

Required fields are shown with yellow backgrounds and asterisks.

Page 1 of * 64	SECURITIES AND EXCHANGE COMMISSION WASHINGTON, D.C. 20549 Form 19b-4		File No.* SR - 2015 - * 115	Amendment No. (req. for Amendments *)
Filing by NASDAQ Stock Market Pursuant to Rule 19b-4 under the Securities Exchange Act of 1934				
Initial * <input checked="" type="checkbox"/>	Amendment * <input type="checkbox"/>	Withdrawal <input type="checkbox"/>	Section 19(b)(2) * <input type="checkbox"/>	Section 19(b)(3)(A) * <input checked="" type="checkbox"/>
			Section 19(b)(3)(B) * <input type="checkbox"/>	
			Rule	
Pilot <input type="checkbox"/>	Extension of Time Period for Commission Action * <input type="checkbox"/>	Date Expires * <input type="text"/>	<input type="checkbox"/> 19b-4(f)(1)	<input type="checkbox"/> 19b-4(f)(4)
			<input checked="" type="checkbox"/> 19b-4(f)(2)	<input type="checkbox"/> 19b-4(f)(5)
			<input type="checkbox"/> 19b-4(f)(3)	<input type="checkbox"/> 19b-4(f)(6)
Notice of proposed change pursuant to the Payment, Clearing, and Settlement Act of 2010			Security-Based Swap Submission pursuant to the Securities Exchange Act of 1934	
Section 806(e)(1) * <input type="checkbox"/>		Section 806(e)(2) * <input type="checkbox"/>	Section 3C(b)(2) * <input type="checkbox"/>	
Exhibit 2 Sent As Paper Document <input type="checkbox"/>		Exhibit 3 Sent As Paper Document <input type="checkbox"/>		
Description				
Provide a brief description of the action (limit 250 characters, required when Initial is checked *).				
<input type="text" value="Modify Chapter XV at Section 2"/>				
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 *	<input type="text" value="Angela"/>	Last Name *	<input type="text" value="Dunn"/>	
Title *	<input type="text" value="Associate General Counsel"/>			
E-mail *	<input type="text" value="angela.dunn@nasdaqomx.com"/>			
Telephone *	<input type="text" value="(215) 496-5692"/>	Fax	<input type="text"/>	
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	<input type="text" value="10/14/2015"/>	<input type="text" value="Executive Vice President and General Counsel"/>		
By	<input type="text" value="Edward S. Knight"/>	<input type="text"/>		
(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.				
		<input type="button" value="edward.knight@nasdaq.com"/>		

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

For complete Form 19b-4 instructions please refer to the EFFF 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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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

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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

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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) Pursuant to the provisions of Section 19(b)(1) under the Securities Exchange Act of 1934 (“Act”)¹ and Rule 19b-4 thereunder,² The NASDAQ Stock Market LLC (“NASDAQ” or “Exchange”) is filing with the Securities and Exchange Commission (“Commission”) a proposed rule change to amend Chapter XV, entitled “Options Pricing,” at Section 2, which governs pricing for NASDAQ members using the NASDAQ Options Market (“NOM”), NASDAQ’s facility for executing and routing standardized equity and index options, to amend the Customer,³ Professional⁴ and NOM Market Maker⁵ Penny Pilot⁶ and Non-Penny Pilot Options Rebates to Add Liquidity. The proposed amendments apply to volume from the date of this filing forward.

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

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

⁴ The term “Professional” means any person or entity that (i) is not a broker or dealer in securities, and (ii) places more than 390 orders in listed options per day on average during a calendar month for its own beneficial account(s) pursuant to Chapter I, Section 1(a)(48). All Professional orders shall be appropriately marked by Participants.

⁵ The term “NOM Market Maker” means a Participant that has registered as a Market Maker on NOM pursuant to Chapter VII, Section 2, and must also remain in good standing pursuant to Chapter VII, Section 4. In order to receive NOM Market Maker pricing in all securities, the Participant must be registered as a NOM Market Maker in at least one security.

⁶ See Securities Exchange Act Release Nos. 57579 (March 28, 2008), 73 FR 18587 (April 4, 2008) (SR-NASDAQ-2008-026) (notice of filing and immediate effectiveness establishing Penny Pilot); 60874 (October 23, 2009), 74 FR 56682 (November 2, 2009)(SR-NASDAQ-2009-091) (notice of filing and immediate effectiveness expanding and extending Penny Pilot); 60965 (November 9, 2009),

A notice of the proposed rule change for publication in the Federal Register is attached hereto as Exhibit 1 and a copy of the applicable rule text 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 NASDAQ pursuant to authority delegated by the Board of Directors of NASDAQ on July 1, 2015.

74 FR 59292 (November 17, 2009)(SR-NASDAQ-2009-097) (notice of filing and immediate effectiveness adding seventy-five classes to Penny Pilot); 61455 (February 1, 2010), 75 FR 6239 (February 8, 2010) (SR-NASDAQ-2010-013) (notice of filing and immediate effectiveness adding seventy-five classes to Penny Pilot); 62029 (May 4, 2010), 75 FR 25895 (May 10, 2010) (SR-NASDAQ-2010-053) (notice of filing and immediate effectiveness adding seventy-five classes to Penny Pilot); 65969 (December 15, 2011), 76 FR 79268 (December 21, 2011) (SR-NASDAQ-2011-169) (notice of filing and immediate effectiveness extension and replacement of Penny Pilot); 67325 (June 29, 2012), 77 FR 40127 (July 6, 2012) (SR-NASDAQ-2012-075) (notice of filing and immediate effectiveness and extension and replacement of Penny Pilot through December 31, 2012); 68519 (December 21, 2012), 78 FR 136 (January 2, 2013) (SR-NASDAQ-2012-143) (notice of filing and immediate effectiveness and extension and replacement of Penny Pilot through June 30, 2013); 69787 (June 18, 2013), 78 FR 37858 (June 24, 2013) (SR-NASDAQ-2013-082) (notice of filing and immediate effectiveness and extension and replacement of Penny Pilot through December 31, 2013); 71105 (December 17, 2013), 78 FR 77530 (December 23, 2013) (SR-NASDAQ-2013-154) (notice of filing and immediate effectiveness and extension and replacement of Penny Pilot through June 30, 2014); 79 FR 31151 (May 23, 2014), 79 FR 31151 (May 30, 2014) (SR-NASDAQ-2014-056) (notice of filing and immediate effectiveness and extension and replacement of Penny Pilot through December 31, 2014); 73686 (December 2, 2014), 79 FR 71477 (November 25, 2014) (SR-NASDAQ-2014-115) (notice of filing and immediate effectiveness and extension and replacement of Penny Pilot through June 30, 2015) and 75283 (June 24, 2015), 80 FR 37347 (June 30, 2015) (SR-NASDAQ-2015-063) (Notice of Filing and Immediate Effectiveness of a Proposed Rule Change Relating to Extension of the Exchange's Penny Pilot Program and Replacement of Penny Pilot Issues That Have Been Delisted.) See also NOM Rules, Chapter VI, Section 5.

NASDAQ staff will advise the Board of Directors of NASDAQ of any action taken pursuant to delegated authority. No other action by NASDAQ is necessary for the filing of the rule change.

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

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

a. Purpose

The Exchange proposes to amend Chapter XV, Section 2, entitled “NASDAQ Options Market – Fees and Rebates” to amend the Customer, Professional and NOM Market Maker Penny Pilot Options Rebates to Add Liquidity and to amend a Customer Non-Penny Pilot Options Rebate to Add Liquidity. Each of the proposed rule changes will be detailed below.

Proposed Change Number 1: Customer and Professional Penny Pilot Options Rebates to Add Liquidity

Today, the Exchange offers tiered Penny Pilot Options Rebates to Add Liquidity to Customers and Professionals based on various criteria with rebates ranging from \$0.20 to \$0.48 per contract. Participants may qualify for Customer and Professional Penny Pilot Options Rebates to Add Liquidity by adding a certain amount of liquidity as specified by each tier.⁷

⁷ Tiers 6 and 7 are calculated based on Total Volume. Total Volume is defined as Customer, Professional, Firm, Broker-Dealer, Non-NOM Market Maker and NOM Market Maker volume in Penny Pilot Options and/or Non-Penny Pilot Options which either adds or removes liquidity on NOM. See note “b” in Section 2(1) of Chapter XV. The Exchange utilizes data from OCC to determine the total

Tier 8

The Exchange proposes to amend Tier 8 to change the volume requirement from “0.75% or more” to “0.75% to 1.15%” because of the proposed changes to Tier 9, which are discussed below. Tier 8 criteria currently states, “Participant adds Customer, Professional, Firm, Non-NOM Market Maker and/or Broker-Dealer liquidity in Penny Pilot Options and/or Non-Penny Pilot Options above 0.75% or more of total industry customer equity and ETF option ADV contracts per day in a month or Participant adds (1) Customer and/or Professional liquidity in Penny Pilot Options and/or Non-Penny Pilot Options of 30,000 or more contracts per day in a month, (2) the Participant has certified for the Investor Support Program⁸ set forth in Rule 7014, and (3) the Participant qualifies for rebates under the Qualified Market Maker (“QMM”) Program⁹ set forth in

industry customer equity and ETF options ADV figure. OCC classifies equity and ETF options volume under the equity options category. Also, both customer and professional orders that are transacted on options exchanges clear in the customer range at OCC and therefore both customer and professional volume would be included in the total industry figure to calculate rebate tiers.

⁸ For a detailed description of the Investor Support Program or ISP, see Securities Exchange Act Release No. 63270 (November 8, 2010), 75 FR 69489 (November 12, 2010) (NASDAQ-2010-141) (notice of filing and immediate effectiveness) (the “ISP Filing”). See also Securities Exchange Act Release Nos. 63414 (December 2, 2010), 75 FR 76505 (December 8, 2010) (NASDAQ-2010-153) (notice of filing and immediate effectiveness); and 63628 (January 3, 2011), 76 FR 1201 (January 7, 2011) (NASDAQ-2010-154) (notice of filing and immediate effectiveness).

⁹ A QMM is a NASDAQ member that makes a significant contribution to market quality by providing liquidity at the national best bid and offer (“NBBO”) in a large number of stocks for a significant portion of the day. In addition, the NASDAQ equity member must avoid imposing the burdens on NASDAQ and its market participants that may be associated with excessive rates of entry of orders away from the inside and/or order cancellation. The designation “QMM” reflects the QMM's commitment to provide meaningful and consistent support to market quality and price discovery by extensive quoting at the NBBO in a large number of securities. In return for its contributions, certain financial benefits are provided

Rule 7014.” This rule change will provide clarity as to the volume requirements applicable to the Tier 8 rebate.

Tier 9

The Exchange proposes to adopt a new Customer and Professional Penny Pilot Options Rebate to Add Liquidity tier. New Tier 9 would pay a \$0.50 per contract rebate to Participants that add Customer, Professional, Firm, Non-NOM Market Maker and/or Broker-Dealer liquidity in Penny Pilot Options and/or Non-Penny Pilot Options above 1.15% to 1.40% of total industry customer equity and ETF option average daily volume (“ADV”) contracts per day in a month. This new rebate tier is similar to the current requirement to obtain the \$0.02 incentive in note “e” for Tier 8 today.¹⁰ The Exchange believes that this new rebate tier will encourage Participants to add even more liquidity on NOM to earn the higher rebate.

Tier 10

The Exchange proposes to adopt a new Customer and Professional Penny Pilot Options Rebate to Add Liquidity tier. New Tier 10 would pay a \$0.52 per contract rebate to Participants that (1) add Customer, Professional, Firm, Non-NOM Market Maker

to a QMM with respect to a particular MPID (a “QMM MPID”), as described under Rule 7014(e).

¹⁰ Today, Participants that qualify for the Tier 8 Customer and Professional Penny Pilot Options Rebate to Add Liquidity and also add Customer, Professional, Firm, Non-NOM Market Maker and/or Broker-Dealer liquidity in Penny Pilot Options and/or Non- Penny Pilot Options of 1.15% or more of total industry customer equity and ETF option ADV contracts per day in a month receive an additional \$0.02 per contract Penny Pilot Options Customer Rebate to Add Liquidity for each transaction which adds liquidity in Penny Pilot Options in that month. The \$0.02 per contract incentive is in addition to the \$0.48 Tier 8 Customer and Professional Penny Pilot Options rebate for a total of \$0.50 per contract. See note 14 herein for an explanation of the Tier 8 rebate.

and/or Broker-Dealer liquidity in Penny Pilot Options and/or Non-Penny Pilot Options above 0.85% of total industry customer equity and ETF option ADV contracts per day in a month and (2) has added liquidity in all securities through one or more of its Nasdaq Market Center MPIDs¹¹ that represent 1.00% or more of Consolidated Volume during the month. 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 an equity 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. The Exchange proposes to add this definition of Consolidated Volume to Chapter XV, Section 2(1) as new note "c." The Exchange believes that this new rebate tier will encourage Participants to add even more liquidity on NOM to earn the higher rebate. Also, the Exchange is not only providing Participants a manner in which to earn an options rebate by participating in the options market, but is also permitting equities volume to qualify for the options rebate, thereby benefitting the Nasdaq Market Center as well as the NOM market, by incentivizing order flow to these markets.

