based Thresholds within a specified time period and compares that total to a pre-determined threshold ("Multi-Trigger Threshold").

<u>Volume-Based Threshold</u>

In connection with offering these two new threshold protections, a NOM Market Maker would provide a specified time period and volume threshold by which the Exchange's System would automatically remove the NOM Market Maker's quotes and orders in an options class, depending on the threshold utilized, submitted through designated NOM protocols, as specified by the Exchange. The Exchange counts Specialized Quote Feed ("SQF")[8] quotes and OTTO[9] orders only in determining the number of contracts traded and removed by the System.[10]

The Volume-Based Threshold will determine, during a specified time period established by the NOM Market Maker not to exceeds 15 seconds ("Volume-Based Specified Time Period"), whether a NOM Market Maker executed a number of contracts

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[7] A trigger is defined as the event which causes the System to automatically remove all quotes and orders in all options series in an underlying issue.

[8] SQF permits the receipt of quotes. SQF Auction Responses and market sweeps are also not included.

[9] OTTO immediate or cancel orders will not be included. OTTO provides a method for subscribers to send orders and receive status updates on those orders. OTTO accepts limit orders from System subscribers, and if there is a matching order, the orders will execute. Non-matching orders are added to the limit order book, a database of available limit orders, where they are matched.

[10] Financial Information Exchange ("FIX") Orders are not counted in determining the number of contracts traded and removed by the System.

which equals or exceeds the designated number of contracts specified by the NOM Market Maker in all series of an underlying security to determine whether to remove the NOM Market Maker's quotes and orders in all series of the underlying security.[11] The Volume-Based Threshold will be based on the total number of contracts executed in the market in the same options series in in an underlying security and will not offset the number of contracts executed on the opposite side of the market. Once the System determines that the number of contracts executed equals or exceeds a number established by the NOM Market Maker during the Volume-Based Specified Time Period, the System will remove the NOM Market Maker's quotes and orders. The Volume-Based Specified Time Period designated by the NOM Market Maker must be the same length of time as designated for purposes of the Percentage-Based Threshold in Rule 1093.[12]

A Volume-Based Specified Time Period will commence for an option every time an execution occurs in any series in such option and will continue until the System automatically removes quotes and orders as described in newly proposed sections (f)(iv) or (f)(v) or the Volume-Based Specified Time Period expires. The Volume-Based Specified Time Period operates on a rolling basis among all series in an option in that there may be multiple Volume-Based Specified Time Periods occurring simultaneously and such Volume-Based Specified Time Periods may overlap.[13]

Multi-Trigger Threshold

A NOM Market Maker or NOM Market Maker Group, which is defined as

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[11] The System counter is based on trading interest resting on the Exchange book.

[12] See proposed new Chapter VII, Section 6(f)(ii).

[13] Id.

multiple affiliated NOM Market Makers,[14] may provide the specified time period and number of allowable triggers by which the Exchange will automatically remove quotes and orders in all options series in all underlying securities issues submitted through designated NOM protocols, as specified by the Exchange ("Multi-Trigger Threshold"). During a specified time period established by the NOM Market Maker not to exceed 15 seconds ("Multi-Trigger Specified Time Period"), the number of times the System automatically removes the NOM Market Maker's or Group's quotes and orders in all options series will be based on the number of triggers of the Percentage-Based Threshold, described in proposed (f)(ii), as well as the Volume-Based Threshold described in proposed (f)(ii).[15] For purposes of this rule, a trigger shall be defined as the event which causes the System to automatically remove quotes and orders in all options series in an underlying issue. Once the System determines that the number of triggers equals or exceeds a number established by either the NOM Market Maker or Group, during a

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[14]   This would be more than one NOM Market Maker, but does not require the aggregation of all of the Participant's Market Makers. A Group would be comprised of NOM Market Makers affiliated with one Participant. The Participant would be required to define a Group by providing a list of such affiliated NOM Market Makers to the Exchange.

[15]   Today, ISE's functionality permits market maker quotes to be removed from the ISE trading system if a specified number of curtailment events occur across both ISE and ISE Gemini, LLC ("ISE Gemini"). ISE and ISE Gemini's trading systems will count the number of times a market maker's pre-set curtailment events occur on each exchange and aggregate them. Once a market maker's specified number of curtailment events across both markets is reached, the trading systems will remove the market maker's quotes in all classes on both ISE and ISE Gemini. ISE will then reject any quotes sent by the market maker after the parameters across both exchanges have been triggered until the market maker notifies the market operations staff of ISE that it is ready to come out of its curtailment. See Securities Exchange Release No. 73147 (September 19, 2014), 79 FR 57639 (September 25, 2014) (SR-ISE-2014-09) (Order approving proposed rule change related to market maker risk parameters).

Multi-Trigger Specified Time Period, the System will automatically remove all quotes and orders in all options series in all underlying issues for that NOM Market Maker or Group. A Multi-Trigger Specified Time Period will commence after every trigger of either the Percentage-Based Threshold or the Volume-Based Threshold and will continue until the System removes quotes and orders as described in section (f)(iv) of the proposed rule or the Multi-Trigger Specified Time Period expires. Participants may configure the Multi-Trigger Threshold at the badge level (by NOM Market Maker) or by Group (multiple affiliated NOM Market Makers), but not both. This is different as compared to the Percentage-Based Threshold in Chapter VI, Section 19 or the newly proposed Volume-Based Thresholds that are configured only on the badge level (by NOM Market Maker).[16] The System counts triggers within a Multi-Trigger Specified Time Period across all options for the NOM Market Maker or Group. A Multi-Trigger Specified Time Period operates in that there may be multiple Multi-Trigger Specified Time Periods occurring simultaneously and such Multi-Trigger Specified Time Periods may overlap.

The System will automatically remove quotes in all options in an underlying security when the Volume-Based Threshold has been reached. The System will automatically remove quotes in all options in all underlying securities when the Multi-Trigger Threshold has been reached.[17]. The System will send a Purge Notification Message[18] to the NOM Market Maker for all affected options when the above thresholds

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[16]   See proposed new Chapter VII, Section 6(f)(iii).

[17]   The specified time period for the Volume-Based Threshold and the Multi-Trigger Threshold may differ. The specified time period for the Volume-Based Threshold must be the same as the Percentage-Based Threshold in Chapter VI, Section 19.

[18]   A message entitled "Purge Notification Message" is systemically sent to the

have been reached.

