

Required fields are shown with yellow backgrounds and asterisks.

Page 1 of * 42	SECURITIES AND EXCHANGE COMMISSION WASHINGTON, D.C. 20549 Form 19b-4		File No.* SR - 2015 - * 137	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"/>
Pilot <input type="checkbox"/>	Extension of Time Period for Commission Action * <input type="checkbox"/>	Date Expires * <input type="text"/>	Rule <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 Section 806(e)(1) * <input type="checkbox"/>			Security-Based Swap Submission pursuant to the Securities Exchange Act of 1934 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"/>			
<b>Description</b> Provide a brief description of the action (limit 250 characters, required when Initial is checked *).  Proposed changes to Nasdaq Rules 7014 and 7018.					
<b>Contact Information</b> Provide the name, telephone number, and e-mail address of the person on the staff of the self-regulatory organization prepared to respond to questions and comments on the action.  First Name * Sean Last Name * Bennett Title * Associate General Counsel E-mail * Sean.Bennett@nasdaq.com Telephone * (301) 978-8499 Fax (301) 978-8472					
<b>Signature</b> 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 11/03/2015 By Edward S. Knight (Name *) Executive Vice President and General Counsel edward.knight@nasdaq.com					
NOTE: Clicking the button at right will digitally sign and lock this form. A digital signature is as legally binding as a physical signature, and once signed, this form cannot be changed.					

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 Proposed Rule Change

(a) Pursuant to the provisions of Section 19(b)(1) under the Securities Exchange Act of 1934 (“Act”)<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> The NASDAQ Stock Market LLC (“Nasdaq” or “Exchange”) is filing with the Securities and Exchange Commission (“Commission”) proposed changes to amend Nasdaq Rule 7014, concerning the Exchange’s Market Quality Incentive Programs, and Nasdaq Rule 7018(a), governing fees and credits assessed for execution and routing of securities priced at \$1 or more.

A notice of the proposed rule change for publication in the Federal Register is attached hereto as Exhibit 1 and the text of the proposed rule change is attached as Exhibit 5.

(b) Not applicable.

(c) Not applicable.

2. Procedures of the Self-Regulatory Organization

The proposed rule change was approved by senior management of Nasdaq pursuant to authority delegated by the Board of Directors of Nasdaq on July 1, 2015. Nasdaq staff will advise the Board of Directors of Nasdaq of any action taken pursuant to delegated authority. No other action by Nasdaq is necessary for the filing of the rule change.

Questions regarding this rule filing may be directed to T. Sean Bennett, Associate General Counsel, Nasdaq, Inc. at (301) 978-8499 (telephone).

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<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 17 CFR 240.19b-4.

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

a. Purpose

Nasdaq is proposing to amend Rule 7014 to add new tiers to the Lead Market Maker ("LMM") Program and to modify credits provided under Rule 7018(a).

Rule 7014

The Exchange is proposing to modify the benefits provided by the LMM Program under Rule 7014. Under the LMM Program, a LMM may receive a credit of \$0.004 per share executed (or \$0, in the case of executions against Quotes/Orders in the Nasdaq Market Center at less than \$1.00 per share) if it provides displayed liquidity through the Nasdaq Market Center. The credit applies<sup>3</sup> and is provided in lieu of credits under Rules 7018 and 7014. A LMM is a registered Nasdaq market maker for a Qualified Security that has committed to maintain minimum performance standards. A LMM is selected by Nasdaq based on factors including, but not limited to, experience with making markets in exchange-traded funds and index-linked securities, adequacy of capital, willingness to promote Nasdaq as a marketplace, issuer preference, operational capacity, support personnel, and history of adherence to Nasdaq rules and securities laws. Nasdaq may limit the number of LMMs in a security, or modify a previously established limit, upon prior written notice to members.

Nasdaq sets minimum performance criteria to qualify as a LMM. These minimum performance standards are determined by Nasdaq from time to time and may vary depending on the price, liquidity, and volatility of the Qualified Security in which

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<sup>3</sup> A Qualified Security: (1) is an exchange-traded fund or index-linked security listed on Nasdaq pursuant to Nasdaq Rules 5705, 5710, or 5720; and (2) has at least one Lead Market Maker. See Rule 7014(f)(1).

the LMM is registered. Nasdaq may apply performance measurements that include one or more of the following: (A) percent of time at the national best bid (best offer) (“NBBO”); (B) percent of executions better than the NBBO; (C) average displayed size; and (D) average quoted spread (collectively, “LMM Criteria”). The LMM Criteria will be established upon written notice to members. Currently, the established LMM Criteria requires a LMM to be at the NBBO more than 15% of the time.<sup>4</sup>

The Exchange is proposing to provide higher rebates to LMMs the greater percentage of the time they are at the NBBO. Specifically, the Exchange is creating three rebate tiers. The first tier will provide a LMM a rebate of \$0.004 per share executed for displayed liquidity (for executions above \$1) if the LMM is at the NBBO more than 15% of the time and up to 20% of the time. The second tier will provide a LMM a rebate of \$0.0043 per share executed for displayed liquidity (for executions above \$1) if the LMM is at the NBBO more than 20% of the time and up to 50% of the time. The third tier will provide a LMM a rebate of \$0.0046 per share executed for displayed liquidity (for executions above \$1) if the LMM is at the NBBO more than 50% of the time. As is the case currently under the LMM Program, a LMM will not receive a rebate for executions less than \$1 per share.

Under each of the new tiers, the Exchange is also providing a new maximum fee for participation in the opening and closing crosses as additional incentive to LMMs. Under Rule 7018, a Participant,<sup>5</sup> including a LMM, is assessed a per share executed

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<sup>4</sup> See Equity Trader Alert 2015-109 (<http://www.nasdaqtrader.com/TraderNews.aspx?id=ETA2015-109>).

<sup>5</sup> As defined by Rule 4701(c).

charge of \$0.0015 to \$0.0008 for participation in the Opening and Closing Crosses.<sup>6</sup>

Under the LMM Program, the Exchange is proposing to cap the fee a LMM is charged if they qualify for one of the three new tiers. Specifically, Nasdaq will provide a maximum Opening and Closing Cross fee of \$0.0010 per share executed to a LMM that qualifies under the first tier under new Rule 7014(f)(4), and a maximum opening and Closing Cross fee of \$0.0000 per share executed to a LMM that qualifies under the second or third tier under new Rule 7014(f)(4). A LMM that qualifies for a maximum charge under Rule 7014(f)(4) would not be precluded from taking advantage of a lower charge provided under Rules 7018(d) or (e).<sup>7</sup>

Nasdaq is also deleting rule text that concerns the performance standards applied under Rule 7014(f). The Exchange notes that it is applying the current established LMM criteria<sup>8</sup> under the first tier of Rule 7014(f)(4), and expanding the use of the criteria under the second and third tiers. Nasdaq may apply the other performance measurements noted currently under Rule 7014(f)(2) in the future and will amend the rule text to reflect the new criteria based on those performance measurements. Nasdaq is also making clarifying changes to the rule under Rule 7014(f)(3).