Tier 11

The Exchange proposes to adopt a new Customer and Professional Penny Pilot Options Rebate to Add Liquidity tier. New Tier 11 would pay a \$0.53 per contract rebate to Participants that add Customer, Professional, Firm, Non-NOM Market Maker and/or

¹¹ MPIDS are four character alpha code market participant identifiers used to report trades.

Broker-Dealer liquidity in Penny Pilot Options and/or Non-Penny Pilot Options above 1.40% of total industry customer equity and ETF option ADV contracts per day in a month. This new rebate tier is similar to the current requirement to obtain the \$0.05 incentive in note “e” for Tier 8 today.¹² The Exchange believes that this new rebate tier will encourage Participants to add even more liquidity on NOM to earn the higher rebate.

Note “d” of Chapter XV, Section 2(1)

Currently, note “d” of Chapter XV, Section 2(1) states that Participants that qualify for Customer or Professional Rebate to Add Liquidity Tiers 7¹³ or 8¹⁴ in a given month will be assessed a Professional, Firm, Non-NOM Market Maker, NOM Market

¹² Today, Participants that qualify for the Tier 8 Customer and Professional Penny Pilot Options Rebate to Add Liquidity and also add Customer, Professional, Firm, Non-NOM Market Maker and/or Broker-Dealer liquidity in Penny Pilot Options and/or Non-Penny Pilot Options of 1.40% or more of total industry customer equity and ETF option ADV contracts per day in a month receive an additional \$0.05 per contract Penny Pilot Options Customer Rebate to Add Liquidity for each transaction which adds liquidity in Penny Pilot Options in that month. The \$0.05 per contract incentive is in addition to the \$0.48 Tier 8 Customer and Professional Penny Pilot Options rebate for a total of \$0.53 per contract.

¹³ Tier 7 of the Customer and Professional Rebate to Add Liquidity Tiers pays a \$0.47 per contract rebate to Participants that have Total Volume of 150,000 or more contracts per day in a month, of which 50,000 or more contracts per day in a month must be Customer and/or Professional liquidity in Penny Pilot Options. “Total Volume” is defined as Customer, Professional, Firm, Broker-Dealer, Non-NOM Market Maker and NOM Market Maker volume in Penny Pilot Options and/or Non-Penny Pilot Options which either adds or removes liquidity on NOM.

¹⁴ Tier 8 of the Customer and Professional Rebate to Add Liquidity Tiers pays a \$0.48 per contract rebate to Participants that add Customer, Professional, Firm, Non-NOM Market Maker and/or Broker-Dealer liquidity in Penny Pilot Options and/or Non-Penny Pilot Options above 0.75% or more of total industry customer equity and ETF option ADV contracts per day in a month or Participant adds (1) Customer and/or Professional liquidity in Penny Pilot Options and/or Non-Penny Pilot Options of 30,000 or more contracts per day in a month, (2) the Participant has certified for the Investor Support Program set forth in Rule 7014, and/or (3) the Participant qualifies for rebates under the Qualified Market Maker Program set forth in Rule 7014.

Maker or Broker-Dealer Fee for Removing Liquidity in Penny Pilot Options of \$0.50 per contract. Currently, the Professional, Firm, Non-NOM Market Maker, NOM Market Maker or Broker-Dealer Fee for Removing Liquidity in Penny Pilot Options is \$0.54 per contract for these Participants. The Exchange proposes to remove this incentive to obtain a lower Professional, Firm, Non-NOM Market Maker, NOM Market Maker or Broker-Dealer Fee for Removing Liquidity in Penny Pilot Options from Tier 7 of the Customer and Professional Penny Pilot Options Rebate to Add Liquidity. This incentive will remain for Tier 8, as is the case today, and will be applicable to newly proposed Tiers 9, 10 and 11 of the Customer and Professional Penny Pilot Options Rebate to Add Liquidity. The Exchange desires to incentivize market participants to add liquidity in the highest four tiers in order to obtain the lower Professional, Firm, Non-NOM Market Maker, NOM Market Maker or Broker-Dealer Fee for Removing Liquidity in Penny Pilot Options. Note “d” will be amended to remove Tier 7 and add Tiers 9, 10 and 11.

Note “e” of Chapter XV, Section 2(1)

Currently, note “e” of Chapter XV, Section 2(1) states that Participants that add Customer, Professional, Firm, Non-NOM Market Maker and/or Broker-Dealer liquidity in Penny Pilot Options and/or Non- Penny Pilot Options of 1.15% or more of total industry customer equity and ETF option ADV contracts per day in a month will receive an additional \$0.02 per contract Penny Pilot Options Customer Rebate to Add Liquidity for each transaction which adds liquidity in Penny Pilot Options in that month. Participants that add Customer, Professional, Firm, Non-NOM Market Maker and/or Broker-Dealer liquidity in Penny Pilot Options and/or Non-Penny Pilot Options of 1.40% or more of total industry customer equity and ETF option ADV contracts per day in a

month will receive an additional \$0.05 per contract Penny Pilot Options Customer Rebate to Add Liquidity for each transaction which adds liquidity in Penny Pilot Options in that month. This note “e” incentive applies solely to the Tier 8 Customer and Professional Penny Pilot Options Rebate to Add Liquidity.¹⁵ The Exchange proposes to remove the note “e” incentive from Tier 8 of the Customer and Professional Penny Pilot Options Rebate to Add Liquidity. The Exchange believes that this incentive is no longer necessary as it is offering Participants the opportunity to obtain the additional \$0.02 per contract incentive to Tier 8 with the newly proposed Tier 9 Customer and Professional Penny Pilot Options Rebate to Add Liquidity and the additional \$0.05 incentive to Tier 8 with the newly proposed Tier 11 Customer and Professional Penny Pilot Options Rebate to Add Liquidity.¹⁶ Note “e” will be deleted from Chapter XV, Section 2(1). The Exchange is also proposing to remove the period at the end of Tier 8 of the Customer and Professional Penny Pilot Options Rebate to Add Liquidity for consistency.

Proposed Change Number 2: Customer Non-Penny Pilot Options Rebate to Add Liquidity

Note “3” of Chapter XV, Section 2(1)

The Exchange currently pays a Customer Non-Penny Pilot Options Rebate to Add Liquidity of \$0.84 per contract. Currently, note “3” of Chapter XV, Section 2(1) states that a Participant that qualifies for Penny Pilot Options Customer or Professional Rebate to Add Liquidity Tiers 7 or 8 in a given month will receive an additional \$0.01 per contract Non-Penny Pilot Options Customer Rebate to Add Liquidity for each transaction which adds liquidity in Non-Penny Pilot Options in that month. The Exchange proposes

¹⁵ Id.

¹⁶ See notes 10 and 12 herein.

to continue to offer this incentive for the Non-Penny Pilot Options Customer Rebate to Add Liquidity, however, the Exchange proposes to amend the applicable tiers to extend the incentive to newly proposed Tiers 9, 10 and 11, in addition to Tiers 7 and 8. The Exchange believes that this incentive will encourage Participants to add even more liquidity on NOM to earn the higher Non-Penny Pilot Options Customer Rebate to Add Liquidity.

Proposed Change Number 3: NOM Market Maker Penny Pilot Rebates to Add Liquidity

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

Monthly Volume		Rebate to Add Liquidity
Tier 1	Participant adds NOM Market Maker liquidity in Penny Pilot Options and/or Non-Penny Pilot Options of up to 0.10% of total industry customer equity and ETF option average daily volume ("ADV") contracts per day in a month	\$0.20
Tier 2	Participant adds NOM Market Maker liquidity in Penny Pilot Options and/or Non-Penny Pilot Options above 0.10% to 0.25% of total industry customer equity and ETF option ADV contracts per day in a month	\$0.25
Tier 3	Participant adds NOM Market Maker liquidity in Penny Pilot Options and/or Non-Penny Pilot Options above 0.25% to 0.60% of total industry customer equity and ETF option ADV contracts per day in a month	\$0.30 or \$0.40 in the following symbols AAPL, QQQ, IWM, SPY and VXX
Tier 4	Participant adds NOM Market Maker liquidity in Penny Pilot Options and/or Non-Penny Pilot Options of above 0.60% to 0.90% of total industry	\$0.32 or \$0.40 in the following symbols AAPL,

customer equity and ETF option ADV contracts per day in a month QQQ, IWM, VXX and SPY

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

Tier 6 Participant adds NOM Market Maker liquidity in Penny Pilot Options and/or Non-Penny Pilot Options above 0.80% of total industry customer equity and ETF option ADV contracts per day in a month and qualifies for the Tier 7 or Tier 8 Customer and/or Professional Rebate to Add Liquidity in Penny Pilot Options or Participant adds NOM Market Maker liquidity in Penny Pilot Options and/or Non-Penny Pilot Options above 0.90% of total industry customer equity and ETF option ADV contracts per day in a month or Participants that add Customer, Professional, Firm, Non-NOM Market Maker, and/or Broker-Dealer liquidity in Penny Pilot Options and/or Non-Penny Pilot Options of 1.40% or more of total industry customer equity and ETF option ADV contracts per day in a month \$0.42

Tier 5

The Exchange proposes to amend Tier 5 of the NOM Market Maker Penny Pilot Options Rebate to Add Liquidity which currently provides that a \$0.40 per contract rebate will be paid to Participants that adds NOM Market Maker liquidity in Penny Pilot Options and/or Non-Penny Pilot Options of above 0.30% of total industry customer equity and ETF option ADV contracts per day in a month and qualifies for the Tier 7 or Tier 8 Customer and/or Professional Rebate to Add Liquidity in Penny Pilot Options. The Exchange proposes to extend the qualification for the Tier 5 of the NOM Market

Maker Penny Pilot Options Rebate to Add Liquidity to apply to newly proposed Tiers 9, 10 and 11, in addition to current Tiers 7 and 8. The Exchange believes that this incentive will encourage Participants to add even more liquidity on NOM to earn the NOM Market Maker Penny Pilot Options rebate.

Tier 6

The Exchange proposes to amend Tier 6 of the NOM Market Maker Penny Pilot Options Rebate to Add Liquidity which currently provides that a \$0.42 per contract rebate will be paid to a Participant that adds NOM Market Maker liquidity in Penny Pilot Options and/or Non-Penny Pilot Options above 0.80% of total industry customer equity and ETF option ADV contracts per day in a month and qualifies for the Tier 7 or Tier 8 Customer and/or Professional Rebate to Add Liquidity in Penny Pilot Options or Participant adds NOM Market Maker liquidity in Penny Pilot Options and/or Non-Penny Pilot Options above 0.90% of total industry customer equity and ETF option ADV contracts per day in a month or Participants that add Customer, Professional, Firm, Non-NOM Market Maker, and/or Broker-Dealer liquidity in Penny Pilot Options and/or Non-Penny Pilot Options of 1.40% or more of total industry customer equity and ETF option ADV contracts per day in a month. The Exchange proposes to extend the qualification for Tier 6 of the NOM Market Maker Penny Pilot Options Rebate to Add Liquidity to apply to newly proposed Tiers 9, 10 and 11, in addition to current Tiers 7 and 8. The Exchange believes that this incentive will encourage Participants to add even more liquidity on NOM to earn the NOM Market Maker rebate.

b. Statutory Basis

NASDAQ believes that the proposed rule change is consistent with the provisions

of Section 6 of the Act,¹⁷ in general, and with Section 6(b)(4) and 6(b)(5) of the Act,¹⁸ 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. Customer volume is important because it continues to attract liquidity to the Exchange, which benefits all market participants. Further, with respect to Professional liquidity, the Exchange initially established Professional pricing in order to “...bring additional revenue to the Exchange.”¹⁹ The Exchange noted in the Professional Filing that it believes “...that the increased revenue from the proposal would assist the Exchange to recoup fixed costs.”²⁰ Further, the Exchange noted in that filing that it believes that establishing separate pricing for a Professional, which ranges between that of a Customer and market maker, accomplishes this objective.²¹ The Exchange believes that offering NOM Market Makers the ability to

¹⁷ 15 U.S.C. 78f.