The two thresholds, Volume-Based Threshold and Multi-Trigger Threshold, operate independently of each other. The triggering of the Volume-Based Threshold would occur independently of that of the Multi-Trigger Threshold. The Multi-Trigger Threshold is somewhat dependent on the Volume-Based Threshold to the extent that the Volume-Based Threshold serves as a trigger for the Multi-Trigger Threshold. Quotes and orders will be automatically executed up to the NOM Market Maker's size regardless of whether the quote exceeds the Volume-Based threshold.[19]

If a NOM Market Maker requests the System to remove quotes and orders in all options series in an underlying issue, the System will automatically reset the Volume-Based Specified Time Period(s). The Multi-Trigger Specified Time Period(s) will not automatically reset for the Multi-Trigger Threshold.[20]

When the System removes quotes and orders as a result of the Volume-Based Threshold, the NOM Market Maker must send a re-entry indicator to re-enter the System. When the System removes quotes and orders as a result of the Multi-Trigger Threshold, the System will not accept quotes and orders through designated protocols until the NOM Market Maker manually requests re-entry.[21] After quotes and orders are removed as a

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BX Marker Maker upon the removal of quotes due to Volume-Based Threshold or Multi-Trigger Threshold.

[19]   See proposed new Chapter VII, Section 6(f)(iii).

[20]   See proposed new Chapter VII, Section 6(f)(iv).

[21]   In the interest of maintaining fair and orderly markets, the Exchange believes it is important that NOM Market Makers communicate their readiness to Exchange staff in a non-automated manner, such as by email or telephone.

result of the Multi-Trigger Threshold, Exchange staff must set a re-entry indicator in this case to enable re-entry, which will cause the System to send a Reentry Notification Message to the NOM Market Maker for all options series in all underlying issues.[22] The NOM Market Maker's Clearing Firm will be notified regarding the trigger and re-entry into the System after quotes and orders are removed as a result of the Multi-Trigger Threshold, provided the NOM Market Maker's Clearing Firm has requested to receive such notification.[23] The System will then reset all counters to zero and re-entry and continued trading will be permitted. A NOM Market Maker is subject to continuous quoting obligations[24] despite the removal of quotes and orders from the System and approval process for re-entry.

Today, the Exchange provides NOM Market Makers with the Percentage-Based Threshold in Rule 1093 to monitor risk.[25] The Exchange will continue to require NOM Market Makers to utilize the Percentage-Based Threshold. The Volume-Based Threshold and the Multi-Trigger Threshold will be optional.

The Exchange reserved subsection (f)(i) for future modifications to this rule.

The Exchange proposes to implement these rule changes within 45 days of the operative day of this rule change.

Example #1 of the Volume-Based Threshold is displayed below. Presume the following Order Book:

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[22]   See proposed new Chapter VII, Section 6(f)(v).

[23]   NOM Rules at Chapter VI, Section 20 permits the Exchange to share NOM Market Maker designated risk settings in the System with the Clearing Firm.

[24]   See note 5.

[25]   An initial default value is set for each NOM Market Maker.

Series of Underlying XYZ	Size on bid x offer for MM1
100 Strike Call	300x300
100 Strike Put	50x50
110 Strike Call	200x200
110 Strike Put	150x150

In this example, assume the Specified Time Period designated by the Market Maker # 1 is 10 seconds and the designated number of contracts permitted for the Volume-Based Threshold is 250 contracts. Assume at 12:00:00, the Market Maker # 1 executes all of his offer size, 200 contracts, in the 110 Strike Calls. The System will initiate the Specified Time Period and for 10 seconds the System will count all volume executed in series of underlying XYZ. If at any point during that 10 second period, the Market Maker # 1 executes additional contracts in any series of underlying XYZ, those contracts will be added to the initial execution of 200 contracts. To illustrate, assume at 12:00:05 the Market Maker # 1 executes 60 contracts of his offer in the 100 Strike Calls. The total volume executed is now 260 contracts. Since that volume exceeds the Market Maker #1's designated number of contracts for the Volume-Based Threshold (250 contracts), all of his quotes in all series of underlying XYZ over the designated protocols will be removed from the System; no further quotes or orders will be executed until re-entry. The Volume-Based Specified Time Period will be reset for Market Maker #1 in underlying XYZ and Market Maker #1 will need to send a re-entry indicator in order to re-enter quotes in options series for underlying XYZ into the System.

Example #2 of the Volume-Based Threshold: Similar to the example above, assume the Specified Time Period is 10 seconds and the designated number of contracts permitted for the Volume-Based Threshold is 250 contracts. Assume at 12:00:00, Market

Maker #1 executes all of his offer size, 200 contracts, in the 110 Strike Calls. The System will initiate the Specified Time Period and for 10 seconds the System will count all volume executed in series of underlying XYZ. If at any point during that 10 second period, Market Maker #1 executes additional contracts in any series of underlying XYZ, those contracts will be added to the initial execution of 200 contracts. Then assume at 12:00:05 Market Maker #1 executes 20 contracts of his offer in the 100 Strike Calls. The total volume executed is 220 contracts which does not exceed the Volume-Based Threshold. This second execution initiates another Specified Time Period so there are two open time periods, the first with 5 seconds remaining and a new 10 second time period. At 12:00:10, the first timer period expires and the initial execution of 200 contracts is no longer counted toward the designated number of contracts permitted for the Volume-Based Threshold. Further assume at 12:00:12, which is outside of the initial time period but still within 10 seconds of the second execution of 20 contracts, another execution occurs with Market Maker #1 executing 230 contracts of his bid in the 100 Strike Calls. This total volume executed toward the Volume-Based Threshold within the Specified Time Period is now 250 contracts which equals the designated number of contracts permitted causing the System to remove all quotes in all series of underlying XYZ over the designated protocols for Market Maker #1 to be removed from the System no further quotes or orders will be executed until re-entry. The Volume-Based Specified Time Period will be reset for Market Maker #1 in underlying XYZ and Market Maker #1 will need to send a re-entry indicator in order to re-enter quotes in options series for underlying XYZ into the System. This example displays the rolling basis in which the Specified Time Period operates.

Example #3: In order to illustrate the Multi-Trigger Threshold, assume Example #1 and Example #2 provided above occurred in options series of two different underlyings rather than all in options series of underlying XYZ and for two separate Market Makers (MM#1 for Example #1 and MM#2 for Example #2) of the same member organization. Assume a Group is defined by the member organization and is comprised of the MM #1 and MM #2. Further assume the member organization has defined the Multi-Trigger Specified Time Period as 10 seconds and the number of allowable triggers as two. Based on the aforementioned examples, a Multi-Trigger Specified Time Period commences at 12:00:05 when MM#1 triggers the Volume-Based Threshold. This Volume-Based Threshold triggers counts as the first trigger toward the Multi-Trigger Threshold for the Group. Another Multi-Trigger Specified Time Period is initiated at 12:00:12 when MM#2 triggers the Volume-Based Threshold (per Example #2). This Volume-Based Threshold trigger counts as the second trigger toward the Multi-Trigger Threshold for the Group since it is within the Multi-Trigger Specified Time Period of the first trigger. Since the member organization designated two triggers for the number of allowable triggers, the Group, both MM#1 and MM#2, quotes in all option series in all underlying issues for the Group are automatically removed from the System and Purge Notification Messages are sent to the Group; no further quotes or orders will be executed until re-entry. The member organization will need to contact the Exchange to request Exchange staff to enable re-entry into the System.