#### Rule 7018(a)

Rule 7018(a) concerns fees and credits provided for the use of the order execution and routing services of the Nasdaq Market Center by members for all securities priced at

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<sup>6</sup> See Rule 7018(d) and (e).

<sup>7</sup> For example, if a LMM was eligible to receive a maximum charge of \$0.0010 per share executed under the first tier of Rule 7014(f)(4), but also qualified for a charge of \$0.0008 per share executed in the closing cross under Tier A of Rule 7018(d)(2), the Participant would receive the lower charge under Rule 7018(d)(2).

<sup>8</sup> Supra note 4.

\$1 or more that it trades. Under the proposed changes to the rule, Nasdaq is proposing to eliminate certain credit tiers, add new credit tiers and modify existing credit tier.

First, Nasdaq is proposing to delete four credit tiers that apply to securities of each of the three Tape securities. Specifically, Nasdaq is proposing to:

- Eliminate the \$0.00305 per share executed credit provided to a member with (i) shares of liquidity provided in all securities through one of its Nasdaq Market Center MPIDs that represent 1.60% or more of Consolidated Volume during the month, or (ii) shares of liquidity provided in all securities through one or more of its Nasdaq Market Center MPIDs that represent 1.60% or more of Consolidated Volume during the month, and shares of liquidity provided in all securities through one of its Nasdaq Market Center MPIDs that represent 0.75% or more of Consolidated Volume during the month.
- Eliminate the \$0.0030 per share executed credit provided to a member with (i) shares of liquidity provided in all securities through one of its Nasdaq Market Center MPIDs that represent 1.20% or more of Consolidated Volume during the month, or (ii) shares of liquidity provided in all securities through one or more of its Nasdaq Market Center MPIDs that represent 1.20% or more of Consolidated Volume during the month, and shares of liquidity provided in all securities through one of its Nasdaq Market Center MPIDs that represent 0.75% or more of Consolidated Volume during the month.
- Eliminate the \$0.00295 per share executed credit provided to a member with shares of liquidity provided in all securities through one of its Nasdaq Market

Center MPIDs that represent more than 0.90% of Consolidated Volume during the month.

- Eliminate the \$0.00295 per share executed credit provided to a member (i) that is a registered market maker through one of its Nasdaq Market Center MPIDs in at least 7,000 securities, (ii) with shares of liquidity provided in all securities through one of its Nasdaq Market Center MPIDs that represent more than 0.75% of Consolidated Volume during the month, and (iii) with shares of liquidity provided in all securities through one or more of its Nasdaq Market Center MPIDs that represent more than 0.90% of Consolidated Volume during the month.

Second, Nasdaq is proposing to add two new credits that apply to securities of each of the three Tape securities. Specifically, Nasdaq is proposing to:

- Add a new credit of \$0.00305 per share executed to a member with shares of liquidity provided in all securities through one or more of its Nasdaq Market Center MPIDs that represent more than 1.25% of Consolidated Volume during the month.
- Add a new credit of \$0.0030 per share executed to a member with shares of liquidity provided in all securities through one or more of its Nasdaq Market Center MPIDs that represent more than 0.75% of Consolidated Volume during the month and member provides a daily average of at least 5 Million shares of non-displayed liquidity.

Lastly, the Exchange is proposing to amend the eligibility criteria for a credit applied to securities of each of the three Tape securities. Currently, Nasdaq provides a

\$0.0030 per share executed credit to a member (i) with shares of liquidity provided in all securities during the month representing at least 0.20% of Consolidated Volume during the month, through one or more of its Nasdaq Market Center MPIDs, and (ii) Adds Customer, Professional, Firm, Non-NOM Market Maker, NOM Market Maker and/or Broker-Dealer liquidity in Penny Pilot Options and/or Non- Penny Pilot Options of 0.90% or more of total industry ADV in the customer clearing range for Equity and ETF option contracts per day in a month on the Nasdaq Options Market. Nasdaq is proposing to reduce the level of required Consolidated Volume under paragraph (i) of the tier from 0.20% to 0.15%. The Exchange is also limiting the type of liquidity allowed to qualify under paragraph (ii) of the tier to NOM Market Maker.

b. Statutory Basis

Nasdaq believes that the proposed rule change is consistent with the provisions of Section 6 of the Act,<sup>9</sup> in general, and with Sections 6(b)(4) and 6(b)(5) of the Act,<sup>10</sup> in particular, in that it provides for the equitable allocation of reasonable dues, fees and other charges among members and issuers and other persons using any facility or system which Nasdaq operates or controls and is designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in securities, to remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general, to protect investors and the public interest; and

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<sup>9</sup> 15 U.S.C. 78f.

<sup>10</sup> 15 U.S.C. 78f(b)(4) and (5).

are not designed to permit unfair discrimination between customers, issuers, brokers, or dealers.

The Commission and the courts have repeatedly expressed their preference for competition over regulatory intervention in determining prices, products, and services in the securities markets. In Regulation NMS, for example, the Commission indicated that market forces should generally determine the price of non-core market data because national market system regulation “has been remarkably successful in promoting market competition in its broader forms that are most important to investors and listed companies.”<sup>11</sup> Likewise, in NetCoalition v. NYSE Arca, Inc., 615 F.3d 525 (D.C. Cir. 2010), the D.C. Circuit upheld the Commission’s use of a market-based approach in evaluating the fairness of market data fees against a challenge claiming that Congress mandated a cost-based approach.<sup>12</sup> As the court emphasized, the Commission “intended in Regulation NMS that ‘market forces, rather than regulatory requirements’ play a role in determining the market data . . . to be made available to investors and at what cost.”<sup>13</sup> Further, “[n]o one disputes that competition for order flow is ‘fierce.’ . . . As the SEC explained, ‘[i]n the U.S. national market system, buyers and sellers of securities, and the broker-dealers that act as their order-routing agents, have a wide range of choices of where to route orders for execution’; [and] ‘no exchange can afford to take its market

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<sup>11</sup> See Exchange Act Release No. 34-51808 (June 9, 2005) (“Regulation NMS Adopting Release”).

<sup>12</sup> See NetCoalition, 615 F.3d at 534.