¹⁸ 15 U.S.C. 78f(b)(4) and (5).

¹⁹ See Securities Exchange Act Release No. 64494 (May 13, 2011), 76 FR 29014 (May 19, 2011) (SR-NASDAQ-2011-066) (“Professional Filing”). In this filing, the Exchange addressed the perceived favorable pricing of Professionals who were assessed fees and paid rebates like a Customer prior to the filing. The Exchange noted in that filing that a Professional, unlike a retail Customer, has access to sophisticated trading systems that contain functionality not available to retail Customers.¹⁹

²⁰ See Professional Filing.

²¹ See Professional Filing. The Exchange also in the Professional Filing that it believes the role of the retail Customer in the marketplace is distinct from that of the Professional and the Exchange’s fee proposal at that time accounted for this distinction by pricing each market participant according to their roles and obligations.

obtain higher rebates will continue to encourage additional order interaction on the Exchange. NOM Market Makers have obligations to the market, unlike other market participants.²²

Proposed Change Number 1: Customer and Professional Penny Pilot Options Rebates to Add Liquidity

Tier 8

The Exchange's proposed amendment to Tier 8 to change the volume requirement from "0.75% or more" to "0.75% to 1.15%" is reasonable because the Exchange is adding a new Tier 9 which would pay a rebate for volume greater than 1.15%. This amendment qualifies the eligible volume to receive a Tier 8 rebate. The Exchange's proposed amendments to Tier 8 to change the volume requirement from "0.75% or more" to "0.75% to 1.15%" is equitable and not unfairly discriminatory because the Exchange would uniformly apply the volume requirements in Tier 5 to all Participants to determine eligibility for the Tier 5 rebate.

Tier 9

The Exchange's proposal to adopt a new Tier 9 Customer and Professional Penny Pilot Options Rebate to Add Liquidity tier is reasonable because this rebate equates to the same rebate offered to Participants that qualify for current Customer and Professional Penny Pilot Options Rebate to Add Liquidity Tier 8 and the note "e" incentive, which

²² 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 2.

qualifies the Participant for a \$0.02 per contract incentive. The note “e” incentive is being deleted as per this proposal. The new Tier 9 rebate provides Participants the opportunity to continue to earn the higher rebate of \$0.50 per contract rebate,²³ provided the qualifications are met. Similar to other rebate tiers today, the Exchange is paying the Tier 9 rebate provided Participants add options liquidity. Incentivizing Participants to add options liquidity through the payment of a rebate is not novel and is the basis for qualifying for the other Customer and Professional rebate tiers today. The Exchange believes that this new rebate tier will continue to incentivize Participants to transact an even greater number of qualifying Customer and/or Professional volume on NOM, which liquidity will benefit other market participants by providing them the opportunity to interact with that liquidity. The Exchange’s proposal to adopt a new Tier 9 Customer and Professional Penny Pilot Options Rebate to Add Liquidity is equitable and not unfairly discriminatory because all Participants that qualify to receive the new Tier 9 Customer and Professional Penny Pilot Options Rebate to Add Liquidity will be uniformly paid the rebate provided the requirements are met. In addition, all Participants are eligible to receive these rebates provided the criteria is met.

Tier 10

The Exchange’s proposal to adopt a new Tier 10 Customer and Professional Penny Pilot Options Rebate to Add Liquidity tier is reasonable because the opportunity to earn a higher rebate of \$0.52 per contract rebate, provide the qualifications are met, will incentivize Participants to transact an even greater number of qualifying Customer and/or Professional volume, which liquidity will benefit other market participants by providing

²³ See note 10 herein.

them the opportunity to interact with that liquidity. The Exchange's proposal to permit Participants to receive a new rebate of \$0.52, provided they qualify for the Tier 10 rebate which criteria includes the addition of options and equity volume is reasonable because the Exchange is encouraging market participants to send order flow to both the options and equity markets to receive the rebate. Incentivizing Participants to add options liquidity through the payment of a rebate is not novel and is the basis for qualifying for the other Customer and Professional rebate tiers today. Today, the Customer and Professional Penny Pilot Options Rebate to Add Liquidity Tier 8 includes, as part of the qualifying criteria, a certification for the Investor Support Program as set forth in Rule 7014 and qualification in the QMM Program.²⁴ These two programs are equity programs which require participation in the form of adding liquidity. The concept of participating in the equities market as a means to qualify for an options rebate exists today. The Exchange's proposal would require Participants to add liquidity in all securities through one or more of its Nasdaq Market Center MPIDS that represent 1.00% or more of Consolidated Volume during the month. 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 an equity 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. The Exchange is not only providing Participants a

²⁴ See notes 8 and 9 herein.

manner in which to earn an options rebate by participating in the equities market. This participation benefits the Nasdaq Market Center as well as the NOM market by incentivizing order flow to these markets. As with existing tiers that require participation in both the Nasdaq Market Center and NOM, these tiers recognize the prevalence of trading in which members simultaneously trade different asset classes within the same strategy. Because cash equities and options markets are linked, with liquidity and trading patterns on one market affecting those on the other, the Exchange believes that pricing incentives that encourage market participant activity in NOM also support price discovery and liquidity provision in the Nasdaq Market Center. Further, because the pricing tiers require significant levels of liquidity provision, which benefits all market participants, and because activity in NOM also supports price discovery and liquidity provision in the Nasdaq Market Center due to the increasing propensity of market participants to be active in both markets and the influence of each market on the pricing of securities in the other, this proposal is reasonable. Moreover, the changes have the potential to make the applicable rebates available to a wider range of market participants by introducing an additional means of qualification. Finally, other options exchanges today pay rebates to participants that add order both options and equity order flow.²⁵

The Exchange's proposal to adopt a new Tier 10 Customer and Professional Penny Pilot Options Rebate to Add Liquidity is equitable and not unfairly discriminatory because all Participants that qualify to receive the new Tier 10 Customer and Professional Penny Pilot Options Rebate to Add Liquidity will be uniformly paid the rebate provided

²⁵ BATS Exchange Inc. ("BATS") and NYSE Arca, Inc. (NYSE Arca") offer Cross-Asset Step-Up Tiers on its equity market. See BATS BZX Exchange Fee Schedule. See also NYSE Arca Equities Schedule of Fees and Charges for Exchange Services and NYSE Arca Options Fees and Charges.

the requirements are met. In addition, all Participants are eligible to receive these rebates provided the criteria is met. The Exchange's proposal to permit Participants to receive a new rebate of \$0.52, provided they qualify for the Tier 10 rebate which criteria includes the addition of options and equity volume, is equitable and not unfairly discriminatory because market participants may qualify for a comparable or a higher rebate through alternative means that do not require participation in NOM.

Tier 11

The Exchange's proposal to adopt a new Tier 11 Customer and Professional Penny Pilot Options Rebate to Add Liquidity tier is reasonable because this rebate equates to the same rebate offered to Participants that qualify for current Tier 8 Customer and Professional Penny Pilot Options Rebate to Add Liquidity and the note "e" incentive, which provides a \$0.05 per contract incentive. The note "e" incentive is being deleted as per this proposal. The new Tier 11 rebate provides Participants the opportunity to continue to earn the higher rebate of \$0.53 per contract rebate,²⁶ provide the qualifications are met. Similar to other rebate tiers today, the Exchange is paying the Tier 11 rebate provided Participants add options liquidity. Incentivizing Participants to add options liquidity through the payment of a rebate is not novel and is the basis for qualifying for the other Customer and Professional rebate tiers today. The Exchange believes that this new rebate tier will continue to incentivize Participants to transact an even greater number of qualifying Customer and/or Professional volume on NOM, which will benefit other market participants by providing them the opportunity to interact with that liquidity. The Exchange's proposal to adopt a new Tier 11 Customer and

²⁶ See note 12 herein.

Professional Penny Pilot Options Rebate to Add Liquidity is equitable and not unfairly discriminatory because all Participants that qualify to receive the new Tier 11 Customer and Professional Penny Pilot Options Rebate to Add Liquidity will be uniformly paid the rebate provided the requirements are met. In addition, all Participants are eligible to receive these rebates, provided the criteria is met.

New note “c” of Chapter XV, Section 2(1)

The Exchange’s proposal to adopt a new note “c” to add the definition of Consolidated Volume to Chapter XV, Section 2(1) is reasonable, equitable and not unfairly discriminatory because it provides Participants with information on the meaning of Consolidated Volume and this standard will be applied uniformly to all Participants in order to qualify for the rebate.

Note “d” of Chapter XV, Section 2(1)

The Exchange’s proposal to remove the incentive in note “d” from Tier 7 and continue to apply the incentive to Tier 8 and add the incentive to newly proposed Tiers 9, 10 and 11 is reasonable because the Exchange desires to incentivize market participants to add liquidity in the highest four tiers in order to obtain the lower Professional, Firm, Non-NOM Market Maker, NOM Market Maker or Broker-Dealer Fee for Removing Liquidity in Penny Pilot Options.²⁷ The Exchange is proposing herein to adopt new Customer and Professional Penny Pilot Options Rebate to Add Liquidity Tiers 9, 10 and 11. This proposal will shift the applicability of note “d” to the new four highest rebate tiers. The Exchange’s proposal to remove the incentive in note “d” from Tier 7 and

²⁷ Currently, the Professional, Firm, Non-NOM Market Maker, NOM Market Maker or Broker-Dealer Fee for Removing Liquidity in Penny Pilot Options is \$0.54 per contract for these Participants.

continue to apply the incentive to Tier 8 and add the incentive to newly proposed Tiers 9, 10 and 11 is equitable and not unfairly discriminatory because the Exchange will uniformly apply the incentive to all Participants. No Participant will receive the incentive in note “d” for Tier 7 and all Participants that have met the Customer and Professional Penny Pilot Options Rebate to Add Liquidity Tier 8, 9, 10 or 11 criteria would receive the note “d” incentive.

Note “e” of Chapter XV, Section 2(1)

The Exchange’s proposal to remove the note “e” incentive from current Customer and Professional Penny Pilot Options Rebate to Add Liquidity Tier 8 is reasonable because the Exchange is offering Participants the opportunity to obtain the additional \$0.02 per contract incentive to current Tier 8 with newly proposed Tier 9 of the Customer and Professional rebates and the additional \$0.05 incentive to current Tier 8 with newly proposed Tier 11 of the Customer and Professional rebates.²⁸ The Exchange’s proposal to remove the note “e” incentive from current Customer and Professional Penny Pilot Options Rebate to Add Liquidity Tier 8 is equitable and not unfairly discriminatory because no Participant will be entitled to receive the note “e” incentive.

The Exchange’s proposal to remove the period at the end of Customer and Professional Penny Pilot Options Rebate to Add Liquidity Tier 8 for consistency is reasonable, equitable and not unfairly discriminatory.

Proposed Change Number 2: Customer Non-Penny Pilot Options Rebate to Add Liquidity

Note “3” of Chapter XV, Section 2(1)

²⁸ See notes 10 and 12 herein.

The Exchange's proposal to amend the note "3" incentive for Participants that qualify for Penny Pilot Options Customer or Professional Rebate to Add Liquidity Tiers 7 or 8 to include newly proposed Tiers 9, 10 and 11 is reasonable because the Exchange is proposing to incentivize Participants to add more liquidity on NOM to earn the higher Customer Non-Penny Pilot Options Rebate to Add Liquidity. With this proposal, any Participant that qualifies for Penny Pilot Options Customer or Professional Rebate to Add Liquidity Tiers 7, 8, 9, 10 or 11 in a given month will receive an additional \$0.01 per contract Non-Penny Pilot Options Customer Rebate to Add Liquidity for a total rebate of \$0.85 per contract.²⁹ The Exchange's proposal to amend the note "3" incentive for Participants that qualify for Penny Pilot Options Customer or Professional Rebate to Add Liquidity Tiers 7 or 8 to include newly proposed Tiers 9, 10 and 11 is equitable and not unfairly discriminatory because all Participants are eligible to receive the Non-Penny Pilot Customer rebate and further to qualify for the note "3" incentive, provided the criteria is met.