The Exchange proposes to implement this rule within thirty (30) days of the operative date. The Exchange will issue an Options Trader Alert in advance to inform market participants of such date.

b.   Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act[26] in general, and furthers the objectives of Section 6(b)(5) of the Act[27] in particular, in that it is designed to promote just and equitable principles of trade, 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, by enhancing the risk protections available to Exchange members. The proposal promotes policy goals of the Commission which has encouraged execution venues, exchange and non-exchange alike, to enhance risk protection tools and other mechanisms to decrease risk and increase stability.

The individual firm benefits of enhanced risk protections flow downstream to counter-parties both within and without the Exchange, thereby increasing systemic protections as well. Additionally, because the Exchange offers the these risk tools to NOM Market Makers, in order to encourage them to provide as much liquidity as possible and encourage market making generally, the proposal removes impediments to and perfects the mechanism of a free and open market and a national market system and protect investors and the public interest.

With respect to permitting the Multi-Trigger Threshold to be set either to one NOM Market Maker or to a number of specified NOM Market Makers affiliated with a member, it is important to note that the risk to NOM Market Makers is not limited to a single series in an option but to all series in an option. NOM Market Makers that quote

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26   15 U.S.C. 78f(b).

27   15 U.S.C. 78f(b)(5).

in multiple series of multiple options have significant exposure, requiring them to offset or hedge their overall positions. The proposed functionality will be useful for NOM Market Makers, who are required to continuously quote in assigned options classes on the Exchange. Quoting across many series in an option or multiple options creates the possibility of executions that can create large, unintended principal positions that could expose market makers to unnecessary risk. The Multi-Trigger Threshold functionality is intended to assist NOM Market Makers manage that risk at the Group level so that NOM Market Makers may provide deep and liquid markets to the benefit of all investors.

The Exchange further represents that its proposal will operate consistently with the firm quote obligations of a broker-dealer pursuant to Rule 602 of Regulation NMS and that the functionality is not mandatory. Specifically, any interest that is executable against a NOM Market Maker's quotes that are received[28] by the Exchange prior to the time either of these functionalities are engaged will be automatically executed at the price up to the NOM Market Maker's size, regardless of whether such execution results in executions in excess of the NOM Market Maker's pre-set parameters.

With respect to providing risk settings to the NOM Market Maker's Clearing Member, each Member that transacts through a Clearing Member on the Exchange executes a Letter of Guarantee wherein the Clearing Member accepts financial responsibility for all Exchange transactions made by the Participant on whose behalf the Clearing Member submits the letter of guarantee. The Exchange believes that because Clearing Members guarantee all transactions on behalf of a Participant, and therefore, bear the risk associated with those transactions, it is appropriate for Clearing Members to

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[28]   The time of receipt for an order or quote is the time such message is processed by the Exchange book.

have knowledge of what risk settings a NOM Market Maker may utilize within the System and receive and receive notice of re-entry into the System after triggering the Multi-Trigger Threshold.

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

The Exchange does not believe that the proposed rule change will impose any burden on competition not necessary or appropriate in furtherance of the purposes of the Act. Specifically, the proposal will not impose a burden on intra-market or inter-market competition, rather it provides NOM Market Makers with the opportunity to avail themselves of similar risk tools which are currently available on other exchanges.[29] The proposal does not impose a burden on inter-market competition, because Participants may choose to become market makers on a number of other options exchanges, which may have similar but not identical features.[30] The proposed rule change is meant to protect NOM Market Makers from inadvertent exposure to excessive risk. Accordingly, the proposed rule change will have no impact on competition.

Further, the Exchange is proposing this rule change at the request of its NOM Market Makers to further reduce their risk in the event the NOM Market Maker is suffering from a systems issue or due to the occurrence of unusual or unexpected market activity. The proposed Group parameter for the Multi-Trigger threshold will protect NOM Market Makers from inadvertent exposure to excessive risk at the Group level. Reducing such risk will enable NOM Market Makers to enter quotations without any fear of inadvertent exposure to excessive risk, which in turn will benefit investors through

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[29]   See Section 8 of the 19b4.

[30]   See BATS Rule 21.16, BOX Rules 8100 and 8110, C2 Rule 8.12, CBOE Rule 8.18, ISE Rule 804(g), MIAX Rule 612, NYSE MKT Rule 928NY and NYSE Arca Rule 6.40.

increased liquidity for the execution of their orders. Such increased liquidity benefits investors because they receive better prices and because it lowers volatility in the options market.

The Exchange believes that requiring NOM Market Makers to enter values for the Percentage-Based Threshold is not unreasonably burdensome because NOM Market Makers can enter an out-of-range values so that the Exchange-provided risk protections will not be triggered. Reducing risk by utilizing the proposed risk protections will enable NOM Market Makers to enter quotations with larger size, which in turn will benefit investors through increased liquidity for the execution of their orders. Such increased liquidity benefits investors because they receive better prices and because it lowers volatility in the options market.

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

No written comments were either solicited or received.

6.   Extension of Time Period for Commission Action

Not applicable.

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

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A)[31] of the Act and Rule 19b-4(f)(6) thereunder[32] in that it effects a change that: (i) does not significantly affect the protection of investors or the public interest; (ii) does not impose any significant burden on competition; and (iii) by its terms, does not become operative

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[31]   15 U.S.C. 78s(b)(3)(A).

[32]   17 CFR 240.19b-4(f)(6).

for 30 days after the date of the filing, or such shorter time as the Commission may designate if consistent with the protection of investors and the public interest. Other options exchanges today offer risk protection tools to its market participants.[33] The Exchange desires to assist NOM Market Makers to control their trading risks and protect against the possibility of "rapid fire" executions that can create large, unintended principal positions that expose NOM Market Makers. These market participants are required to continuously quote in assigned options and thereby are subject to potentially significant market risk. The risk tools proposed herein are designed to mitigate the potential risks of multiple executions against a NOM Market Maker's trading interest that, in today's highly automated and electronic trading environment, can occur simultaneously across multiple series and multiple option classes. The Exchange believes that these proposed Exchange-provided risk protections will help NOM Market Makers, as key liquidity providers, to better manage their risk, aiding them in providing deeper and more liquid markets, beneficial to all market participants.

The proposal does not significantly affect the protection of investors or the public interest, because the amendments seek to provide NOM Market Maker with two new parameters to utilize to monitor risk. The Exchange also believes that these two new risk protection tools will assist Market Makers in the event that they experience any system failures. Particularly the Multi-Trigger risk tool would serve to reduce the risk that these Market Makers may have with system failures and thereby protect investors as these market participants play a central role in the marketplace.