<sup>13</sup> Id. at 537.

share percentages for granted' because 'no exchange possesses a monopoly, regulatory or otherwise, in the execution of order flow from broker dealers'...."<sup>14</sup>

#### Rule 7014

The Exchange believes that the proposed changes to Rule 7014(f) are reasonable because they provide greater incentives to LMMs to improve market quality. The proposed changes achieve this by increasing the rebate provided under the rule. Currently, a LMM only is provided an incentive to be at the NBBO greater than 15% of the time, but is not provided any further incentive to exceed the threshold beyond what is needed to receive the current credit. To provide an incentive to exceed the current 15% threshold, Nasdaq is adding additional higher credit tiers based on a greater percentage of time at the NBBO. Nasdaq is also providing an Opening and Closing Cross incentive under each new tier, which does not exist today. Nasdaq believes increasing the rebates available to LMMs and limiting the charge assessed for participation in the Opening and Closing Crosses will improve market quality for all market participants because it may provide incentive to LMMs to add liquidity in the opening and closing processes as well as during regular market hours. Nasdaq also believes deletion of the language concerning minimum performance standards under Rule 7014(f)(2) is reasonable because new Rule 7014(f)(4) now provides the performance criteria needed to receive the rebates and fees under the program, which is based on the current criteria in place. If Nasdaq determines to modify the criteria, it will do so through a rule change in lieu of written notice to members. Lastly, The Exchange believes that providing LMMs a reduced charge in the Opening and Closing Crosses is equitable and not unfairly discriminatory

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<sup>14</sup> NetCoalition I, 615 F.3d at 539 (quoting ArcaBook Order, 73 FR at 74782-74783).

because, in return for the reduced charges, LMMs are providing beneficial displayed liquidity to the benefit of all market participants.

The Exchange believes that the proposed changes to Rule 7014(f) are an equitable allocation and is not unfairly discriminatory because the Exchange will apply the same fees and provide the same rebates to all similarly situated members. The rebates and fees under the amended rule are available to all LMMs that qualify under the new tiers of the program. The Exchange does not believe that the proposed changes are unfairly discriminatory because all LMMs have the opportunity to achieve the level of time at the NBBO if they so choose.

#### Rule 7018

The Exchange believes that the proposed changes to Rule 7018(a) are reasonable because the Exchange must, from time to time, adjust the level of credits provided, and the criteria required to receive them, to provide the most efficient allocation of credits in terms of market improving behavior. In this regard, Nasdaq is limited in the amount of credits that it can provide to market participants. The Exchange determined that the eliminated credit tiers no longer provided the most efficient and effective use of the credits it is able to provide. With regard to the eliminated \$0.00295 credit tiers, Nasdaq observed that no Participants qualified for the fees recently, rendering them ineffective at providing incentive. With regard to the eliminated \$0.00305 and \$0.0030 credit tiers, Nasdaq does not believe that they are achieving an adequate level of qualifying beneficial market activity and is consequently replacing them with two new credit tiers of the same amount. The Exchange is now requiring a reduced level of Consolidated Volume to qualify for the new \$0.00305 per share executed credit tier and is not applying the

additional criteria of the deleted \$0.00305 credit tier. Consequently, the Exchange believes that the change may provide a more attainable level of incentive thereby promoting Participants to provide the liquidity needed to qualify for the tier. To receive a \$0.0030 per share executed credit under the proposed new tier, a Participant must provide a significantly reduced level of Consolidated Volume, but must also provide a daily average of at least 5 million shares of non-displayed liquidity. The Exchange believes that the criteria of the new tier may make it more attainable for Participants than the deleted \$0.0030 tier. The Exchange believes that elimination of the \$0.00295 credit tiers reasonable because no Participants have recently qualified under the tiers, and the Exchange may accordingly allocate its resources in more effective ways to encourage market improving activity. Lastly, the changes to eligibility criteria to receive a \$0.0030 per share executed credit is reasonable because by reducing the amount of Consolidated Volume required to receive the credit but limiting the Nasdaq Options Market based criteria to market making activity, the Exchange believes that it may provide greater incentive for market makers to improve liquidity on the Nasdaq Options Market. In addition, because of a limited amount of credits it can provide, the Exchange chose to continue to provide this tier to NOM market makers because they actively provide liquidity to the benefit of all NOM participants. In sum, the Exchange believes that the changes to Rule 7018(a) are reasonable because the Exchange has determined that the new tiers may better promote provision of liquidity and use of non-displayed orders on the Exchange, which improves market quality for all market participants.

The Exchange believes that the proposed changes to Rule 7018(a) are an equitable allocation and are not unfairly discriminatory because the Exchange will provide the

same credits to all similarly situated members. The credits Nasdaq provides are designed to improve market quality for all market participants, and Nasdaq allocates its credits in a manner that it believes are the most likely to achieve that result. Elimination of the existing credits under the rule is an equitable allocation and is not unfairly discriminatory because the credits were ineffective at providing adequate incentive to Participants to provide market improving order activity. Consequently, the Exchange is proposing to change the criteria needed to receive \$0.00305 and \$0.0030 credits by adopting new tiers it believes will be more effective. The Exchange believes that elimination of the \$0.00295 credit tiers is an equitable allocation and is not unfairly discriminatory because no participants qualified under the tiers, therefore their removal will not impact any Participants. With regard to the changes to eligibility criteria to receive a \$0.0030 per share executed credit, the Exchange believes that they are an equitable allocation and are not unfairly discriminatory because Nasdaq must be selective in providing credits to Participants, and allocates credits to where it believes it will receive the best result in terms of improvement to market quality. In this case, Nasdaq is limiting the credit to NOM market makers because it believes that market quality will be improved the most by market makers actively providing liquidity and this benefits both Nasdaq and NOM participants.

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

Nasdaq does not believe that the proposed rule changes will result in any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act, as amended.<sup>15</sup> Nasdaq notes that it operates in a highly competitive market in which

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<sup>15</sup> 15 U.S.C. 78f(b)(8).

market participants can readily favor competing venues if they deem fee levels at a particular venue to be excessive, or rebate opportunities available at other venues to be more favorable. In such an environment, Nasdaq must continually adjust its fees to remain competitive with other exchanges and with alternative trading systems that have been exempted from compliance with the statutory standards applicable to exchanges. Because competitors are free to modify their own fees in response, and because market participants may readily adjust their order routing practices.

In this instance, the proposed changes to the LMM Program and the charges assessed and credits available to Participants for execution of securities in securities of all three Tapes do not impose a burden on competition because the Exchange's execution services are completely voluntary and subject to extensive competition both from other exchanges and from off-exchange venues. The Exchange is modifying a market improving incentive program and is also adjusting credit tiers provided Participants in return for market improving activity, in an effort to make them more effective. Such changes may foster competition among exchanges and other market venues to provide similar incentives, which would benefit all market participants. The Exchange must weigh the costs of offering incentives to market participants against the desired benefit the Exchange seeks to achieve. To the extent these incentives are inefficient or at fail to achieve these goals, the Exchange may from time to time adjust the level of incentive and/or the market improving activity required to qualify for the incentive credits and fees, or adopt an alternative incentive in lieu thereof. Such changes are reflective of robust competition among exchanges and other market venues. In sum, if the changes proposed herein are unattractive to market participants it is likely that Nasdaq will lose market

share as a result. As such, the Exchange does not believe the proposed changes will place a burden on competition.