Proposed Change Number 3: NOM Market Maker Penny Pilot Rebates to Add Liquidity

Tier 5

The Exchange's proposal to amend Tier 5 of the NOM Market Maker Penny Pilot Options Rebate to Add Liquidity, which currently pays a \$0.40 per contract rebate to Participants that add NOM Market Maker liquidity in Penny Pilot Options and/or Non-Penny Pilot Options of above 0.30% of total industry customer equity and ETF option ADV contracts per day in a month and qualifies for the Tier 7 or Tier 8 Customer and/or Professional Rebate to Add Liquidity in Penny Pilot Options, to include newly proposed

²⁹ Currently, the Exchange pays Customers a Non-Penny Pilot Options Rebate to Add Liquidity of \$0.84 per contract.

Customer and/or Professional rebate Tiers 9, 10 and 11, is reasonable because Participants will be encouraged to add even more liquidity on NOM to earn the NOM Market Maker rebate. It is reasonable to include the newly added higher Customer and/or Professional rebate Tiers 9, 10 and 11, in addition to current highest Customer and/or Professional rebate Tiers 7 and 8, to qualify for the Tier 5 NOM Market Maker rebate as those Participants are required to add greater liquidity in the newly proposed Customer and/or Professional rebate tiers. The Exchange will continue to permit Tiers 7 and 8 to qualify for this added incentive. The Exchange's proposal to amend Tier 5 of the NOM Market Maker Penny Pilot Options Rebate to Add Liquidity to Participants that add NOM Market Maker liquidity in Penny Pilot Options and/or Non-Penny Pilot Options of above 0.30% of total industry customer equity and ETF option ADV contracts per day in a month and qualifies for the Tier 7 or 8 Customer and/or Professional Rebate to Add Liquidity in Penny Pilot Options, to include newly proposed Customer and Professional rebate Tiers 9, 10 and 11, is equitable and not unfairly discriminatory because all Participants are eligible to receive the NOM Market Maker Penny Pilot Options Tier 5 rebate, provided the criteria is met.

Tier 6

The Exchange's proposal to amend Tier 6 of the NOM Market Maker Penny Pilot Options Rebate to Add Liquidity, which currently provides that a \$0.42 per contract rebate will be paid to Participants that add NOM Market Maker liquidity in Penny Pilot Options and/or Non-Penny Pilot Options above 0.80% of total industry customer equity and ETF option ADV contracts per day in a month and qualifies for the Tier 7 or Tier 8 and now newly proposed Customer and/or Professional Rebate Tiers 9, 10 or 11 or

Participant adds NOM Market Maker liquidity in Penny Pilot Options and/or Non-Penny Pilot Options above 0.90% of total industry customer equity and ETF option ADV contracts per day in a month or Participants that add Customer, Professional, Firm, Non-NOM Market Maker, and/or Broker-Dealer liquidity in Penny Pilot Options and/or Non-Penny Pilot Options of 1.40% or more of total industry customer equity and ETF option ADV contracts per day in a month, is reasonable for the reasons that follow. This incentive will encourage Participants to add even more liquidity on NOM to earn the NOM Market Maker rebate. It is reasonable to include the newly added higher Customer and/or Professional rebate Tiers 9, 10 and 11, in addition to current highest Customer and/or Professional rebate Tiers 7 and 8, to qualify for the Tier 5 NOM Market Maker rebate as those Participants are required to add greater liquidity in the newly proposed Customer and/or Professional rebate tiers. The Exchange will continue to permit Tiers 7 and 8 to qualify for this added incentive. The Exchange's proposal to permit newly proposed Customer and Professional rebate Tiers 9, 10 and 11 to be added to the Tier 6 NOM Market Maker Penny Pilot Options Rebate to Add Liquidity qualifications, in addition to current Tiers 7 and 8, to meet the Tier 6 criteria, in addition to the other requirements of Tier 6, is equitable and not unfairly discriminatory because all Participants are eligible to receive the NOM Market Maker Penny Pilot Options Tier 6 rebate, provided the criteria is met.

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

NASDAQ 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.

Proposed Change Number 1: Customer and Professional Penny Pilot Options Rebates to Add Liquidity

Tiers 9, 10 and 11

The Exchange's proposal to adopt new Customer and Professional Penny Pilot Options Rebate to Add Liquidity Tiers 9, 10 and 11 does not impose an undue burden on intra-market competition because all Participants are eligible for Tiers 9, 10 and 11 of the Customer or Professional rebates provided they meet the qualifications for those rebates. Further, the rebates will be uniformly paid to those Participants that are eligible for the rebate. Additionally newly proposed Tiers 9 and 11 rebates are available today provided Participants qualify for Tier 8 and the incentives available in note "e," respectively.

Furthermore, incentivizing Participants to add not only options, but equities volume in new Tier 10 does not impose an undue burden on intra-market competition because cash equities and options markets are linked, with liquidity and trading patterns on one market affecting those on the other, the Exchange believes that pricing incentives that encourage market participant activity in NOM also support price discovery and liquidity provision in the Nasdaq Market Center. Further, the pricing tiers require significant levels of liquidity provision, which benefits all market participants on NOM and the Nasdaq Market Center. Moreover, the changes have the potential to make the applicable rebates available to a wider range of market participants by introducing an additional means of qualification.

Tier 8

The amendments to the Customer and Professional Penny Pilot Options Rebate to Add Liquidity Tier 8 do not impose an undue burden on intra-market competition, rather, they add clarity and consistency to the pricing.

New note “c” of Chapter XV, Section 2(1)

The Exchange believes that adding a new note “c” to Chapter XV, Section 2(1) to provide a definition of Consolidated Volume does not impose an undue burden on intra-market competition, rather it provides more information to Participants who are attempting to qualify for these tiers.

Note “d” of Chapter XV, Section 2(1)

The Exchange’s proposal to remove the incentive in note “d” from Customer and Professional Penny Pilot Options Rebate to Add Liquidity Tier 7 incentive and continue to apply the incentive to Customer and Professional Penny Pilot Options Rebate to Add Liquidity Tier 8 and add the incentive to newly proposed Customer and Professional Penny Pilot Options Rebate to Add Liquidity Tiers 9, 10 and 11 does not impose an undue burden on intra-market competition because the Exchange will uniformly apply the incentive to all Participants. No Participant will receive the incentive in note “d” for Tier 7 and all Participants that have met the criteria for Customer and Professional rebate Tiers 8, 9, 10 and 11 would receive the note “d” incentive.

Note “e” of Chapter XV, Section 2(1)

The Exchange’s proposal to remove the note “e” incentive from Customer and Professional Penny Pilot Options Rebate to Add Liquidity Tier 8 does not impose an undue burden on intra-market competition because Participants are being offered the opportunity to obtain the current additional \$0.02 per contract rebate offered in note “e” to Participants that currently qualify for Tier 8 with the newly proposed Tier 9 Customer and Professional rebate and the additional \$0.05 per contract incentive to current Tier 8

with the newly proposed Tier 11 Customer and Professional rebate.³⁰

Proposed Change Number 2: Customer Non-Penny Pilot Options Rebate to Add Liquidity

Note “3” of Chapter XV, Section 2(1)

The Exchange’s proposal to apply the note “3” incentive for Participants that qualify for Penny Pilot Options Customer or Professional Rebate to Add Liquidity Tiers 7 or 8 to newly proposed Tiers 9, 10 and 11, in addition to current Tiers 7 and 8, does not impose an undue burden on intra-market competition because all Participants are eligible to receive the Non-Penny Pilot Options Customer Rebate to Add Liquidity, provided the criteria is met.

Proposed Change Number 3: NOM Market Maker Penny Pilot Rebates to Add Liquidity

Tiers 5 and 6

The Exchange’s proposal to amend a qualifier to the Tier 5 and Tier 6 NOM Market Maker Penny Pilot Options Rebates to Add Liquidity to include newly proposed Tiers 9, 10 and 11 of the Customer and Professional Penny Pilot Options Rebates to Add Liquidity, in addition to current Customer and Professional rebate Tiers 7 and 8, for those specific qualifiers, does not impose an undue burden on intra-market competition because all Participants are eligible to receive the NOM Market Maker Penny Pilot Options Tier 5 and Tier 6 rebate, provided the criteria is met.

The Exchange’s proposal addressed herein does not impose an inter-market burden on competition because the Exchange operates in a highly competitive market in which many sophisticated and knowledgeable market participants can readily and do send order flow to competing exchanges if they deem fee levels or rebate incentives at a

³⁰ See notes 10 and 12 herein.

particular exchange to be excessive or inadequate. These market forces support the Exchange belief that the proposed rebate structure and tiers proposed herein are competitive with rebates and tiers in place on other exchanges. The Exchange believes that this competitive marketplace continues to impact the rebates present on the Exchange today and substantially influences the proposals set forth above. Other options markets offer similar rebates to incentive market participants to direct order flow to their markets. The Exchange believes that continuing to offer rebates and increasing those rebates and providing opportunities to earn higher rebates will benefit the marketplace by continuing to reward liquidity providers and thereby offering other market participants an opportunity to interact with this order flow.

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)

Pursuant to Section 19(b)(3)(A)(ii) of the Act,³¹ 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

The proposed rule change is not based on the rules of another self-regulatory

³¹ 15 U.S.C. 78s(b)(3)(A)(ii).

organization or of the Commission.

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

Not applicable.

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

Not applicable.

11. Exhibits

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

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

EXHIBIT 1

SECURITIES AND EXCHANGE COMMISSION
(Release No. _____ ; File No. SR-NASDAQ-2015-115)

October __, 2015

Self-Regulatory Organizations; The NASDAQ Stock Market LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to modify Chapter XV, entitled “Options Pricing,” at Section 2 governing pricing for NASDAQ members

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 October 14, 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 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

The Exchange proposes to amend Chapter XV, entitled “Options Pricing,” at Section 2, which governs pricing for NASDAQ members using the NASDAQ Options Market (“NOM”), NASDAQ’s facility for executing and routing standardized equity and index options, to amend the Customer,³ Professional⁴ and NOM Market Maker⁵ Penny

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

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

Pilot⁶ and Non-Penny Pilot Options Rebates to Add Liquidity. The proposed amendments apply to volume from the date of this filing forward.

⁴ The term “Professional” means any person or entity that (i) is not a broker or dealer in securities, and (ii) places more than 390 orders in listed options per day on average during a calendar month for its own beneficial account(s) pursuant to Chapter I, Section 1(a)(48). All Professional orders shall be appropriately marked by Participants.

⁵ The term “NOM Market Maker” means a Participant that has registered as a Market Maker on NOM pursuant to Chapter VII, Section 2, and must also remain in good standing pursuant to Chapter VII, Section 4. In order to receive NOM Market Maker pricing in all securities, the Participant must be registered as a NOM Market Maker in at least one security.

⁶ See Securities Exchange Act Release Nos. 57579 (March 28, 2008), 73 FR 18587 (April 4, 2008) (SR-NASDAQ-2008-026) (notice of filing and immediate effectiveness establishing Penny Pilot); 60874 (October 23, 2009), 74 FR 56682 (November 2, 2009)(SR-NASDAQ-2009-091) (notice of filing and immediate effectiveness expanding and extending Penny Pilot); 60965 (November 9, 2009), 74 FR 59292 (November 17, 2009)(SR-NASDAQ-2009-097) (notice of filing and immediate effectiveness adding seventy-five classes to Penny Pilot); 61455 (February 1, 2010), 75 FR 6239 (February 8, 2010) (SR-NASDAQ-2010-013) (notice of filing and immediate effectiveness adding seventy-five classes to Penny Pilot); 62029 (May 4, 2010), 75 FR 25895 (May 10, 2010) (SR-NASDAQ-2010-053) (notice of filing and immediate effectiveness adding seventy-five classes to Penny Pilot); 65969 (December 15, 2011), 76 FR 79268 (December 21, 2011) (SR-NASDAQ-2011-169) (notice of filing and immediate effectiveness extension and replacement of Penny Pilot); 67325 (June 29, 2012), 77 FR 40127 (July 6, 2012) (SR-NASDAQ-2012-075) (notice of filing and immediate effectiveness and extension and replacement of Penny Pilot through December 31, 2012); 68519 (December 21, 2012), 78 FR 136 (January 2, 2013) (SR-NASDAQ-2012-143) (notice of filing and immediate effectiveness and extension and replacement of Penny Pilot through June 30, 2013); 69787 (June 18, 2013), 78 FR 37858 (June 24, 2013) (SR-NASDAQ-2013-082) (notice of filing and immediate effectiveness and extension and replacement of Penny Pilot through December 31, 2013); 71105 (December 17, 2013), 78 FR 77530 (December 23, 2013) (SR-NASDAQ-2013-154) (notice of filing and immediate effectiveness and extension and replacement of Penny Pilot through June 30, 2014); 79 FR 31151 (May 23, 2014), 79 FR 31151 (May 30, 2014) (SR-NASDAQ-2014-056) (notice of filing and immediate effectiveness and extension and replacement of Penny Pilot through December 31, 2014); 73686 (December 2, 2014), 79 FR 71477 (November 25, 2014) (SR-NASDAQ-2014-115) (notice of filing and immediate effectiveness and extension and replacement of Penny Pilot through June 30, 2015) and 75283 (June 24, 2015), 80 FR 37347 (June 30, 2015) (SR-NASDAQ-2015-063) (Notice

The text of the proposed rule change is available on the Exchange's Website at <http://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 Exchange proposes to amend Chapter XV, Section 2, entitled "NASDAQ Options Market – Fees and Rebates" to amend the Customer, Professional and NOM Market Maker Penny Pilot Options Rebates to Add Liquidity and to amend a Customer Non-Penny Pilot Options Rebate to Add Liquidity. Each of the proposed rule changes will be detailed below.