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[33]   See note 30.

These new risk tools provide NOM Market Makers with tools to better manage their risk, which is consistent with the protection of investors and the public interest. These protections are intended to assist NOM Market Makers to control their trading risks. Quoting across many series in an option creates the possibility of "rapid fire" executions that can create large, unintended principal positions that expose NOM Market Makers, who are required to continuously quote in assigned options, to potentially significant market risk. The Exchange believes that providing Market Makers with the ability to manage risk will encourage Market Makers to make markets in options on the Exchange. As explained above, the proposal does not impose any significant burden on competition. Market Makers are subject to obligations[34] unlike other market participants and these types of risk tools are offered on other exchanges.[35]

Furthermore, Rule 19b-4(f)(6)(iii) requires a self-regulatory organization to give the Commission written notice of its intent to file a proposed rule change under that subsection at least five business days prior to the date of filing, or such shorter time as designated by the Commission. The Exchange has provided such notice.

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.

A proposed rule change filed under Rule 19b-4(f)(6) normally does not become

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[34]   See note 5.

[35]   See notes 37 and 38.

operative prior to 30 days after the date of filing. Rule 19b-4(f)(6)(iii), however, permits

the Commission to designate a shorter time if such action is consistent with the protection

of investors and the public interest. The Exchange proposes to implement this rule within

thirty (30) days of the operative date. The Exchange will issue an Options Trader Alert

in advance to inform market participants of such date.

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

The proposed rule change is similar to rules which provide for risk tools on other

options markets. ISE Rules 722 and 804(g) mandate that ISE market makers provide

parameters by which ISE will automatically remove a market maker's quotations in all

series of an options class.[36] ISE's rules provide that if a specified number of curtailment

events are exceeded within the prescribed time period, the market maker quotes in all

classes will be automatically removed from ISE's trading system. ISE has a parameter

for total number of contracts as well as a market wide parameter.

NOM's proposed risk tool for the Volume-Based Threshold is similar to the

parameter for total number of contracts at ISE and the risk tool based on the percentage

of the total size of the market is similar to the Percentage-Based Threshold. With respect

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[36]   There are five parameters that can be set by market makers on a class-by-class
         basis at ISE. These parameters are available for market maker quotes in single
         options series and in complex instruments on the complex order book. NOM
         Market Makers establish a time frame during which the system calculates: (1) the
         number of contracts executed by the market maker in an options class; (2) the
         percentage of the total size of the market maker's quotes in the class that has been
         executed; (3) the absolute value of the net between contracts bought and sold in
         an options class, and (4) the absolute value of the net between (a) calls purchased
         plus puts sold, and (b) calls sold plus puts purchase; and (5) market maker quotes
         may be removed from the trading system if a specified number of curtailment
         events occur across both ISE and ISE Gemini, LLC ("ISE Gemini").

to the Multi-Trigger Threshold that NOM proposes, this risk tool is a compilation of the two risk tools which are available at ISE. The Multi-Trigger Threshold may be applied to a NOM Market Maker or a Group. ISE permits its market makers to apply a market wide parameter across ISE and also across ISE and ISE Gemini combined.[37] NOM's proposed Group will only apply on NOM's market whereas the ISE risk tool spans two ISE-owned SROs.

BOX Options Exchange LLC ("BOX") also offers risk tools to its market makers. BOX Rule 8130 requires market makers to enter values in at least one of the five Exchange-provided risk parameters.[38] BOX's risk tool related to trading a certain number of contracts is similar to NOM's proposed Volume-Based Threshold. BOX has a mandatory parameter for trades in a specified number of contracts across all options series similar to the risk tool being proposed by NOM. Unlike BOX, NOM will require

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[37] To the extent that a market maker utilizes the offered functionality, ISE and ISE Gemini's trading systems will count the number of times a market maker's pre-set curtailment events occur on each exchange and aggregate them. Once a market maker's specified number of curtailment events across both markets is reached, the trading systems will remove the market maker's quotes in all classes on both ISE and ISE Gemini. The Exchange will then reject any quotes sent by the market maker after the parameters across both exchanges have been triggered until the market maker notifies the market operations staff of the Exchange that it is ready to come out of its curtailment. Once notified by the market maker, the Exchange will reactivate the market maker's quotes on the Exchange.

[38] Rule 8130 provides for five triggering parameters that market makers can enable on a class-by-class basis. These are when the market maker: (1) experiences a duration of no technical connectivity for between one and nine seconds; (2) trades a specified number of contracts in the aggregate across all series of an options class; (3) trades a specified absolute dollar value of contracts bought and sold in a class; (4) trades a specified number of contracts in a class of the net between (i) calls purchased plus puts sold, and (ii) calls sold and puts purchased; or, (5) trades a specified absolute dollar value of the net position in a class between (i) calls purchased and sold, (ii) puts and calls purchased; (iii) puts purchased and sold; or (iv) puts and calls sold.

NOM Market Makers to continue to utilize the Percentage-Based Threshold. The two new triggers, the Volume-Based Threshold and the Multi-Trigger Threshold, will be optional.

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

        Not applicable.

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

        Not applicable.

11.   Exhibits

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

        5.   Proposed rule text.

<u>Exhibit 1</u>

SECURITIES AND EXCHANGE COMMISSION
(Release No.   ; File No. SR-NASDAQ-2015-061)

Self-Regulatory Organizations; The NASDAQ Stock Market LLC; Notice of Filing and
Immediate Effectiveness of Proposed Rule Change Relating to the Volume-Based and
Multi-Trigger Thresholds

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 June 12, 2015, The NASDAQ

Stock Market LLC ("NASDAQ" or "Exchange") filed with the Securities and Exchange

Commission ("SEC" or "Commission") the proposed rule change as described in Items I,

II, and III, below, which Items have been prepared by NASDAQ. The Commission is

publishing this notice to solicit comments on the proposed rule change from interested

persons.

I.   <u>Self-Regulatory Organization's Statement of the Terms of Substance of the
        Proposed Rule Change</u>

NASDAQ proposes to amend Chapter VII, Section 6, entitled "Market Maker

Quotations," of the rules governing the NASDAQ Options Market ("NOM" or

"Exchange"). The Exchange proposes to adopt two new NOM Market Maker[3] optional

risk protections, a volume-based threshold and a multi-trigger threshold.[4]

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

[2]   17 CFR 240.19b-4.

[3]   The term "NOM Market Maker" means a Participant that has registered as a
        Market Maker on NOM pursuant to Chapter VII, Section 2, and must also remain
        in good standing pursuant to Chapter VII, Section 4.

[4]   Market Makers will be required to continue to utilize the Risk Monitor
        Mechanism in Chapter VI, Section 19, as is the case today.