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

Written comments were neither solicited nor received.

6. Extension of Time Period for Commission Action

Not applicable.

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

Pursuant to Section 19(b)(3)(A)(ii) of the Act,<sup>16</sup> Nasdaq has designated this proposal as establishing or changing a due, fee, or other charge imposed by the self-regulatory organization on any person, whether or not the person is a member of the self-regulatory organization, which renders the proposed rule change effective upon filing.

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

Not applicable.

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

Not applicable.

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

Not applicable.

11. Exhibits

1. Completed notice of proposed rule change for publication in the Federal Register.

5. Text of the proposed rule change.

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<sup>16</sup> 15 U.S.C. 78s(b)(3)(A)(ii).

**EXHIBIT 1**SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34- ; File No. SR-NASDAQ-2015-137)

Self-Regulatory Organizations; The NASDAQ Stock Market LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Amend Nasdaq Rules 7014 and 7018

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”),<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on November 3, 2015, The NASDAQ Stock Market LLC (“Nasdaq” or the “Exchange”) filed with the Securities and Exchange Commission (“Commission”) a proposed rule change as described in Items I, II and III below, which Items have been prepared by the Exchange. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

I. Self-Regulatory Organization’s Statement of the Terms of Substance of the Proposed Rule Change

Nasdaq is proposing to amend Nasdaq Rule 7014, concerning the Exchange’s Market Quality Incentive Programs, and Nasdaq Rule 7018, governing fees and credits assessed for execution and routing of securities priced at \$1 or more.

The text of the proposed rule change is available at [nasdaq.cchwallstreet.com](http://nasdaq.cchwallstreet.com) at Nasdaq principal office, and at the Commission’s Public Reference Room.

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

In its filing with the Commission, Nasdaq included statements concerning the purpose of, and basis for, the proposed rule change and discussed any comments it

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<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 17 CFR 240.19b-4.

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

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

1. Purpose

Nasdaq is proposing to amend Rule 7014 to add new tiers to the Lead Market Maker ("LMM") Program and to modify credits provided under Rule 7018(a).

Rule 7014

The Exchange is proposing to modify the benefits provided by the LMM Program under Rule 7014. Under the LMM Program, a LMM may receive a credit of \$0.004 per share executed (or \$0, in the case of executions against Quotes/Orders in the Nasdaq Market Center at less than \$1.00 per share) if it provides displayed liquidity through the Nasdaq Market Center. The credit applies<sup>3</sup> to transactions in a Qualified Security<sup>3</sup> and is provided in lieu of credits under Rules 7018 and 7014. A LMM is a registered Nasdaq market maker for a Qualified Security that has committed to maintain minimum performance standards. A LMM is selected by Nasdaq based on factors including, but not limited to, experience with making markets in exchange-traded funds and index-linked securities, adequacy of capital, willingness to promote Nasdaq as a marketplace, issuer preference, operational capacity, support personnel, and history of adherence to Nasdaq rules and securities laws. Nasdaq may limit the number of LMMs in a security, or modify a previously established limit, upon prior written notice to members.

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<sup>3</sup> A Qualified Security: (1) is an exchange-traded fund or index-linked security listed on Nasdaq pursuant to Nasdaq Rules 5705, 5710, or 5720; and (2) has at least one Lead Market Maker. See Rule 7014(f)(1).

Nasdaq sets minimum performance criteria to qualify as a LMM. These minimum performance standards are determined by Nasdaq from time to time and may vary depending on the price, liquidity, and volatility of the Qualified Security in which the LMM is registered. Nasdaq may apply performance measurements that include one or more of the following: (A) percent of time at the national best bid (best offer) (“NBBO”); (B) percent of executions better than the NBBO; (C) average displayed size; and (D) average quoted spread (collectively, “LMM Criteria”). The LMM Criteria will be established upon written notice to members. Currently, the established LMM Criteria requires a LMM to be at the NBBO more than 15% of the time.<sup>4</sup>

The Exchange is proposing to provide higher rebates to LMMs the greater percentage of the time they are at the NBBO. Specifically, the Exchange is creating three rebate tiers. The first tier will provide a LMM a rebate of \$0.004 per share executed for displayed liquidity (for executions above \$1) if the LMM is at the NBBO more than 15% of the time and up to 20% of the time. The second tier will provide a LMM a rebate of \$0.0043 per share executed for displayed liquidity (for executions above \$1) if the LMM is at the NBBO more than 20% of the time and up to 50% of the time. The third tier will provide a LMM a rebate of \$0.0046 per share executed for displayed liquidity (for executions above \$1) if the LMM is at the NBBO more than 50% of the time. As is the case currently under the LMM Program, a LMM will not receive a rebate for executions less than \$1 per share.

Under each of the new tiers, the Exchange is also providing a new maximum fee for participation in the opening and closing crosses as additional incentive to LMMs.

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<sup>4</sup> See Equity Trader Alert 2015-109 (<http://www.nasdaqtrader.com/TraderNews.aspx?id=ETA2015-109>).

Under Rule 7018, a Participant,<sup>5</sup> including a LMM, is assessed a per share executed charge of \$0.0015 to \$0.0008 for participation in the Opening and Closing Crosses.<sup>6</sup>

Under the LMM Program, the Exchange is proposing to cap the fee a LMM is charged if they qualify for one of the three new tiers. Specifically, Nasdaq will provide a maximum Opening and Closing Cross fee of \$0.0010 per share executed to a LMM that qualifies under the first tier under new Rule 7014(f)(4), and a maximum opening and Closing Cross fee of \$0.0000 per share executed to a LMM that qualifies under the second or third tier under new Rule 7014(f)(4). A LMM that qualifies for a maximum charge under Rule 7014(f)(4) would not be precluded from taking advantage of a lower charge provided under Rules 7018(d) or (e).<sup>7</sup>

Nasdaq is also deleting rule text that concerns the performance standards applied under Rule 7014(f). The Exchange notes that it is applying the current established LMM criteria<sup>8</sup> under the first tier of Rule 7014(f)(4), and expanding the use of the criteria under the second and third tiers. Nasdaq may apply the other performance measurements noted currently under Rule 7014(f)(2) in the future and will amend the rule text to reflect the new criteria based on those performance measurements. Nasdaq is also making clarifying changes to the rule under Rule 7014(f)(3).

#### Rule 7018(a)

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<sup>5</sup> As defined by Rule 4701(c).

<sup>6</sup> See Rule 7018(d) and (e).

<sup>7</sup> For example, if a LMM was eligible to receive a maximum charge of \$0.0010 per share executed under the first tier of Rule 7014(f)(4), but also qualified for a charge of \$0.0008 per share executed in the closing cross under Tier A of Rule 7018(d)(2), the Participant would receive the lower charge under Rule 7018(d)(2).