Proposed Change Number 1: Customer and Professional Penny Pilot Options Rebates to Add Liquidity

Today, the Exchange offers tiered Penny Pilot Options Rebates to Add Liquidity to Customers and Professionals based on various criteria with rebates ranging from \$0.20

of Filing and Immediate Effectiveness of a Proposed Rule Change Relating to Extension of the Exchange's Penny Pilot Program and Replacement of Penny Pilot Issues That Have Been Delisted.) See also NOM Rules, Chapter VI, Section 5.

to \$0.48 per contract. Participants may qualify for Customer and Professional Penny Pilot Options Rebates to Add Liquidity by adding a certain amount of liquidity as specified by each tier.⁷

Tier 8

The Exchange proposes to amend Tier 8 to change the volume requirement from “0.75% or more” to “0.75% to 1.15%” because of the proposed changes to Tier 9, which are discussed below. Tier 8 criteria currently states, “Participant adds Customer, Professional, Firm, Non-NOM Market Maker and/or Broker-Dealer liquidity in Penny Pilot Options and/or Non-Penny Pilot Options above 0.75% or more of total industry customer equity and ETF option ADV contracts per day in a month or Participant adds (1) Customer and/or Professional liquidity in Penny Pilot Options and/or Non-Penny Pilot Options of 30,000 or more contracts per day in a month, (2) the Participant has certified for the Investor Support Program⁸ set forth in Rule 7014, and (3) the Participant

⁷ Tiers 6 and 7 are calculated based on Total Volume. Total Volume is defined as Customer, Professional, Firm, Broker-Dealer, Non-NOM Market Maker and NOM Market Maker volume in Penny Pilot Options and/or Non-Penny Pilot Options which either adds or removes liquidity on NOM. See note “b” in Section 2(1) of Chapter XV. The Exchange utilizes data from OCC to determine the total industry customer equity and ETF options ADV figure. OCC classifies equity and ETF options volume under the equity options category. Also, both customer and professional orders that are transacted on options exchanges clear in the customer range at OCC and therefore both customer and professional volume would be included in the total industry figure to calculate rebate tiers.

⁸ For a detailed description of the Investor Support Program or ISP, see Securities Exchange Act Release No. 63270 (November 8, 2010), 75 FR 69489 (November 12, 2010) (NASDAQ-2010-141) (notice of filing and immediate effectiveness) (the “ISP Filing”). See also Securities Exchange Act Release Nos. 63414 (December 2, 2010), 75 FR 76505 (December 8, 2010) (NASDAQ-2010-153) (notice of filing and immediate effectiveness); and 63628 (January 3, 2011), 76 FR 1201 (January 7, 2011) (NASDAQ-2010-154) (notice of filing and immediate effectiveness).

qualifies for rebates under the Qualified Market Maker (“QMM”) Program⁹ set forth in Rule 7014.” This rule change will provide clarity as to the volume requirements applicable to the Tier 8 rebate.

Tier 9

The Exchange proposes to adopt a new Customer and Professional Penny Pilot Options Rebate to Add Liquidity tier. New Tier 9 would pay a \$0.50 per contract rebate to Participants that add Customer, Professional, Firm, Non-NOM Market Maker and/or Broker-Dealer liquidity in Penny Pilot Options and/or Non-Penny Pilot Options above 1.15% to 1.40% of total industry customer equity and ETF option average daily volume (“ADV”) contracts per day in a month. This new rebate tier is similar to the current requirement to obtain the \$0.02 incentive in note “e” for Tier 8 today.¹⁰ The Exchange

⁹ A QMM is a NASDAQ member that makes a significant contribution to market quality by providing liquidity at the national best bid and offer (“NBBO”) in a large number of stocks for a significant portion of the day. In addition, the NASDAQ equity member must avoid imposing the burdens on NASDAQ and its market participants that may be associated with excessive rates of entry of orders away from the inside and/or order cancellation. The designation “QMM” reflects the QMM's commitment to provide meaningful and consistent support to market quality and price discovery by extensive quoting at the NBBO in a large number of securities. In return for its contributions, certain financial benefits are provided to a QMM with respect to a particular MPID (a “QMM MPID”), as described under Rule 7014(e).

¹⁰ Today, Participants that qualify for the Tier 8 Customer and Professional Penny Pilot Options Rebate to Add Liquidity and also add Customer, Professional, Firm, Non-NOM Market Maker and/or Broker-Dealer liquidity in Penny Pilot Options and/or Non-Penny Pilot Options of 1.15% or more of total industry customer equity and ETF option ADV contracts per day in a month receive an additional \$0.02 per contract Penny Pilot Options Customer Rebate to Add Liquidity for each transaction which adds liquidity in Penny Pilot Options in that month. The \$0.02 per contract incentive is in addition to the \$0.48 Tier 8 Customer and Professional Penny Pilot Options rebate for a total of \$0.50 per contract. See note 14 herein for an explanation of the Tier 8 rebate.

believes that this new rebate tier will encourage Participants to add even more liquidity on NOM to earn the higher rebate.

Tier 10

The Exchange proposes to adopt a new Customer and Professional Penny Pilot Options Rebate to Add Liquidity tier. New Tier 10 would pay a \$0.52 per contract rebate to Participants that (1) add Customer, Professional, Firm, Non-NOM Market Maker and/or Broker-Dealer liquidity in Penny Pilot Options and/or Non-Penny Pilot Options above 0.85% of total industry customer equity and ETF option ADV contracts per day in a month and (2) has added liquidity in all securities through one or more of its Nasdaq Market Center MPIDs¹¹ that represent 1.00% or more of Consolidated Volume during the month. 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 an equity 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. The Exchange proposes to add this definition of Consolidated Volume to Chapter XV, Section 2(1) as new note "c." The Exchange believes that this new rebate tier will encourage Participants to add even more liquidity on NOM to earn the higher rebate. Also, the Exchange is not only providing Participants a manner in which to earn an options rebate by participating in the options market, but is also permitting equities volume to qualify

¹¹ MPIDS are four character alpha code market participant identifiers used to report trades.

for the options rebate, thereby benefitting the Nasdaq Market Center as well as the NOM market, by incentivizing order flow to these markets.

Tier 11

The Exchange proposes to adopt a new Customer and Professional Penny Pilot Options Rebate to Add Liquidity tier. New Tier 11 would pay a \$0.53 per contract rebate to Participants that add Customer, Professional, Firm, Non-NOM Market Maker and/or Broker-Dealer liquidity in Penny Pilot Options and/or Non-Penny Pilot Options above 1.40% of total industry customer equity and ETF option ADV contracts per day in a month. This new rebate tier is similar to the current requirement to obtain the \$0.05 incentive in note “e” for Tier 8 today.¹² The Exchange believes that this new rebate tier will encourage Participants to add even more liquidity on NOM to earn the higher rebate.

Note “d” of Chapter XV, Section 2(1)

Currently, note “d” of Chapter XV, Section 2(1) states that Participants that qualify for Customer or Professional Rebate to Add Liquidity Tiers 7¹³ or 8¹⁴ in a given

¹² Today, Participants that qualify for the Tier 8 Customer and Professional Penny Pilot Options Rebate to Add Liquidity and also add Customer, Professional, Firm, Non-NOM Market Maker and/or Broker-Dealer liquidity in Penny Pilot Options and/or Non-Penny Pilot Options of 1.40% or more of total industry customer equity and ETF option ADV contracts per day in a month receive an additional \$0.05 per contract Penny Pilot Options Customer Rebate to Add Liquidity for each transaction which adds liquidity in Penny Pilot Options in that month. The \$0.05 per contract incentive is in addition to the \$0.48 Tier 8 Customer and Professional Penny Pilot Options rebate for a total of \$0.53 per contract.

¹³ Tier 7 of the Customer and Professional Rebate to Add Liquidity Tiers pays a \$0.47 per contract rebate to Participants that have Total Volume of 150,000 or more contracts per day in a month, of which 50,000 or more contracts per day in a month must be Customer and/or Professional liquidity in Penny Pilot Options. “Total Volume” is defined as Customer, Professional, Firm, Broker-Dealer, Non-NOM Market Maker and NOM Market Maker volume in Penny Pilot Options and/or Non-Penny Pilot Options which either adds or removes liquidity on NOM.

month will be assessed a Professional, Firm, Non-NOM Market Maker, NOM Market Maker or Broker-Dealer Fee for Removing Liquidity in Penny Pilot Options of \$0.50 per contract. Currently, the Professional, Firm, Non-NOM Market Maker, NOM Market Maker or Broker-Dealer Fee for Removing Liquidity in Penny Pilot Options is \$0.54 per contract for these Participants. The Exchange proposes to remove this incentive to obtain a lower Professional, Firm, Non-NOM Market Maker, NOM Market Maker or Broker-Dealer Fee for Removing Liquidity in Penny Pilot Options from Tier 7 of the Customer and Professional Penny Pilot Options Rebate to Add Liquidity. This incentive will remain for Tier 8, as is the case today, and will be applicable to newly proposed Tiers 9, 10 and 11 of the Customer and Professional Penny Pilot Options Rebate to Add Liquidity. The Exchange desires to incentivize market participants to add liquidity in the highest four tiers in order to obtain the lower Professional, Firm, Non-NOM Market Maker, NOM Market Maker or Broker-Dealer Fee for Removing Liquidity in Penny Pilot Options. Note “d” will be amended to remove Tier 7 and add Tiers 9, 10 and 11.

Note “e” of Chapter XV, Section 2(1)

Currently, note “e” of Chapter XV, Section 2(1) states that Participants that add Customer, Professional, Firm, Non-NOM Market Maker and/or Broker-Dealer liquidity in Penny Pilot Options and/or Non- Penny Pilot Options of 1.15% or more of total

¹⁴ Tier 8 of the Customer and Professional Rebate to Add Liquidity Tiers pays a \$0.48 per contract rebate to Participants that add Customer, Professional, Firm, Non-NOM Market Maker and/or Broker-Dealer liquidity in Penny Pilot Options and/or Non-Penny Pilot Options above 0.75% or more of total industry customer equity and ETF option ADV contracts per day in a month or Participant adds (1) Customer and/or Professional liquidity in Penny Pilot Options and/or Non-Penny Pilot Options of 30,000 or more contracts per day in a month, (2) the Participant has certified for the Investor Support Program set forth in Rule 7014, and/or (3) the Participant qualifies for rebates under the Qualified Market Maker Program set forth in Rule 7014.

industry customer equity and ETF option ADV contracts per day in a month will receive an additional \$0.02 per contract Penny Pilot Options Customer Rebate to Add Liquidity for each transaction which adds liquidity in Penny Pilot Options in that month. Participants that add Customer, Professional, Firm, Non-NOM Market Maker and/or Broker-Dealer liquidity in Penny Pilot Options and/or Non-Penny Pilot Options of 1.40% or more of total industry customer equity and ETF option ADV contracts per day in a month will receive an additional \$0.05 per contract Penny Pilot Options Customer Rebate to Add Liquidity for each transaction which adds liquidity in Penny Pilot Options in that month. This note “e” incentive applies solely to the Tier 8 Customer and Professional Penny Pilot Options Rebate to Add Liquidity.¹⁵ The Exchange proposes to remove the note “e” incentive from Tier 8 of the Customer and Professional Penny Pilot Options Rebate to Add Liquidity. The Exchange believes that this incentive is no longer necessary as it is offering Participants the opportunity to obtain the additional \$0.02 per contract incentive to Tier 8 with the newly proposed Tier 9 Customer and Professional Penny Pilot Options Rebate to Add Liquidity and the additional \$0.05 incentive to Tier 8 with the newly proposed Tier 11 Customer and Professional Penny Pilot Options Rebate to Add Liquidity.¹⁶ Note “e” will be deleted from Chapter XV, Section 2(1). The Exchange is also proposing to remove the period at the end of Tier 8 of the Customer and Professional Penny Pilot Options Rebate to Add Liquidity for consistency.