The text of the proposed rule change is available on the Exchange's Website at

http://www.nasdaq.cchwallstreet.com, at the principal office of the Exchange, and at the

Commission's Public Reference Room.

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

In its filing with the Commission, the Exchange included statements concerning

the purpose of and basis for the proposed rule change and discussed any comments it

received on the proposed rule change. The text of these statements may be examined at

the places specified in Item IV below. The Exchange has prepared summaries, set forth

in sections A, B, and C below, of the most significant aspects of such statements.

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

                 1. Purpose

The purpose of the filing is to adopt two new risk protections for NOM Market

Maker's to monitor marketplace risk. These protections are intended to assist NOM

Market Makers to control their trading risks.[5] Quoting across many series in an option

creates the possibility of "rapid fire" executions that can create large, unintended

principal positions that expose NOM Market Makers, who are required to continuously

quote in assigned options, to potentially significant market risk. Today, the Exchange's

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[5]   Pursuant to NOM Rules at Chapter VII, Section 5, entitled "Obligations of Market
         Makers", in registering as a market maker, an Options Participant commits
         himself to various obligations. Transactions of a NOM Market Maker must
         constitute a course of dealings reasonably calculated to contribute to the
         maintenance of a fair and orderly market, and Market Makers should not make
         bids or offers or enter into transactions that are inconsistent with such course of
         dealings. Further, all Market Makers are designated as specialists on NOM for all
         purposes under the Act or rules thereunder. See Chapter VII, Section 5.

rules permit NOM Market Makers to monitor risk arising from multiple executions across multiple options series of a single underlying security.[6]

The Exchange is proposing to offer a new volume-based and multi-trigger threshold protection to NOM Market Makers. The Exchange proposes to amend NOM's Rules at Chapter VII, Section 6(f) to establish: (1) a threshold used to calculate each NOM Market Maker's total volume executed in all series of a given underlying security within a specified time period and compares that to a pre-determined threshold ("Volume-Based Threshold"), and (2) a threshold which measures the number of times the System has triggered[7] based on the Risk Monitor Mechanism ("Percentage-Based Threshold") pursuant to Chapter VI, Section 19 and Volume-Based Thresholds within a specified time period and compares that total to a pre-determined threshold ("Multi-Trigger Threshold").

Volume-Based Threshold

In connection with offering these two new threshold protections, a NOM Market Maker would provide a specified time period and volume threshold by which the Exchange's System would automatically remove the NOM Market Maker's quotes and orders in an options class, depending on the threshold utilized, submitted through designated NOM protocols, as specified by the Exchange. The Exchange counts Specialized Quote Feed ("SQF")[8] quotes and OTTO[9] orders only in determining the number of contracts traded and removed by the System.[10]

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[6]   See NOM Chapter VI, Section 19, "Risk Monitor Mechanism."

[7]   A trigger is defined as the event which causes the System to automatically remove all quotes and orders in all options series in an underlying issue.

[8]   SQF permits the receipt of quotes. SQF Auction Responses and market sweeps are also not included.

The Volume-Based Threshold will determine, during a specified time period established by the NOM Market Maker not to exceeds 15 seconds ("Volume-Based Specified Time Period"), whether a NOM Market Maker executed a number of contracts which equals or exceeds the designated number of contracts specified by the NOM Market Maker in all series of an underlying security to determine whether to remove the NOM Market Maker's quotes and orders in all series of the underlying security.[11] The Volume-Based Threshold will be based on the total number of contracts executed in the market in the same options series in in an underlying security and will not offset the number of contracts executed on the opposite side of the market. Once the System determines that the number of contracts executed equals or exceeds a number established by the NOM Market Maker during the Volume-Based Specified Time Period, the System will remove the NOM Market Maker's quotes and orders. The Volume-Based Specified Time Period designated by the NOM Market Maker must be the same length of time as designated for purposes of the Percentage-Based Threshold in Rule 1093.[12]

A Volume-Based Specified Time Period will commence for an option every time an execution occurs in any series in such option and will continue until the System

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[9]   OTTO immediate or cancel orders will not be included. OTTO provides a method for subscribers to send orders and receive status updates on those orders. OTTO accepts limit orders from System subscribers, and if there is a matching order, the orders will execute. Non-matching orders are added to the limit order book, a database of available limit orders, where they are matched.

[10]   Financial Information Exchange ("FIX") Orders are not counted in determining the number of contracts traded and removed by the System.

[11]   The System counter is based on trading interest resting on the Exchange book.

[12]   See proposed new Chapter VII, Section 6(f)(ii).

automatically removes quotes and orders as described in newly proposed sections (f)(iv)

or (f)(v) or the Volume-Based Specified Time Period expires. The Volume-Based

Specified Time Period operates on a rolling basis among all series in an option in that

there may be multiple Volume-Based Specified Time Periods occurring simultaneously

and such Volume-Based Specified Time Periods may overlap.[13]

Multi-Trigger Threshold

A NOM Market Maker or NOM Market Maker Group, which is defined as

multiple affiliated NOM Market Makers,[14] may provide the specified time period and

number of allowable triggers by which the Exchange will automatically remove quotes

and orders in all options series in all underlying securities issues submitted through

designated NOM protocols, as specified by the Exchange ("Multi-Trigger Threshold").

During a specified time period established by the NOM Market Maker not to exceed 15

seconds ("Multi-Trigger Specified Time Period"), the number of times the System

automatically removes the NOM Market Maker's or Group's quotes and orders in all

options series will be based on the number of triggers of the Percentage-Based Threshold,

described in proposed (f)(ii), as well as the Volume-Based Threshold described in

proposed (f)(ii).[15] For purposes of this rule, a trigger shall be defined as the event which

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[13]   Id.

[14]   This would be more than one NOM Market Maker, but does not require the
         aggregation of all of the Participant's Market Makers. A Group would be
         comprised of NOM Market Makers affiliated with one Participant. The
         Participant would be required to define a Group by providing a list of such
         affiliated NOM Market Makers to the Exchange.