<sup>8</sup> Supra note 4.

Rule 7018(a) concerns fees and credits provided for the use of the order execution and routing services of the Nasdaq Market Center by members for all securities priced at \$1 or more that it trades. Under the proposed changes to the rule, Nasdaq is proposing to eliminate certain credit tiers, add new credit tiers and modify existing credit tier.

First, Nasdaq is proposing to delete four credit tiers that apply to securities of each of the three Tape securities. Specifically, Nasdaq is proposing to:

- Eliminate the \$0.00305 per share executed credit provided to a member with (i) shares of liquidity provided in all securities through one of its Nasdaq Market Center MPIDs that represent 1.60% or more of Consolidated Volume during the month, or (ii) shares of liquidity provided in all securities through one or more of its Nasdaq Market Center MPIDs that represent 1.60% or more of Consolidated Volume during the month, and shares of liquidity provided in all securities through one of its Nasdaq Market Center MPIDs that represent 0.75% or more of Consolidated Volume during the month.
- Eliminate the \$0.0030 per share executed credit provided to a member with (i) shares of liquidity provided in all securities through one of its Nasdaq Market Center MPIDs that represent 1.20% or more of Consolidated Volume during the month, or (ii) shares of liquidity provided in all securities through one or more of its Nasdaq Market Center MPIDs that represent 1.20% or more of Consolidated Volume during the month, and shares of liquidity provided in all securities through one of its Nasdaq Market Center MPIDs that represent 0.75% or more of Consolidated Volume during the month.

- Eliminate the \$0.00295 per share executed credit provided to a member with shares of liquidity provided in all securities through one of its Nasdaq Market Center MPIDs that represent more than 0.90% of Consolidated Volume during the month.
- Eliminate the \$0.00295 per share executed credit provided to a member (i) that is a registered market maker through one of its Nasdaq Market Center MPIDs in at least 7,000 securities, (ii) with shares of liquidity provided in all securities through one of its Nasdaq Market Center MPIDs that represent more than 0.75% of Consolidated Volume during the month, and (iii) with shares of liquidity provided in all securities through one or more of its Nasdaq Market Center MPIDs that represent more than 0.90% of Consolidated Volume during the month.

Second, Nasdaq is proposing to add two new credits that apply to securities of each of the three Tape securities. Specifically, Nasdaq is proposing to:

- Add a new credit of \$0.00305 per share executed to a member with shares of liquidity provided in all securities through one or more of its Nasdaq Market Center MPIDs that represent more than 1.25% of Consolidated Volume during the month.
- Add a new credit of \$0.0030 per share executed to a member with shares of liquidity provided in all securities through one or more of its Nasdaq Market Center MPIDs that represent more than 0.75% of Consolidated Volume during the month and member provides a daily average of at least 5 Million shares of non-displayed liquidity.

Lastly, the Exchange is proposing to amend the eligibility criteria for a credit applied to securities of each of the three Tape securities. Currently, Nasdaq provides a \$0.0030 per share executed credit to a member (i) with shares of liquidity provided in all securities during the month representing at least 0.20% of Consolidated Volume during the month, through one or more of its Nasdaq Market Center MPIDs, and (ii) Adds Customer, Professional, Firm, Non-NOM Market Maker, NOM Market Maker and/or Broker-Dealer liquidity in Penny Pilot Options and/or Non- Penny Pilot Options of 0.90% or more of total industry ADV in the customer clearing range for Equity and ETF option contracts per day in a month on the Nasdaq Options Market. Nasdaq is proposing to reduce the level of required Consolidated Volume under paragraph (i) of the tier from 0.20% to 0.15%. The Exchange is also limiting the type of liquidity allowed to qualify under paragraph (ii) of the tier to NOM Market Maker.

## 2. Statutory Basis

Nasdaq believes that the proposed rule change is consistent with the provisions of Section 6 of the Act,<sup>9</sup> in general, and with Sections 6(b)(4) and 6(b)(5) of the Act,<sup>10</sup> in particular, in that it provides for the equitable allocation of reasonable dues, fees and other charges among members and issuers and other persons using any facility or system which Nasdaq operates or controls and is designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in securities, to

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<sup>9</sup> 15 U.S.C. 78f.

<sup>10</sup> 15 U.S.C. 78f(b)(4) and (5).

remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general, to protect investors and the public interest; and are not designed to permit unfair discrimination between customers, issuers, brokers, or dealers.

The Commission and the courts have repeatedly expressed their preference for competition over regulatory intervention in determining prices, products, and services in the securities markets. In Regulation NMS, for example, the Commission indicated that market forces should generally determine the price of non-core market data because national market system regulation “has been remarkably successful in promoting market competition in its broader forms that are most important to investors and listed companies.”<sup>11</sup> Likewise, in NetCoalition v. NYSE Arca, Inc., 615 F.3d 525 (D.C. Cir. 2010), the D.C. Circuit upheld the Commission’s use of a market-based approach in evaluating the fairness of market data fees against a challenge claiming that Congress mandated a cost-based approach.<sup>12</sup> As the court emphasized, the Commission “intended in Regulation NMS that ‘market forces, rather than regulatory requirements’ play a role in determining the market data . . . to be made available to investors and at what cost.”<sup>13</sup>

Further, “[n]o one disputes that competition for order flow is ‘fierce.’ . . . As the SEC explained, ‘[i]n the U.S. national market system, buyers and sellers of securities, and the broker-dealers that act as their order-routing agents, have a wide range of choices of where to route orders for execution’; [and] ‘no exchange can afford to take its market

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<sup>11</sup> See Exchange Act Release No. 34-51808 (June 9, 2005) (“Regulation NMS Adopting Release”).

<sup>12</sup> See NetCoalition, 615 F.3d at 534.

<sup>13</sup> Id. at 537.

share percentages for granted' because 'no exchange possesses a monopoly, regulatory or otherwise, in the execution of order flow from broker dealers'...."<sup>14</sup>

#### Rule 7014

The Exchange believes that the proposed changes to Rule 7014(f) are reasonable because they provide greater incentives to LMMs to improve market quality. The proposed changes achieve this by increasing the rebate provided under the rule. Currently, a LMM only is provided an incentive to be at the NBBO greater than 15% of the time, but is not provided any further incentive to exceed the threshold beyond what is needed to receive the current credit. To provide an incentive to exceed the current 15% threshold, Nasdaq is adding additional higher credit tiers based on a greater percentage of time at the NBBO. Nasdaq is also providing an Opening and Closing Cross incentive under each new tier, which does not exist today. Nasdaq believes increasing the rebates available to LMMs and limiting the charge assessed for participation in the Opening and Closing Crosses will improve market quality for all market participants because it may provide incentive to LMMs to add liquidity in the opening and closing processes as well as during regular market hours. Nasdaq also believes deletion of the language concerning minimum performance standards under Rule 7014(f)(2) is reasonable because new Rule 7014(f)(4) now provides the performance criteria needed to receive the rebates and fees under the program, which is based on the current criteria in place. If Nasdaq determines to modify the criteria, it will do so through a rule change in lieu of written notice to members. Lastly, The Exchange believes that providing LMMs a reduced charge in the Opening and Closing Crosses is equitable and not unfairly discriminatory

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<sup>14</sup> NetCoalition I, 615 F.3d at 539 (quoting ArcaBook Order, 73 FR at 74782-74783).

because, in return for the reduced charges, LMMs are providing beneficial displayed liquidity to the benefit of all market participants.