¹⁵ Id.

¹⁶ See notes 10 and 12 herein.

Proposed Change Number 2: Customer Non-Penny Pilot Options Rebate to Add Liquidity

Note “3” of Chapter XV, Section 2(1)

The Exchange currently pays a Customer Non-Penny Pilot Options Rebate to Add Liquidity of \$0.84 per contract. Currently, note “3” of Chapter XV, Section 2(1) states that a Participant that qualifies for Penny Pilot Options Customer or Professional Rebate to Add Liquidity Tiers 7 or 8 in a given month will receive an additional \$0.01 per contract Non-Penny Pilot Options Customer Rebate to Add Liquidity for each transaction which adds liquidity in Non-Penny Pilot Options in that month. The Exchange proposes to continue to offer this incentive for the Non-Penny Pilot Options Customer Rebate to Add Liquidity, however, the Exchange proposes to amend the applicable tiers to extend the incentive to newly proposed Tiers 9, 10 and 11, in addition to Tiers 7 and 8. The Exchange believes that this incentive will encourage Participants to add even more liquidity on NOM to earn the higher Non-Penny Pilot Options Customer Rebate to Add Liquidity.

Proposed Change Number 3: NOM Market Maker Penny Pilot Rebates to Add Liquidity

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

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

Tier 2	Participant adds NOM Market Maker liquidity in Penny Pilot Options and/or Non-Penny Pilot Options above 0.10% to 0.25% of total industry customer equity and ETF option ADV contracts per day in a month	\$0.25
Tier 3	Participant adds NOM Market Maker liquidity in Penny Pilot Options and/or Non-Penny Pilot Options above 0.25% to 0.60% of total industry customer equity and ETF option ADV contracts per day in a month	\$0.30 or \$0.40 in the following symbols AAPL, QQQ, IWM, SPY and VXX
Tier 4	Participant adds NOM Market Maker liquidity in Penny Pilot Options and/or Non-Penny Pilot Options of above 0.60% to 0.90% of total industry customer equity and ETF option ADV contracts per day in a month	\$0.32 or \$0.40 in the following symbols AAPL, QQQ, IWM, VXX and SPY
Tier 5	Participant adds NOM Market Maker liquidity in Penny Pilot Options and/or Non-Penny Pilot Options of above 0.30% of total industry customer equity and ETF option ADV contracts per day in a month and qualifies for the Tier 7 or Tier 8 Customer and/or Professional Rebate to Add Liquidity in Penny Pilot Options	\$0.40
Tier 6	Participant adds NOM Market Maker liquidity in Penny Pilot Options and/or Non-Penny Pilot Options above 0.80% of total industry customer equity and ETF option ADV contracts per day in a month and qualifies for the Tier 7 or Tier 8 Customer and/or Professional Rebate to Add Liquidity in Penny Pilot Options or Participant adds NOM Market Maker liquidity in Penny Pilot Options and/or Non-Penny Pilot Options above 0.90% of total industry customer equity and ETF option ADV contracts per day in a month or Participants that add Customer, Professional, Firm, Non-NOM Market Maker, and/or Broker-Dealer liquidity in Penny Pilot Options and/or Non-Penny Pilot Options of 1.40% or more of total industry customer equity and ETF option ADV contracts per day in a month	\$0.42

Tier 5

The Exchange proposes to amend Tier 5 of the NOM Market Maker Penny Pilot Options Rebate to Add Liquidity which currently provides that a \$0.40 per contract rebate will be paid to Participants that adds NOM Market Maker liquidity in Penny Pilot Options and/or Non-Penny Pilot Options of above 0.30% of total industry customer equity and ETF option ADV contracts per day in a month and qualifies for the Tier 7 or Tier 8 Customer and/or Professional Rebate to Add Liquidity in Penny Pilot Options. The Exchange proposes to extend the qualification for the Tier 5 of the NOM Market Maker Penny Pilot Options Rebate to Add Liquidity to apply to newly proposed Tiers 9, 10 and 11, in addition to current Tiers 7 and 8. The Exchange believes that this incentive will encourage Participants to add even more liquidity on NOM to earn the NOM Market Maker Penny Pilot Options rebate.

Tier 6

The Exchange proposes to amend Tier 6 of the NOM Market Maker Penny Pilot Options Rebate to Add Liquidity which currently provides that a \$0.42 per contract rebate will be paid to a Participant that adds NOM Market Maker liquidity in Penny Pilot Options and/or Non-Penny Pilot Options above 0.80% of total industry customer equity and ETF option ADV contracts per day in a month and qualifies for the Tier 7 or Tier 8 Customer and/or Professional Rebate to Add Liquidity in Penny Pilot Options or Participant adds NOM Market Maker liquidity in Penny Pilot Options and/or Non-Penny Pilot Options above 0.90% of total industry customer equity and ETF option ADV contracts per day in a month or Participants that add Customer, Professional, Firm, Non-NOM Market Maker, and/or Broker-Dealer liquidity in Penny Pilot Options and/or Non-

Penny Pilot Options of 1.40% or more of total industry customer equity and ETF option ADV contracts per day in a month. The Exchange proposes to extend the qualification for Tier 6 of the NOM Market Maker Penny Pilot Options Rebate to Add Liquidity to apply to newly proposed Tiers 9, 10 and 11, in addition to current Tiers 7 and 8. The Exchange believes that this incentive will encourage Participants to add even more liquidity on NOM to earn the NOM Market Maker rebate.

2. Statutory Basis

NASDAQ believes that the proposed rule change is consistent with the provisions of Section 6 of the Act,¹⁷ in general, and with Section 6(b)(4) and 6(b)(5) of the Act,¹⁸ 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. Customer volume is important because it continues to attract liquidity to the Exchange, which benefits all market participants. Further, with respect to Professional liquidity, the Exchange initially established Professional pricing in order to “...bring additional revenue to the Exchange.”¹⁹ The Exchange noted in the Professional Filing that it believes “...that the increased revenue

¹⁷ 15 U.S.C. 78f.

¹⁸ 15 U.S.C. 78f(b)(4) and (5).

¹⁹ See Securities Exchange Act Release No. 64494 (May 13, 2011), 76 FR 29014 (May 19, 2011) (SR-NASDAQ-2011-066) (“Professional Filing”). In this filing, the Exchange addressed the perceived favorable pricing of Professionals who were assessed fees and paid rebates like a Customer prior to the filing. The Exchange noted in that filing that a Professional, unlike a retail Customer, has access to sophisticated trading systems that contain functionality not available to retail Customers.¹⁹

from the proposal would assist the Exchange to recoup fixed costs.”²⁰ Further, the Exchange noted in that filing that it believes that establishing separate pricing for a Professional, which ranges between that of a Customer and market maker, accomplishes this objective.²¹ The Exchange believes that offering NOM Market Makers the ability to obtain higher rebates will continue to encourage additional order interaction on the Exchange. NOM Market Makers have obligations to the market, unlike other market participants.²²

Proposed Change Number 1: Customer and Professional Penny Pilot Options Rebates to Add Liquidity

Tier 8

The Exchange’s proposed amendment to Tier 8 to change the volume requirement from “0.75% or more” to “0.75% to 1.15%” is reasonable because the Exchange is adding a new Tier 9 which would pay a rebate for volume greater than 1.15%. This amendment qualifies the eligible volume to receive a Tier 8 rebate. The Exchange’s proposed amendments to Tier 8 to change the volume requirement from “0.75% or more”

²⁰ See Professional Filing.

²¹ See Professional Filing. The Exchange also in the Professional Filing that it believes the role of the retail Customer in the marketplace is distinct from that of the Professional and the Exchange’s fee proposal at that time accounted for this distinction by pricing each market participant according to their roles and obligations.

²² 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 2.

to “0.75% to 1.15%” is equitable and not unfairly discriminatory because the Exchange would uniformly apply the volume requirements in Tier 5 to all Participants to determine eligibility for the Tier 5 rebate.

Tier 9

The Exchange’s proposal to adopt a new Tier 9 Customer and Professional Penny Pilot Options Rebate to Add Liquidity tier is reasonable because this rebate equates to the same rebate offered to Participants that qualify for current Customer and Professional Penny Pilot Options Rebate to Add Liquidity Tier 8 and the note “e” incentive, which qualifies the Participant for a \$0.02 per contract incentive. The note “e” incentive is being deleted as per this proposal. The new Tier 9 rebate provides Participants the opportunity to continue to earn the higher rebate of \$0.50 per contract rebate,²³ provided the qualifications are met. Similar to other rebate tiers today, the Exchange is paying the Tier 9 rebate provided Participants add options liquidity. Incentivizing Participants to add options liquidity through the payment of a rebate is not novel and is the basis for qualifying for the other Customer and Professional rebate tiers today. The Exchange believes that this new rebate tier will continue to incentivize Participants to transact an even greater number of qualifying Customer and/or Professional volume on NOM, which liquidity will benefit other market participants by providing them the opportunity to interact with that liquidity. The Exchange’s proposal to adopt a new Tier 9 Customer and Professional Penny Pilot Options Rebate to Add Liquidity is equitable and not unfairly discriminatory because all Participants that qualify to receive the new Tier 9 Customer and Professional Penny Pilot Options Rebate to Add Liquidity will be uniformly paid the

²³

See note 10 herein.

rebate provided the requirements are met. In addition, all Participants are eligible to receive these rebates provided the criteria is met.

Tier 10

The Exchange's proposal to adopt a new Tier 10 Customer and Professional Penny Pilot Options Rebate to Add Liquidity tier is reasonable because the opportunity to earn a higher rebate of \$0.52 per contract rebate, provide the qualifications are met, will incentivize Participants to transact an even greater number of qualifying Customer and/or Professional volume, which liquidity will benefit other market participants by providing them the opportunity to interact with that liquidity. The Exchange's proposal to permit Participants to receive a new rebate of \$0.52, provided they qualify for the Tier 10 rebate which criteria includes the addition of options and equity volume is reasonable because the Exchange is encouraging market participants to send order flow to both the options and equity markets to receive the rebate. Incentivizing Participants to add options liquidity through the payment of a rebate is not novel and is the basis for qualifying for the other Customer and Professional rebate tiers today. Today, the Customer and Professional Penny Pilot Options Rebate to Add Liquidity Tier 8 includes, as part of the qualifying criteria, a certification for the Investor Support Program as set forth in Rule 7014 and qualification in the QMM Program.²⁴ These two programs are equity programs which require participation in the form of adding liquidity. The concept of participating in the equities market as a means to qualify for an options rebate exists today. The Exchange's proposal would require Participants to add liquidity in all securities through one or more of its Nasdaq Market Center MPIDS that represent 1.00% or more of

²⁴ See notes 8 and 9 herein.

Consolidated Volume during the month. 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 an equity 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. The Exchange is not only providing Participants a manner in which to earn an options rebate by participating in the equities market. This participation benefits the Nasdaq Market Center as well as the NOM market by incentivizing order flow to these markets. As with existing tiers that require participation in both the Nasdaq Market Center and NOM, these tiers recognize the prevalence of trading in which members simultaneously trade different asset classes within the same strategy. Because cash equities and options markets are linked, with liquidity and trading patterns on one market affecting those on the other, the Exchange believes that pricing incentives that encourage market participant activity in NOM also support price discovery and liquidity provision in the Nasdaq Market Center. Further, because the pricing tiers require significant levels of liquidity provision, which benefits all market participants, and because activity in NOM also supports price discovery and liquidity provision in the Nasdaq Market Center due to the increasing propensity of market participants to be active in both markets and the influence of each market on the pricing of securities in the other, this proposal is reasonable. Moreover, the changes have the potential to make the applicable rebates available to a wider range of market participants

by introducing an additional means of qualification. Finally, other options exchanges today pay rebates to participants that add order both options and equity order flow.²⁵

The Exchange's proposal to adopt a new Tier 10 Customer and Professional Penny Pilot Options Rebate to Add Liquidity is equitable and not unfairly discriminatory because all Participants that qualify to receive the new Tier 10 Customer and Professional Penny Pilot Options Rebate to Add Liquidity will be uniformly paid the rebate provided the requirements are met. In addition, all Participants are eligible to receive these rebates provided the criteria is met. The Exchange's proposal to permit Participants to receive a new rebate of \$0.52, provided they qualify for the Tier 10 rebate which criteria includes the addition of options and equity volume, is equitable and not unfairly discriminatory because market participants may qualify for a comparable or a higher rebate through alternative means that do not require participation in NOM.