[15]   Today, ISE's functionality permits market maker quotes to be removed from the
         ISE trading system if a specified number of curtailment events occur across both
         ISE and ISE Gemini, LLC ("ISE Gemini"). ISE and ISE Gemini's trading

causes the System to automatically remove quotes and orders in all options series in an underlying issue. Once the System determines that the number of triggers equals or exceeds a number established by either the NOM Market Maker or Group, during a Multi-Trigger Specified Time Period, the System will automatically remove all quotes and orders in all options series in all underlying issues for that NOM Market Maker or Group. A Multi-Trigger Specified Time Period will commence after every trigger of either the Percentage-Based Threshold or the Volume-Based Threshold and will continue until the System removes quotes and orders as described in section (f)(iv) of the proposed rule or the Multi-Trigger Specified Time Period expires. Participants may configure the Multi-Trigger Threshold at the badge level (by NOM Market Maker) or by Group (multiple affiliated NOM Market Makers), but not both. This is different as compared to the Percentage-Based Threshold in Chapter VI, Section 19 or the newly proposed Volume-Based Thresholds that are configured only on the badge level (by NOM Market Maker).[16] The System counts triggers within a Multi-Trigger Specified Time Period across all options for the NOM Market Maker or Group. A Multi-Trigger Specified Time Period operates in that there may be multiple Multi-Trigger Specified Time Periods

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systems will count the number of times a market maker's pre-set curtailment events occur on each exchange and aggregate them. Once a market maker's specified number of curtailment events across both markets is reached, the trading systems will remove the market maker's quotes in all classes on both ISE and ISE Gemini. ISE will then reject any quotes sent by the market maker after the parameters across both exchanges have been triggered until the market maker notifies the market operations staff of ISE that it is ready to come out of its curtailment. See Securities Exchange Release No. 73147 (September 19, 2014), 79 FR 57639 (September 25, 2014) (SR-ISE-2014-09) (Order approving proposed rule change related to market maker risk parameters).

[16]   See proposed new Chapter VII, Section 6(f)(iii).

occurring simultaneously and such Multi-Trigger Specified Time Periods may overlap.

The System will automatically remove quotes in all options in an underlying security when the Volume-Based Threshold has been reached. The System will automatically remove quotes in all options in all underlying securities when the Multi-Trigger Threshold has been reached.[17]. The System will send a Purge Notification Message[18] to the NOM Market Maker for all affected options when the above thresholds have been reached.

The two thresholds, Volume-Based Threshold and Multi-Trigger Threshold, operate independently of each other. The triggering of the Volume-Based Threshold would occur independently of that of the Multi-Trigger Threshold. The Multi-Trigger Threshold is somewhat dependent on the Volume-Based Threshold to the extent that the Volume-Based Threshold serves as a trigger for the Multi-Trigger Threshold. Quotes and orders will be automatically executed up to the NOM Market Maker's size regardless of whether the quote exceeds the Volume-Based threshold.[19]

If a NOM Market Maker requests the System to remove quotes and orders in all options series in an underlying issue, the System will automatically reset the Volume-

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[17]   The specified time period for the Volume-Based Threshold and the Multi-Trigger Threshold may differ. The specified time period for the Volume-Based Threshold must be the same as the Percentage-Based Threshold in Chapter VI, Section 19.

[18]   A message entitled "Purge Notification Message" is systemically sent to the BX Marker Maker upon the removal of quotes due to Volume-Based Threshold or Multi-Trigger Threshold.

[19]   See proposed new Chapter VII, Section 6(f)(iii).

Based Specified Time Period(s). The Multi-Trigger Specified Time Period(s) will not

automatically reset for the Multi-Trigger Threshold.[20]

When the System removes quotes and orders as a result of the Volume-Based

Threshold, the NOM Market Maker must send a re-entry indicator to re-enter the System.

When the System removes quotes and orders as a result of the Multi-Trigger Threshold,

the System will not accept quotes and orders through designated protocols until the NOM

Market Maker manually requests re-entry.[21] After quotes and orders are removed as a

result of the Multi-Trigger Threshold, Exchange staff must set a re-entry indicator in this

case to enable re-entry, which will cause the System to send a Reentry Notification

Message to the NOM Market Maker for all options series in all underlying issues.[22] The

NOM Market Maker's Clearing Firm will be notified regarding the trigger and re-entry

into the System after quotes and orders are removed as a result of the Multi-Trigger

Threshold, provided the NOM Market Maker's Clearing Firm has requested to receive

such notification.[23] The System will then reset all counters to zero and re-entry and

continued trading will be permitted. A NOM Market Maker is subject to continuous

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[20]   See proposed new Chapter VII, Section 6(f)(iv).

[21]   In the interest of maintaining fair and orderly markets, the Exchange believes it is
         important that NOM Market Makers communicate their readiness to Exchange
         staff in a non-automated manner, such as by email or telephone.

[22]   See proposed new Chapter VII, Section 6(f)(v).

[23]   NOM Rules at Chapter VI, Section 20 permits the Exchange to share NOM
         Market Maker designated risk settings in the System with the Clearing Firm.

quoting obligations[24] despite the removal of quotes and orders from the System and approval process for re-entry.

Today, the Exchange provides NOM Market Makers with the Percentage-Based Threshold in Rule 1093 to monitor risk.[25] The Exchange will continue to require NOM Market Makers to utilize the Percentage-Based Threshold. The Volume-Based Threshold and the Multi-Trigger Threshold will be optional.

The Exchange reserved subsection (f)(i) for future modifications to this rule.

The Exchange proposes to implement these rule changes within 45 days of the operative day of this rule change.

Example #1 of the Volume-Based Threshold is displayed below. Presume the following Order Book:

Series of Underlying XYZ	Size on bid x offer for MM1
100 Strike Call	300x300
100 Strike Put	50x50
110 Strike Call	200x200
110 Strike Put	150x150

In this example, assume the Specified Time Period designated by the Market Maker # 1 is 10 seconds and the designated number of contracts permitted for the Volume-Based Threshold is 250 contracts.   Assume at 12:00:00, the Market Maker # 1 executes all of his offer size, 200 contracts, in the 110 Strike Calls. The System will initiate the Specified Time Period and for 10 seconds the System will count all volume executed in series of underlying XYZ. If at any point during that 10 second period, the Market

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[24]   See note 5.

[25]   An initial default value is set for each NOM Market Maker.

Maker # 1 executes additional contracts in any series of underlying XYZ, those contracts will be added to the initial execution of 200 contracts. To illustrate, assume at 12:00:05 the Market Maker # 1 executes 60 contracts of his offer in the 100 Strike Calls. The total volume executed is now 260 contracts. Since that volume exceeds the Market Maker #1's designated number of contracts for the Volume-Based Threshold (250 contracts), all of his quotes in all series of underlying XYZ over the designated protocols will be removed from the System; no further quotes or orders will be executed until re-entry. The Volume-Based Specified Time Period will be reset for Market Maker #1 in underlying XYZ and Market Maker #1 will need to send a re-entry indicator in order to re-enter quotes in options series for underlying XYZ into the System.