The Exchange believes that the proposed changes to Rule 7014(f) are an equitable allocation and is not unfairly discriminatory because the Exchange will apply the same fees and provide the same rebates to all similarly situated members. The rebates and fees under the amended rule are available to all LMMs that qualify under the new tiers of the program. The Exchange does not believe that the proposed changes are unfairly discriminatory because all LMMs have the opportunity to achieve the level of time at the NBBO if they so choose.

#### Rule 7018

The Exchange believes that the proposed changes to Rule 7018(a) are reasonable because the Exchange must, from time to time, adjust the level of credits provided, and the criteria required to receive them, to provide the most efficient allocation of credits in terms of market improving behavior. In this regard, Nasdaq is limited in the amount of credits that it can provide to market participants. The Exchange determined that the eliminated credit tiers no longer provided the most efficient and effective use of the credits it is able to provide. With regard to the eliminated \$0.00295 credit tiers, Nasdaq observed that no Participants qualified for the fees recently, rendering them ineffective at providing incentive. With regard to the eliminated \$0.00305 and \$0.0030 credit tiers, Nasdaq does not believe that they are achieving an adequate level of qualifying beneficial market activity and is consequently replacing them with two new credit tiers of the same amount. The Exchange is now requiring a reduced level of Consolidated Volume to qualify for the new \$0.00305 per share executed credit tier and is not applying the

additional criteria of the deleted \$0.00305 credit tier. Consequently, the Exchange believes that the change may provide a more attainable level of incentive thereby promoting Participants to provide the liquidity needed to qualify for the tier. To receive a \$0.0030 per share executed credit under the proposed new tier, a Participant must provide a significantly reduced level of Consolidated Volume, but must also provide a daily average of at least 5 million shares of non-displayed liquidity. The Exchange believes that the criteria of the new tier may make it more attainable for Participants than the deleted \$0.0030 tier. The Exchange believes that elimination of the \$0.00295 credit tiers is reasonable because no Participants have recently qualified under the tiers, and the Exchange may accordingly allocate its resources in more effective ways to encourage market improving activity. Lastly, the changes to eligibility criteria to receive a \$0.0030 per share executed credit is reasonable because by reducing the amount of Consolidated Volume required to receive the credit but limiting the Nasdaq Options Market based criteria to market making activity, the Exchange believes that it may provide greater incentive for market makers to improve liquidity on the Nasdaq Options Market. In addition, because of a limited amount of credits it can provide, the Exchange chose to continue to provide this tier to NOM market makers because they actively provide liquidity to the benefit of all NOM participants. In sum, the Exchange believes that the changes to Rule 7018(a) are reasonable because the Exchange has determined that the new tiers may better promote provision of liquidity and use of non-displayed orders on the Exchange, which improves market quality for all market participants.

The Exchange believes that the proposed changes to Rule 7018(a) are an equitable allocation and are not unfairly discriminatory because the Exchange will provide the

same credits to all similarly situated members. The credits Nasdaq provides are designed to improve market quality for all market participants, and Nasdaq allocates its credits in a manner that it believes are the most likely to achieve that result. Elimination of the existing credits under the rule is an equitable allocation and is not unfairly discriminatory because the credits were ineffective at providing adequate incentive to Participants to provide market improving order activity. Consequently, the Exchange is proposing to change the criteria needed to receive \$0.00305 and \$0.0030 credits by adopting new tiers it believes will be more effective. The Exchange believes that elimination of the \$0.00295 credit tiers is an equitable allocation and is not unfairly discriminatory because no participants qualified under the tiers, therefore their removal will not impact any Participants. With regard to the changes to eligibility criteria to receive a \$0.0030 per share executed credit, the Exchange believes that they are an equitable allocation and are not unfairly discriminatory because Nasdaq must be selective in providing credits to Participants, and allocates credits to where it believes it will receive the best result in terms of improvement to market quality. In this case, Nasdaq is limiting the credit to NOM market makers because it believes that market quality will be improved the most by market makers actively providing liquidity and this benefits both Nasdaq and NOM participants.

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

Nasdaq does not believe that the proposed rule changes will result in any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act, as amended.<sup>15</sup> Nasdaq notes that it operates in a highly competitive market in which

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<sup>15</sup> 15 U.S.C. 78f(b)(8).

market participants can readily favor competing venues if they deem fee levels at a particular venue to be excessive, or rebate opportunities available at other venues to be more favorable. In such an environment, Nasdaq must continually adjust its fees to remain competitive with other exchanges and with alternative trading systems that have been exempted from compliance with the statutory standards applicable to exchanges. Because competitors are free to modify their own fees in response, and because market participants may readily adjust their order routing practices.

In this instance, the proposed changes to the LMM Program and the charges assessed and credits available to Participants for execution of securities in securities of all three Tapes do not impose a burden on competition because the Exchange's execution services are completely voluntary and subject to extensive competition both from other exchanges and from off-exchange venues. The Exchange is modifying a market improving incentive program and is also adjusting credit tiers provided Participants in return for market improving activity, in an effort to make them more effective. Such changes may foster competition among exchanges and other market venues to provide similar incentives, which would benefit all market participants. The Exchange must weigh the costs of offering incentives to market participants against the desired benefit the Exchange seeks to achieve. To the extent these incentives are inefficient or at fail to achieve these goals, the Exchange may from time to time adjust the level of incentive and/or the market improving activity required to qualify for the incentive credits and fees, or adopt an alternative incentive in lieu thereof. Such changes are reflective of robust competition among exchanges and other market venues. In sum, if the changes proposed herein are unattractive to market participants it is likely that Nasdaq will lose market

share as a result. As such, the Exchange does not believe the proposed changes will place a burden on competition.

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

Written comments were neither solicited nor received.

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

The foregoing change has become effective pursuant to Section 19(b)(3)(A)(ii) of the Act.<sup>16</sup> At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act.

IV. Solicitation of Comments

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

Electronic comments:

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>); or
- Send an e-mail to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include File Number SR-NASDAQ-2015-137 on the subject line.