Tier 11

The Exchange's proposal to adopt a new Tier 11 Customer and Professional Penny Pilot Options Rebate to Add Liquidity tier is reasonable because this rebate equates to the same rebate offered to Participants that qualify for current Tier 8 Customer and Professional Penny Pilot Options Rebate to Add Liquidity and the note "e" incentive, which provides a \$0.05 per contract incentive. The note "e" incentive is being deleted as per this proposal. The new Tier 11 rebate provides Participants the opportunity to continue to earn the higher rebate of \$0.53 per contract rebate,²⁶ provide the

²⁵ BATS Exchange Inc. ("BATS") and NYSE Arca, Inc. (NYSE Arca") offer Cross-Asset Step-Up Tiers on its equity market. See BATS BZX Exchange Fee Schedule. See also NYSE Arca Equities Schedule of Fees and Charges for Exchange Services and NYSE Arca Options Fees and Charges.

²⁶ See note 12 herein.

qualifications are met. Similar to other rebate tiers today, the Exchange is paying the Tier 11 rebate provided Participants add options liquidity. Incentivizing Participants to add options liquidity through the payment of a rebate is not novel and is the basis for qualifying for the other Customer and Professional rebate tiers today. The Exchange believes that this new rebate tier will continue to incentivize Participants to transact an even greater number of qualifying Customer and/or Professional volume on NOM, which will benefit other market participants by providing them the opportunity to interact with that liquidity. The Exchange's proposal to adopt a new Tier 11 Customer and Professional Penny Pilot Options Rebate to Add Liquidity is equitable and not unfairly discriminatory because all Participants that qualify to receive the new Tier 11 Customer and Professional Penny Pilot Options Rebate to Add Liquidity will be uniformly paid the rebate provided the requirements are met. In addition, all Participants are eligible to receive these rebates, provided the criteria is met.

New note "c" of Chapter XV, Section 2(1)

The Exchange's proposal to adopt a new note "c" to add the definition of Consolidated Volume to Chapter XV, Section 2(1) is reasonable, equitable and not unfairly discriminatory because it provides Participants with information on the meaning of Consolidated Volume and this standard will be applied uniformly to all Participants in order to qualify for the rebate.

Note "d" of Chapter XV, Section 2(1)

The Exchange's proposal to remove the incentive in note "d" from Tier 7 and continue to apply the incentive to Tier 8 and add the incentive to newly proposed Tiers 9, 10 and 11 is reasonable because the Exchange desires to incentivize market participants

to add liquidity in the highest four tiers in order to obtain the lower Professional, Firm, Non-NOM Market Maker, NOM Market Maker or Broker-Dealer Fee for Removing Liquidity in Penny Pilot Options.²⁷ The Exchange is proposing herein to adopt new Customer and Professional Penny Pilot Options Rebate to Add Liquidity Tiers 9, 10 and 11. This proposal will shift the applicability of note “d” to the new four highest rebate tiers. The Exchange’s proposal to remove the incentive in note “d” from Tier 7 and continue to apply the incentive to Tier 8 and add the incentive to newly proposed Tiers 9, 10 and 11 is equitable and not unfairly discriminatory because the Exchange will uniformly apply the incentive to all Participants. No Participant will receive the incentive in note “d” for Tier 7 and all Participants that have met the Customer and Professional Penny Pilot Options Rebate to Add Liquidity Tier 8, 9, 10 or 11 criteria would receive the note “d” incentive.

Note “e” of Chapter XV, Section 2(1)

The Exchange’s proposal to remove the note “e” incentive from current Customer and Professional Penny Pilot Options Rebate to Add Liquidity Tier 8 is reasonable because the Exchange is offering Participants the opportunity to obtain the additional \$0.02 per contract incentive to current Tier 8 with newly proposed Tier 9 of the Customer and Professional rebates and the additional \$0.05 incentive to current Tier 8 with newly proposed Tier 11 of the Customer and Professional rebates.²⁸ The Exchange’s proposal to remove the note “e” incentive from current Customer and Professional Penny Pilot

²⁷ Currently, the Professional, Firm, Non-NOM Market Maker, NOM Market Maker or Broker-Dealer Fee for Removing Liquidity in Penny Pilot Options is \$0.54 per contract for these Participants.

²⁸ See notes 10 and 12 herein.

Options Rebate to Add Liquidity Tier 8 is equitable and not unfairly discriminatory because no Participant will be entitled to receive the note “e” incentive.

The Exchange’s proposal to remove the period at the end of Customer and Professional Penny Pilot Options Rebate to Add Liquidity Tier 8 for consistency is reasonable, equitable and not unfairly discriminatory.

Proposed Change Number 2: Customer Non-Penny Pilot Options Rebate to Add Liquidity

Note “3” of Chapter XV, Section 2(1)

The Exchange’s proposal to amend the note “3” incentive for Participants that qualify for Penny Pilot Options Customer or Professional Rebate to Add Liquidity Tiers 7 or 8 to include newly proposed Tiers 9, 10 and 11 is reasonable because the Exchange is proposing to incentivize Participants to add more liquidity on NOM to earn the higher Customer Non-Penny Pilot Options Rebate to Add Liquidity. With this proposal, any Participant that qualifies for Penny Pilot Options Customer or Professional Rebate to Add Liquidity Tiers 7, 8, 9, 10 or 11 in a given month will receive an additional \$0.01 per contract Non-Penny Pilot Options Customer Rebate to Add Liquidity for a total rebate of \$0.85 per contract.²⁹ The Exchange’s proposal to amend the note “3” incentive for Participants that qualify for Penny Pilot Options Customer or Professional Rebate to Add Liquidity Tiers 7 or 8 to include newly proposed Tiers 9, 10 and 11 is equitable and not unfairly discriminatory because all Participants are eligible to receive the Non-Penny Pilot Customer rebate and further to qualify for the note “3” incentive, provided the criteria is met.

²⁹ Currently, the Exchange pays Customers a Non-Penny Pilot Options Rebate to Add Liquidity of \$0.84 per contract.

Proposed Change Number 3: NOM Market Maker Penny Pilot Rebates to Add Liquidity*Tier 5*

The Exchange's proposal to amend Tier 5 of the NOM Market Maker Penny Pilot Options Rebate to Add Liquidity, which currently pays a \$0.40 per contract rebate to Participants that add NOM Market Maker liquidity in Penny Pilot Options and/or Non-Penny Pilot Options of above 0.30% of total industry customer equity and ETF option ADV contracts per day in a month and qualifies for the Tier 7 or Tier 8 Customer and/or Professional Rebate to Add Liquidity in Penny Pilot Options, to include newly proposed Customer and/or Professional rebate Tiers 9, 10 and 11, is reasonable because Participants will be encouraged to add even more liquidity on NOM to earn the NOM Market Maker rebate. It is reasonable to include the newly added higher Customer and/or Professional rebate Tiers 9, 10 and 11, in addition to current highest Customer and/or Professional rebate Tiers 7 and 8, to qualify for the Tier 5 NOM Market Maker rebate as those Participants are required to add greater liquidity in the newly proposed Customer and/or Professional rebate tiers. The Exchange will continue to permit Tiers 7 and 8 to qualify for this added incentive. The Exchange's proposal to amend Tier 5 of the NOM Market Maker Penny Pilot Options Rebate to Add Liquidity to Participants that add NOM Market Maker liquidity in Penny Pilot Options and/or Non-Penny Pilot Options of above 0.30% of total industry customer equity and ETF option ADV contracts per day in a month and qualifies for the Tier 7 or 8 Customer and/or Professional Rebate to Add Liquidity in Penny Pilot Options, to include newly proposed Customer and Professional rebate Tiers 9, 10 and 11, is equitable and not unfairly discriminatory

because all Participants are eligible to receive the NOM Market Maker Penny Pilot Options Tier 5 rebate, provided the criteria is met.

Tier 6

The Exchange's proposal to amend Tier 6 of the NOM Market Maker Penny Pilot Options Rebate to Add Liquidity, which currently provides that a \$0.42 per contract rebate will be paid to Participants that add NOM Market Maker liquidity in Penny Pilot Options and/or Non-Penny Pilot Options above 0.80% of total industry customer equity and ETF option ADV contracts per day in a month and qualifies for the Tier 7 or Tier 8 and now newly proposed Customer and/or Professional Rebate Tiers 9, 10 or 11 or Participant adds NOM Market Maker liquidity in Penny Pilot Options and/or Non-Penny Pilot Options above 0.90% of total industry customer equity and ETF option ADV contracts per day in a month or Participants that add Customer, Professional, Firm, Non-NOM Market Maker, and/or Broker-Dealer liquidity in Penny Pilot Options and/or Non-Penny Pilot Options of 1.40% or more of total industry customer equity and ETF option ADV contracts per day in a month, is reasonable for the reasons that follow. This incentive will encourage Participants to add even more liquidity on NOM to earn the NOM Market Maker rebate. It is reasonable to include the newly added higher Customer and/or Professional rebate Tiers 9, 10 and 11, in addition to current highest Customer and/or Professional rebate Tiers 7 and 8, to qualify for the Tier 5 NOM Market Maker rebate as those Participants are required to add greater liquidity in the newly proposed Customer and/or Professional rebate tiers. The Exchange will continue to permit Tiers 7 and 8 to qualify for this added incentive. The Exchange's proposal to permit newly proposed Customer and Professional rebate Tiers 9, 10 and 11 to be added to the Tier 6

NOM Market Maker Penny Pilot Options Rebate to Add Liquidity qualifications, in addition to current Tiers 7 and 8, to meet the Tier 6 criteria, in addition to the other requirements of Tier 6, is equitable and not unfairly discriminatory because all Participants are eligible to receive the NOM Market Maker Penny Pilot Options Tier 6 rebate, provided the criteria is met.

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

NASDAQ 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.

Proposed Change Number 1: Customer and Professional Penny Pilot Options Rebates to Add Liquidity

Tiers 9, 10 and 11

The Exchange's proposal to adopt new Customer and Professional Penny Pilot Options Rebate to Add Liquidity Tiers 9, 10 and 11 does not impose an undue burden on intra-market competition because all Participants are eligible for Tiers 9, 10 and 11 of the Customer or Professional rebates provided they meet the qualifications for those rebates. Further, the rebates will be uniformly paid to those Participants that are eligible for the rebate. Additionally newly proposed Tiers 9 and 11 rebates are available today provided Participants qualify for Tier 8 and the incentives available in note "e," respectively.

Furthermore, incentivizing Participants to add not only options, but equities volume in new Tier 10 does not impose an undue burden on intra-market competition because cash equities and options markets are linked, with liquidity and trading patterns on one market affecting those on the other, the Exchange believes that pricing incentives that encourage market participant activity in NOM also support price discovery and liquidity provision in the Nasdaq Market Center. Further, the pricing tiers require

significant levels of liquidity provision, which benefits all market participants on NOM and the Nasdaq Market Center. Moreover, the changes have the potential to make the applicable rebates available to a wider range of market participants by introducing an additional means of qualification.

Tier 8

The amendments to the Customer and Professional Penny Pilot Options Rebate to Add Liquidity Tier 8 do not impose an undue burden on intra-market competition, rather, they add clarity and consistency to the pricing.

New note “c” of Chapter XV, Section 2(1)

The Exchange believes that adding a new note “c” to Chapter XV, Section 2(1) to provide a definition of Consolidated Volume does not impose an undue burden on intra-market competition, rather it provides more information to Participants who are attempting to qualify for these tiers.

Note “d” of Chapter XV, Section 2(1)

The Exchange’s proposal to remove the incentive in note “d” from Customer and Professional Penny Pilot Options Rebate to Add Liquidity Tier 7 incentive and continue to apply the incentive to Customer and Professional Penny Pilot Options Rebate to Add Liquidity Tier 8 and add the incentive to newly proposed Customer and Professional Penny Pilot Options Rebate to Add Liquidity Tiers 9, 10 and 11 does not impose an undue burden on intra-market competition because the Exchange will uniformly apply the incentive to all Participants. No Participant will receive the incentive in note “d” for Tier 7 and all Participants that have met the criteria for Customer and Professional rebate Tiers 8, 9, 10 and 11 would receive the note “d” incentive.