Example #2 of the Volume-Based Threshold: Similar to the example above, assume the Specified Time Period is 10 seconds and the designated number of contracts permitted for the Volume-Based Threshold is 250 contracts. Assume at 12:00:00, Market Maker #1 executes all of his offer size, 200 contracts, in the 110 Strike Calls. The System will initiate the Specified Time Period and for 10 seconds the System will count all volume executed in series of underlying XYZ. If at any point during that 10 second period, Market Maker #1 executes additional contracts in any series of underlying XYZ, those contracts will be added to the initial execution of 200 contracts. Then assume at 12:00:05 Market Maker #1 executes 20 contracts of his offer in the 100 Strike Calls. The total volume executed is 220 contracts which does not exceed the Volume-Based Threshold. This second execution initiates another Specified Time Period so there are two open time periods, the first with 5 seconds remaining and a new 10 second time period. At 12:00:10, the first timer period expires and the initial execution of 200

contracts is no longer counted toward the designated number of contracts permitted for the Volume-Based Threshold. Further assume at 12:00:12, which is outside of the initial time period but still within 10 seconds of the second execution of 20 contracts, another execution occurs with Market Maker #1 executing 230 contracts of his bid in the 100 Strike Calls. This total volume executed toward the Volume-Based Threshold within the Specified Time Period is now 250 contracts which equals the designated number of contracts permitted causing the System to remove all quotes in all series of underlying XYZ over the designated protocols for Market Maker #1 to be removed from the System no further quotes or orders will be executed until re-entry.   The Volume-Based Specified Time Period will be reset for Market Maker #1 in underlying XYZ and Market Maker #1 will need to send a re-entry indicator in order to re-enter quotes in options series for underlying XYZ into the System. This example displays the rolling basis in which the Specified Time Period operates.

Example #3: In order to illustrate the Multi-Trigger Threshold, assume Example #1 and Example #2 provided above occurred in options series of two different underlyings rather than all in options series of underlying XYZ and for two separate Market Makers (MM#1 for Example #1 and MM#2 for Example #2) of the same member organization. Assume a Group is defined by the member organization and is comprised of the MM #1 and MM #2. Further assume the member organization has defined the Multi-Trigger Specified Time Period as 10 seconds and the number of allowable triggers as two. Based on the aforementioned examples, a Multi-Trigger Specified Time Period commences at 12:00:05 when MM#1 triggers the Volume-Based Threshold. This Volume-Based Threshold triggers counts as the first trigger toward the Multi-Trigger

Threshold for the Group. Another Multi-Trigger Specified Time Period is initiated at

12:00:12 when MM#2 triggers the Volume-Based Threshold (per Example #2). This

Volume-Based Threshold trigger counts as the second trigger toward the Multi-Trigger

Threshold for the Group since it is within the Multi-Trigger Specified Time Period of the

first trigger. Since the member organization designated two triggers for the number of

allowable triggers, the Group, both MM#1 and MM#2, quotes in all option series in all

underlying issues for the Group are automatically removed from the System and Purge

Notification Messages are sent to the Group; no further quotes or orders will be executed

until re-entry. The member organization will need to contact the Exchange to request

Exchange staff to enable re-entry into the System.

The Exchange proposes to implement this rule within thirty (30) days of the

operative date. The Exchange will issue an Options Trader Alert in advance to inform

market participants of such date.

2.   Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the

Act[26] in general, and furthers the objectives of Section 6(b)(5) of the Act[27] in particular,

in that it is designed to promote just and equitable principles of trade, 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, by enhancing

the risk protections available to Exchange members. The proposal promotes policy goals

of the Commission which has encouraged execution venues, exchange and non-exchange

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[26]   15 U.S.C. 78f(b).

[27]   15 U.S.C. 78f(b)(5).

alike, to enhance risk protection tools and other mechanisms to decrease risk and increase stability.

The individual firm benefits of enhanced risk protections flow downstream to counter-parties both within and without the Exchange, thereby increasing systemic protections as well. Additionally, because the Exchange offers the these risk tools to NOM Market Makers, in order to encourage them to provide as much liquidity as possible and encourage market making generally, the proposal removes impediments to and perfects the mechanism of a free and open market and a national market system and protect investors and the public interest.

With respect to permitting the Multi-Trigger Threshold to be set either to one NOM Market Maker or to a number of specified NOM Market Makers affiliated with a member, it is important to note that the risk to NOM Market Makers is not limited to a single series in an option but to all series in an option. NOM Market Makers that quote in multiple series of multiple options have significant exposure, requiring them to offset or hedge their overall positions. The proposed functionality will be useful for NOM Market Makers, who are required to continuously quote in assigned options classes on the Exchange. Quoting across many series in an option or multiple options creates the possibility of executions that can create large, unintended principal positions that could expose market makers to unnecessary risk. The Multi-Trigger Threshold functionality is intended to assist NOM Market Makers manage that risk at the Group level so that NOM Market Makers may provide deep and liquid markets to the benefit of all investors.

The Exchange further represents that its proposal will operate consistently with the firm quote obligations of a broker-dealer pursuant to Rule 602 of Regulation NMS

and that the functionality is not mandatory. Specifically, any interest that is executable against a NOM Market Maker's quotes that are received[28] by the Exchange prior to the time either of these functionalities are engaged will be automatically executed at the price up to the NOM Market Maker's size, regardless of whether such execution results in executions in excess of the NOM Market Maker's pre-set parameters.

With respect to providing risk settings to the NOM Market Maker's Clearing Member, each Member that transacts through a Clearing Member on the Exchange executes a Letter of Guarantee wherein the Clearing Member accepts financial responsibility for all Exchange transactions made by the Participant on whose behalf the Clearing Member submits the letter of guarantee. The Exchange believes that because Clearing Members guarantee all transactions on behalf of a Participant, and therefore, bear the risk associated with those transactions, it is appropriate for Clearing Members to have knowledge of what risk settings a NOM Market Maker may utilize within the System and receive and receive notice of re-entry into the System after triggering the Multi-Trigger Threshold.

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

The Exchange does not believe that the proposed rule change will impose any burden on competition not necessary or appropriate in furtherance of the purposes of the Act. Specifically, the proposal will not impose a burden on intra-market or inter-market competition, rather it provides NOM Market Makers with the opportunity to avail themselves of similar risk tools which are currently available on other exchanges.[29] The

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[28]   The time of receipt for an order or quote is the time such message is processed by the Exchange book.

[29]   See Section 8 of the 19b4.

proposal does not impose a burden on inter-market competition, because Participants may choose to become market makers on a number of other options exchanges, which may have similar but not identical features.[30] The proposed rule change is meant to protect NOM Market Makers from inadvertent exposure to excessive risk. Accordingly, the proposed rule change will have no impact on competition.

Further, the Exchange is proposing this rule change at the request of its NOM Market Makers to further reduce their risk in the event the NOM Market Maker is suffering from a systems issue or due to the occurrence of unusual or unexpected market activity. The proposed Group parameter for the Multi-Trigger threshold will protect NOM Market Makers from inadvertent exposure to excessive risk at the Group level. Reducing such risk will enable NOM Market Makers to enter quotations without any fear of inadvertent exposure to excessive risk, which in turn will benefit investors through increased liquidity for the execution of their orders. Such increased liquidity benefits investors because they receive better prices and because it lowers volatility in the options market.