Paper comments:

- Send paper comments in triplicate to Brent J. Fields, Secretary, Securities and

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<sup>16</sup> 15 U.S.C. 78s(b)(3)(A)(ii).

Exchange Commission, 100 F Street, NE, Washington, DC 20549-1090.

All submissions should refer to File Number SR-NASDAQ-2015-137. This file number should be included on the subject line if e-mail is used.

To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet Web site (<http://www.sec.gov/rules/sro.shtml>). Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for website viewing and printing in the Commission's Public Reference Room on official business days between the hours of 10:00 a.m. and 3:00 p.m. Copies of such filing also will be available for inspection and copying at the principal offices of the Exchange. All comments received will be posted without change; the Commission does not edit personal identifying information from submissions. You should submit only information that you wish to make available publicly.

All submissions should refer to File Number SR-NASDAQ-2015-137, 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.<sup>17</sup>

Robert W. Errett  
Deputy Secretary

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<sup>17</sup> 17 CFR 200.30-3(a)(12).

**EXHIBIT 5**

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

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**7014. Market Quality Incentive Programs  
Investor Support Program**

(a) – (e) No change.

**Lead Market Maker (“LMM”) Program**

(f) The following fees and rebates~~[credits]~~ discussed in this section shall apply to transactions in a Qualified Security by one of its Lead Market Makers in lieu of fees and rebates ~~[credits]~~ provided under Rules 7018 and 7014.~~[.]~~ If the LMM qualifies for a lower fee under Rule 7018 than the fees outlined in the LMM Program the lower fee from Rule 7018 shall apply.

[Credit to Lead Market Maker providing displayed liquidity through the Nasdaq Market Center:]	[\$0.004 per share executed (or \$0, in the case of executions against Quotes/Orders in the Nasdaq Market Center at less than \$1.00 per share)]
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For purposes of this paragraph:

(1) No change.

(2) A “Lead Market Maker” or “LMM” is a registered Nasdaq market maker for a Qualified Security that has committed to maintain minimum performance standards. A LMM shall be selected by Nasdaq based on factors including, but not limited to, experience with making markets in exchange-traded funds and index-linked securities, adequacy of capital, willingness to promote Nasdaq as a marketplace, issuer preference, operational capacity, support personnel, and history of adherence to Nasdaq rules and securities laws. Nasdaq may limit the number of LMMs in a security, or modify a previously established limit, upon prior written notice to members.

[The minimum performance standards applicable to a LMM may be determined from time to time by Nasdaq and may vary depending on the price, liquidity, and volatility of the Qualified Security in which the LMM is registered. The performance measurements will include one or more of the following: (A) percent of time at the national best bid (best offer) (“NBBO”); (B) percent of executions better than the NBBO; (C) average displayed size; and (D) average quoted spread (collectively, “LMM Criteria”). The LMM Criteria will be established upon written notice to members.]

(3) If a LMM does not meet the performance measurements under paragraph (4) of this rule for a given month, fees and credits will revert to the normal schedule under 7018(a). If a LMM does not meet the stated performance measurements for 3 out of the past 4 months, the LMM is subject to forfeit of LMM status for that [instrument]Qualified Security, at NASDAQ’s discretion. A LMM must provide 5 days written notice if it wishes to withdraw its registration in a Qualified Security, unless it is also withdrawing as a market maker in the Qualified Security.

(4) Below are the performance criteria related to the specific fees and rebates defined below:

<u>Performance Criteria</u>		<u>Displayed Liquidity Rebate (for executions \$1 per share and above)</u>	<u>Displayed Liquidity Rebate (for executions less than \$1 per share)</u>	<u>Opening Cross and Closing Cross (maximum fee)</u>
<u>Percent of time at the national best bid (best offer) (“NBBO”)</u>	<u>Above 15% to 20%</u>	<u>\$0.0040 per executed share</u>	<u>\$0.0000 per executed share</u>	<u>\$0.0010 per executed share</u>
<u>Percent of time at the NBBO</u>	<u>Above 20% to 50%</u>	<u>\$0.0043 per executed share</u>	<u>\$0.0000 per executed share</u>	<u>\$0.0000 per executed share</u>
<u>Percent of time at the NBBO</u>	<u>Above 50%</u>	<u>\$0.0046 per executed share</u>	<u>\$0.0000 per executed share</u>	<u>\$0.0000 per executed share</u>

**NBBO Program**

(g) – (i) No change.

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**7018. Nasdaq Market Center Order Execution and Routing**

(a) The following charges shall apply to the use of the order execution and routing services of the Nasdaq Market Center by members for all securities priced at \$1 or more that it trades. For purposes of determining a member's shares of liquidity routed, TFTY, MOPB, MOPP, SAVE, SOLV, CART, QDRK, QCST and directed orders are not counted. As used in this rule, the term “Consolidated Volume” shall mean the total consolidated volume reported to all consolidated transaction reporting plans by all exchanges and trade reporting facilities during a month in equity securities, excluding executed orders with a size of less than one round lot. For purposes of calculating Consolidated Volume and the extent of a member's trading activity, expressed as a percentage of or ratio to Consolidated Volume, the date of the annual reconstitution of

the Russell Investments Indexes shall be excluded from both total Consolidated Volume and the member's trading activity.

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

\* \* \* \* \*

Credit to member for displayed quotes/orders (other than Supplemental Orders or Designated Retail Orders) that provide liquidity:

\* \* \* \* \*

[member with (i) shares of liquidity provided in all securities through one of its Nasdaq Market Center MPIDs that represent 1.60% or more of Consolidated Volume during the month, or (ii) shares of liquidity provided in all securities through one or more of its Nasdaq Market Center MPIDs that represent 1.60% or more of Consolidated Volume during the month, and shares of liquidity provided in all securities through one of its Nasdaq Market Center MPIDs that represent 0.75% or more of Consolidated Volume during the month:]

[\$0.00305 per share executed]

[member with (i) shares of liquidity provided in all securities through one of its Nasdaq Market Center MPIDs that represent 1.20% or more of Consolidated Volume during the month, or (ii) shares of liquidity provided in all securities through one or more of its Nasdaq Market Center MPIDs that represent 1.20% or more of Consolidated Volume during the month, and shares of liquidity provided in all securities

[\$0.0030 per share executed]

through one of its Nasdaq Market Center MPIDs that represent 0.75% or more of Consolidated Volume during the month:]

[member with shares of liquidity provided in all securities through one of its Nasdaq Market Center MPIDs that represent more than 0.90% of Consolidated Volume during the month:] [\$0.00295 per share executed]