Note “e” of Chapter XV, Section 2(1)

The Exchange’s proposal to remove the note “e” incentive from Customer and Professional Penny Pilot Options Rebate to Add Liquidity Tier 8 does not impose an undue burden on intra-market competition because Participants are being offered the opportunity to obtain the current additional \$0.02 per contract rebate offered in note “e” to Participants that currently qualify for Tier 8 with the newly proposed Tier 9 Customer and Professional rebate and the additional \$0.05 per contract incentive to current Tier 8 with the newly proposed Tier 11 Customer and Professional rebate.³⁰

Proposed Change Number 2: Customer Non-Penny Pilot Options Rebate to Add Liquidity

Note “3” of Chapter XV, Section 2(1)

The Exchange’s proposal to apply the note “3” incentive for Participants that qualify for Penny Pilot Options Customer or Professional Rebate to Add Liquidity Tiers 7 or 8 to newly proposed Tiers 9, 10 and 11, in addition to current Tiers 7 and 8, does not impose an undue burden on intra-market competition because all Participants are eligible to receive the Non-Penny Pilot Options Customer Rebate to Add Liquidity, provided the criteria is met.

Proposed Change Number 3: NOM Market Maker Penny Pilot Rebates to Add Liquidity

Tiers 5 and 6

The Exchange’s proposal to amend a qualifier to the Tier 5 and Tier 6 NOM Market Maker Penny Pilot Options Rebates to Add Liquidity to include newly proposed Tiers 9, 10 and 11 of the Customer and Professional Penny Pilot Options Rebates to Add Liquidity, in addition to current Customer and Professional rebate Tiers 7 and 8, for those

³⁰ See notes 10 and 12 herein.

specific qualifiers, does not impose an undue burden on intra-market competition because all Participants are eligible to receive the NOM Market Maker Penny Pilot Options Tier 5 and Tier 6 rebate, provided the criteria is met.

The Exchange's proposal addressed herein does not impose an inter-market burden on competition because the Exchange operates in a highly competitive market in which many sophisticated and knowledgeable market participants can readily and do send order flow to competing exchanges if they deem fee levels or rebate incentives at a particular exchange to be excessive or inadequate. These market forces support the Exchange belief that the proposed rebate structure and tiers proposed herein are competitive with rebates and tiers in place on other exchanges. The Exchange believes that this competitive marketplace continues to impact the rebates present on the Exchange today and substantially influences the proposals set forth above. Other options markets offer similar rebates to incentive market participants to direct order flow to their markets. The Exchange believes that continuing to offer rebates and increasing those rebates and providing opportunities to earn higher rebates will benefit the marketplace by continuing to reward liquidity providers and thereby offering other market participants an opportunity to interact with this order flow.

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

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A)(ii) of the Act.³¹

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.

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-2015-115 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.

³¹ 15 U.S.C. 78s(b)(3)(A)(ii).

All submissions should refer to File Number SR-NASDAQ-2015-115. 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-2015-115 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.³²

Robert W. Errett
Deputy Secretary

³² 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 XV Options Pricing

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Sec. 2 NASDAQ Options Market—Fees and Rebates

The following charges shall apply to the use of the order execution and routing services of the NASDAQ Options Market for all securities.

(1) Fees for Execution of Contracts on the NASDAQ Options Market**Fees and Rebates (per executed contract)**

	Customer	Professional	Firm	Non-NOM Market Maker	NOM Market Maker	Broker- Dealer
Penny Pilot Options:						
Rebate to Add Liquidity	***	***	\$0.10	\$0.10	#	\$0.10
Fee for Removing Liquidity	\$0.48	\$0.54 ^d	\$0.54 ^d	\$0.54 ^d	\$0.54 ^d	\$0.54 ^d
Fee for Removing Liquidity (SPY Only)	\$0.48	\$0.50	\$0.50	\$0.50	\$0.50	\$0.50
Non-Penny Pilot Options:						
Fee for Adding Liquidity	N/A	\$0.45	\$0.45	\$0.45	\$0.35	\$0.45
Fee for Removing	\$0.85	\$0.94	\$0.94	\$0.94	\$0.94	\$0.94

Liquidity

Rebate to Add Liquidity	\$0.84 ³	N/A	N/A	N/A	N/A
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Liquidity

³A Participant that qualifies for Penny Pilot Options Customer or Professional Rebate to Add Liquidity Tiers 7, [or]8, 9, 10 or 11 in a given month will receive an additional \$0.01 per contract Non-Penny Pilot Options Customer Rebate to Add Liquidity for each transaction which adds liquidity in Non-Penny Pilot Options in that month.

*** The Customer and Professional Rebate to Add Liquidity in Penny Pilot Options will be paid as noted below. To determine the applicable percentage of total industry customer equity and ETF option average daily volume, the Participant's Penny Pilot and Non-Penny Pilot Customer and/or Professional volume that adds liquidity will be included.

Monthly Volume	Rebate to Add Liquidity
Tier 1 Participant adds Customer, Professional, Firm, Non-NOM Market Maker and/or Broker-Dealer liquidity in Penny Pilot Options and/or Non-Penny Pilot Options of up to 0.10% of total industry customer equity and ETF option average daily volume ("ADV") contracts per day in a month	\$0.20
Tier 2 Participant adds Customer, Professional, Firm, Non-NOM Market Maker and/or Broker-Dealer liquidity in Penny Pilot Options and/or Non-Penny Pilot Options above 0.10% to 0.20% of total industry customer equity and ETF option ADV contracts per day in a month	\$0.25
Tier 3 Participant adds Customer, Professional, Firm, Non-NOM Market Maker and/or Broker-Dealer liquidity in Penny Pilot Options and/or Non-Penny Pilot Options above 0.20% to 0.30% of total industry customer equity and ETF option ADV contracts per day in a month	\$0.42
Tier 4 Participant adds Customer, Professional, Firm, Non-NOM Market Maker and/or Broker-Dealer liquidity in Penny Pilot Options and/or Non-Penny Pilot Options above 0.30% to 0.40% of total industry customer equity and ETF option ADV contracts per day in a month	\$0.43
Tier 5^a Participant adds Customer, Professional, Firm, Non-NOM Market Maker and/or Broker-Dealer liquidity in Penny Pilot Options and/or Non-Penny Pilot Options above 0.40% to 0.75% of total industry customer equity and ETF option ADV contracts per day in a month, or Participant adds (1) Customer and/or Professional liquidity in Penny Pilot Options and/or Non-Penny Pilot Options of 25,000 or more contracts per day in a month, (2) the Participant has certified for the Investor	\$0.45

Support Program set forth in Rule 7014, and (3) the Participant executed at least one order on NASDAQ's equity market

Tier 6^b	Participant has Total Volume of 100,000 or more contracts per day in a month, of which 25,000 or more contracts per day in a month must be Customer and/or Professional liquidity in Penny Pilot Options	\$0.45
Tier 7^{b,[d]}	Participant has Total Volume of 150,000 or more contracts per day in a month, of which 50,000 or more contracts per day in a month must be Customer and/or Professional liquidity in Penny Pilot Options	\$0.47
Tier 8^{a,d}	Participant adds Customer, Professional, Firm, Non-NOM Market Maker and/or Broker-Dealer liquidity in Penny Pilot Options and/or Non-Penny Pilot Options above 0.75% [or more] to 1.15% of total industry customer equity and ETF option ADV contracts per day in a month or Participant adds (1) Customer and/or Professional liquidity in Penny Pilot Options and/or Non-Penny Pilot Options of 30,000 or more contracts per day in a month, (2) the Participant has certified for the Investor Support Program set forth in Rule 7014, and (3) the Participant qualifies for rebates under the Qualified Market Maker ("QMM") Program set forth in Rule 7014[.]	\$0.48 ^[e]
<u>Tier 9^d</u>	<u>Participant adds Customer, Professional, Firm, Non-NOM Market Maker and/or Broker-Dealer liquidity in Penny Pilot Options and/or Non-Penny Pilot Options above 1.15% to 1.40% of total industry customer equity and ETF option ADV contracts per day in a month</u>	<u>\$0.50</u>
<u>Tier 10^d</u>	<u>Participant (1) adds Customer, Professional, Firm, Non-NOM Market Maker and/or Broker-Dealer liquidity in Penny Pilot Options and/or Non-Penny Pilot Options above 0.85% of total industry customer equity and ETF option ADV contracts per day in a month and (2) has added liquidity in all securities through one or more of its Nasdaq Market Center MPIDs that represent 1.00% or more of Consolidated Volume during the month</u>	<u>\$0.52</u>
<u>Tier 11^d</u>	<u>Participant adds Customer, Professional, Firm, Non-NOM Market Maker and/or Broker-Dealer liquidity in Penny Pilot Options and/or Non-Penny Pilot Options above 1.40% of total industry customer equity and ETF option ADV contracts per day in a month</u>	<u>\$0.53</u>

^aFor purposes of Tiers 5 and 8, the Exchange will allow a NOM Participant to qualify for the rebate if a NASDAQ member has certified for the Investor Support Program and executed at least one order on NASDAQ's equity market.

^bFor purposes of Tiers 6 and 7, "Total Volume" shall be defined as Customer, Professional, Firm, Broker-Dealer, Non-NOM Market Maker and NOM Market Maker volume in Penny Pilot Options and/or Non-Penny Pilot Options which either adds or removes liquidity on NOM.

^c 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 an equity 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.

^d Participants that qualify for Customer or Professional Rebate to Add Liquidity Tiers [7 or] 8, 9, 10 or 11 in a given month will be assessed a Professional, Firm, Non-NOM Market Maker, NOM Market Maker or Broker-Dealer Fee for Removing Liquidity in Penny Pilot Options of \$0.50 per contract.

[^e Participants that add Customer, Professional, Firm, Non-NOM Market Maker and/or Broker-Dealer liquidity in Penny Pilot Options and/or Non-Penny Pilot Options of 1.15% or more of total industry customer equity and ETF option ADV contracts per day in a month will receive an additional \$0.02 per contract Penny Pilot Options Customer Rebate to Add Liquidity for each transaction which adds liquidity in Penny Pilot Options in that month. Participants that add Customer, Professional, Firm, Non-NOM Market Maker and/or Broker-Dealer liquidity in Penny Pilot Options and/or Non-Penny Pilot Options of 1.40% or more of total industry customer equity and ETF option ADV contracts per day in a month will receive an additional \$0.05 per contract Penny Pilot Options Customer Rebate to Add Liquidity for each transaction which adds liquidity in Penny Pilot Options in that month.]

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

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

Options above 0.10% to 0.25% of total industry customer equity and ETF option ADV contracts per day in a month

Tier 3	Participant adds NOM Market Maker liquidity in Penny Pilot Options and/or Non-Penny Pilot Options above 0.25% to 0.60% of total industry customer equity and ETF option ADV contracts per day in a month	\$0.30 or \$0.40 in the following symbols AAPL, QQQ, IWM, SPY and VXX
Tier 4	Participant adds NOM Market Maker liquidity in Penny Pilot Options and/or Non-Penny Pilot Options of above 0.60% to 0.90% of total industry customer equity and ETF option ADV contracts per day in a month	\$0.32 or \$0.40 in the following symbols AAPL, QQQ, IWM, VXX and SPY
Tier 5	Participant adds NOM Market Maker liquidity in Penny Pilot Options and/or Non-Penny Pilot Options of above 0.30% of total industry customer equity and ETF option ADV contracts per day in a month and qualifies for the <u>Tiers 7, 8, 9, 10 or 11</u> [or Tier 8] Customer and/or Professional Rebate to Add Liquidity in Penny Pilot Options	\$0.40
Tier 6	Participant adds NOM Market Maker liquidity in Penny Pilot Options and/or Non-Penny Pilot Options above 0.80% of total industry customer equity and ETF option ADV contracts per day in a month and qualifies for the <u>Tiers 7, 8, 9, 10 or 11</u> [or Tier 8] Customer and/or Professional Rebate to Add Liquidity in Penny Pilot Options or Participant adds NOM Market Maker liquidity in Penny Pilot Options and/or Non-Penny Pilot Options above 0.90% of total industry customer equity and ETF option ADV contracts per day in a month or Participants that add Customer, Professional, Firm, Non-NOM Market Maker, and/or Broker-Dealer liquidity in Penny Pilot Options and/or Non-Penny Pilot Options of 1.40% or more of total industry customer equity and ETF option ADV contracts per day in a month	\$0.42

(2) – (5) No change