The Exchange believes that requiring NOM Market Makers to enter values for the Percentage-Based Threshold is not unreasonably burdensome because NOM Market Makers can enter an out-of-range values so that the Exchange-provided risk protections will not be triggered. Reducing risk by utilizing the proposed risk protections will enable NOM Market Makers to enter quotations with larger size, which in turn will benefit investors through increased liquidity for the execution of their orders. Such increased

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[30]   See BATS Rule 21.16, BOX Rules 8100 and 8110, C2 Rule 8.12, CBOE Rule 8.18, ISE Rule 804(g), MIAX Rule 612, NYSE MKT Rule 928NY and NYSE Arca Rule 6.40.

liquidity benefits investors because they receive better prices and because it lowers volatility in the options market.

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

No written comments were either solicited or received.

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

Because the foregoing proposed rule change does not: (i) significantly affect the protection of investors or the public interest; (ii) impose any significant burden on competition; and (iii) become operative for 30 days from the date on which it was filed, or such shorter time as the Commission may designate, it has become effective pursuant to Section 19(b)(3)(A)(ii) of the Act[31] and subparagraph (f)(6) of Rule 19b-4 thereunder.[32]

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.

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[31]   15 U.S.C. 78s(b)(3)(a)(ii).

[32]   17 CFR 240.19b-4(f)(6).

IV.   Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act. Comments may be submitted by any of the following methods:

Electronic comments:

- Use the Commission's Internet comment form

    (http://www.sec.gov/rules/sro.shtml); or

- Send an e-mail to rule-comments@sec.gov. Please include File Number SR-

    NASDAQ-2015-061 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-2015-061. This file number should be included on the subject line if e-mail is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet Web site (http://www.sec.gov/rules/sro.shtml).

Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for website viewing and printing in the Commission's Public Reference Room, 100 F Street, NE, Washington, DC 20549, on

official business days between the hours of 10:00 a.m. and 3:00 p.m. Copies of the filing

also will be available for inspection and copying at the principal office of the Exchange.

All comments received will be posted without change; the Commission does not edit

personal identifying information from submissions. You should submit only information

that you wish to make available publicly.

All submissions should refer to File Number SR-NASDAQ-2015-061 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.[33]

Kevin M. O'Neill
Deputy Secretary

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[33]   17 CFR 200.30-3(a)(12).

EXHIBIT 5

New text is underlined; deleted text is in brackets.

NASDAQ Stock Market Rules

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Options Rules

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Chapter VII Market Participants

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Sec. 6 Market Maker Quotations

(a) – (e) No Change.

(f) **Automated Removal of Orders and Quotes**

(i) Reserved.

(ii) A NOM Market Maker may provide a specified time period and a volume threshold by which the Exchange's System will automatically remove a NOM Market Maker's quotes and orders in all series of an underlying security submitted through designated NOM protocols, as specified by the Exchange, during a specified time period established by the NOM Market Maker not to exceed 15 seconds ("Volume-Based Specified Time Period") when the NOM Market Maker executes a number of contracts which equals or exceeds the designated number of contracts in all options series in an underlying security ("Volume-Based Threshold"). The NOM Market Maker's Volume-Based Specified Time Period must be the same length of time as designated for purposes of the Risk Monitor Mechanism in Chapter VI, Section 19 ("Percentage Based Threshold"). A Volume-Based Specified Time Period will commence for an option every time an execution occurs in any series in such option and will continue until the System removes quotes and orders as described in (f)(iv) or (f)(v) or the Volume-Based Specified Time Period expires. A Volume-Based Specified Time Period operates on a rolling basis among all series in an option in that there may be multiple Volume-Based Specified Time Periods occurring simultaneously and such Volume-Based Specified Time periods may overlap.

(iii) A NOM Market Maker or NOM Market Maker Group (multiple affiliated NOM Market Makers is a "Group" as defined by a NOM Participant and provided by such Participant to the Exchange) may provide a specified time period and number of allowable triggers by which the Exchange will automatically remove quotes and orders in all options series in all underlying issues submitted through designated NOM protocols, as specified by the Exchange ("Multi-Trigger Threshold"). During a specified time period(s) established by the NOM Market Maker not to exceed 15 seconds ("Multi-Trigger Specified Time Period"), the number of times the System automatically removes the NOM Market Maker's or Group's quotes and orders in all options series will be based on the number of triggers of the Percentage-Based Threshold,

described in (f)(ii) above, as well as the Volume-Based Threshold described in (f)(ii) above. Once the System determines that the number of triggers equals or exceeds a number established by either the NOM Market Maker or Group, during a Multi-Trigger Specified Time Period, the System will automatically remove all quotes and orders in all options series in all underlying issues for that NOM Market Maker or Group. A trigger is defined as the event which causes the System to automatically remove quotes and orders in all options series in an underlying issue. A Multi-Trigger Specified Time Period will commence after every trigger of either the Percentage-Based Threshold or the Volume-Based Threshold and will continue until the System removes quotes and orders as described in (f)(iv) or the Multi-Trigger Specified Time Period expires. The System counts triggers within the Multi-Trigger Specified Time Period across all triggers for the NOM Market Maker or Group. A Multi-Trigger Specified Time Period operates on a rolling basis in that there may be multiple Multi-Trigger Specified Time Periods occurring simultaneously and such Multi-Trigger Specified Time Periods may overlap.

(iv) The System will automatically remove quotes in all options in an underlying security when the Volume-Based Threshold has been reached. The System will automatically remove quotes in all options in all underlying securities when the Multi-Trigger Threshold has been reached. . The System will send a Purge Notification Message to the NOM Market Maker for all affected options when the above thresholds have been reached.

      (a) The two thresholds, Volume-Based Threshold and Multi-Trigger Threshold, are considered independently of each other.

      (b) Marketable orders or quotes will be automatically executed up to the NOM Market Maker's size regardless of whether the execution exceeds the Volume-Based Threshold.

(v) If a NOM Market Maker requests the System to remove quotes and orders in all options series in an underlying security, the System will automatically reset the Volume-Based Specified Time Period(s). The Multi-Trigger Specified Time Period(s) will not automatically reset for the Multi-Trigger Threshold.

(vi) When the System removes quotes or orders as a result of the Volume-Based Threshold, the NOM Market Maker must send a re-entry indicator to re-enter the System. When the System removes quotes or orders as a result of the Multi-Trigger Threshold, the System will not accept orders or quotes through designated protocols until the NOM Market Maker manually requests re-entry. After quotes are removed as a result of the Multi-Trigger Threshold, Exchange staff must set a re-entry indicator in this case to enable re-entry, which will cause the System to send a Reentry Notification Message to the Market Maker for all options series in all underlying issues. The Market Maker's Clearing Firm will be notified regarding the trigger and re-entry into the System after quotes are removed as a result of the Multi-Trigger Threshold, provided the Market Maker's Clearing Firm has requested to receive such notification.

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