[member (i) that is a registered market maker through one of its Nasdaq Market Center MPIDs in at least 7,000 securities, (ii) with shares of liquidity provided in all securities through one of its Nasdaq Market Center MPIDs that represent more than 0.75% of Consolidated Volume during the month, and (iii) with shares of liquidity provided in all securities through one or more of its Nasdaq Market Center MPIDs that represent more than 0.90% of Consolidated Volume during the month:] [\$0.00295 per share executed]

member with shares of liquidity provided in all securities through one or more of its Nasdaq Market Center MPIDs that represent more than 1.25% of Consolidated Volume during the month: \$0.00305 per share executed

member with shares of liquidity provided in all securities through one or more of its Nasdaq Market Center MPIDs that represent more than 0.75% of Consolidated Volume during the month and member provides a daily average of at least 5 \$0.0030 per share executed

Million shares of non-displayed liquidity:

member (i) with shares of liquidity \$0.0030 per share executed provided in all securities during the month representing at least 0.[20]15% of Consolidated Volume during the month, through one or more of its Nasdaq Market Center MPIDs, and (ii) Adds [Customer, Professional, Firm, Non-NOM Market Maker, ]NOM Market Maker [and/or Broker-Dealer ]liquidity in Penny Pilot Options and/or Non- Penny Pilot Options of 0.90% or more of total industry ADV in the customer clearing range for Equity and ETF option contracts per day in a month on the Nasdaq Options Market:

\* \* \* \* \*

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

\* \* \* \* \*

Credit to member for displayed quotes/orders (other than Supplemental Orders or Designated Retail Orders) that provide liquidity:

\* \* \* \* \*

[member with (i) shares of liquidity provided in all securities through one of its Nasdaq Market Center MPIDs that represent 1.60% or more of Consolidated Volume during the month, or (ii) shares of liquidity provided in all securities through one or more of its Nasdaq Market Center MPIDs that represent 1.60% or more of [\$0.00305 per share executed]

Consolidated Volume during the month, and shares of liquidity provided in all securities through one of its Nasdaq Market Center MPIDs that represent 0.75% or more of Consolidated Volume during the month:]

[member with (i) shares of liquidity provided in all securities through one of its Nasdaq Market Center MPIDs that represent 1.20% or more of Consolidated Volume during the month, or (ii) shares of liquidity provided in all securities through one or more of its Nasdaq Market Center MPIDs that represent 1.20% or more of Consolidated Volume during the month, and shares of liquidity provided in all securities through one of its Nasdaq Market Center MPIDs that represent 0.75% or more of Consolidated Volume during the month:]

[\$0.0030 per share executed]

[member with shares of liquidity provided in all securities through one of its Nasdaq Market Center MPIDs that represent more than 0.90% of Consolidated Volume during the month:]

[\$0.00295 per share executed]

[member (i) that is a registered market maker through one of its Nasdaq Market Center MPIDs in at least 7,000 securities, (ii) with shares of liquidity

[\$0.00295 per share executed]

provided in all securities through one of its Nasdaq Market Center MPIDs that represent more than 0.75% of Consolidated Volume during the month, and (iii) with shares of liquidity provided in all securities through one or more of its Nasdaq Market Center MPIDs that represent more than 0.90% of Consolidated Volume during the month:]

member with shares of liquidity provided in all securities through one or more of its Nasdaq Market Center MPIDs that represent more than 1.25% of Consolidated Volume during the month: \$0.00305 per share executed

member with shares of liquidity provided in all securities through one or more of its Nasdaq Market Center MPIDs that represent more than 0.75% of Consolidated Volume during the month and member provides a daily average of at least 5 Million shares of non-displayed liquidity: \$0.0030 per share executed

member (i) with shares of liquidity provided in all securities during the month representing at least 0.[20]15% of Consolidated Volume during the month, through one or more of its Nasdaq Market Center MPIDs, and (ii) Adds [Customer, Professional, Firm, Non-NOM Market Maker, ]NOM Market Maker [and/or Broker-Dealer ]liquidity in Penny Pilot Options and/or Non-

Penny Pilot Options of  
 0.90% or more of total  
 industry ADV in the  
 customer clearing range for  
 Equity and ETF option  
 contracts per day in a month  
 on the Nasdaq Options  
 Market:

\* \* \* \* \*

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

\* \* \* \* \*

Credit to member for displayed  
 quotes/orders (other than Supplemental  
 Orders or Designated Retail Orders)  
 that provide liquidity:

\* \* \* \* \*

[member with (i) shares of liquidity provided in all securities through one of its Nasdaq Market Center MPIDs that represent 1.60% or more of Consolidated Volume during the month, or (ii) shares of liquidity provided in all securities through one or more of its Nasdaq Market Center MPIDs that represent 1.60% or more of Consolidated Volume during the month, and shares of liquidity provided in all securities through one of its Nasdaq Market Center MPIDs that represent 0.75% or more of Consolidated Volume during the month:] [\$0.00305 per share executed]

[member with (i) shares of liquidity provided in all securities through one of its Nasdaq Market Center MPIDs that represent 1.20% or more of Consolidated Volume during the month, or (ii) shares of liquidity provided in all [\$0.0030 per share executed]

securities through one or more of its Nasdaq Market Center MPIDs that represent 1.20% or more of Consolidated Volume during the month, and shares of liquidity provided in all securities through one of its Nasdaq Market Center MPIDs that represent 0.75% or more of Consolidated Volume during the month:]

[member with shares of liquidity provided in all securities through one of its Nasdaq Market Center MPIDs that represent more than 0.90% of Consolidated Volume during the month:] [\$0.00295 per share executed]

[member (i) that is a registered market maker through one of its Nasdaq Market Center MPIDs in at least 7,000 securities, (ii) with shares of liquidity provided in all securities through one of its Nasdaq Market Center MPIDs that represent more than 0.75% of Consolidated Volume during the month, and (iii) with shares of liquidity provided in all securities through one or more of its Nasdaq Market Center MPIDs that represent more than 0.90% of Consolidated Volume during the month:] [\$0.00295 per share executed]

member with shares of liquidity provided in all securities through one or more of its Nasdaq Market Center MPIDs that represent more than 1.25% of Consolidated Volume during the month: \$0.00305 per share executed

member with shares of liquidity provided in all securities through one or more of its Nasdaq Market Center MPIDs that represent more than 0.75% \$0.0030 per share executed

of Consolidated Volume during the month and member provides a daily average of at least 5 Million shares of non-displayed liquidity:

member (i) with shares of liquidity provided in all securities during the month representing at least 0.~~20~~15% of Consolidated Volume during the month, through one or more of its Nasdaq Market Center MPIDs, and (ii) Adds [Customer, Professional, Firm, Non-NOM Market Maker, ]NOM Market Maker [and/or Broker-Dealer ]liquidity in Penny Pilot Options and/or Non- Penny Pilot Options of 0.90% or more of total industry ADV in the customer clearing range for Equity and ETF option contracts per day in a month on the Nasdaq Options Market: \$0.0030 per share executed

\* \* \* \* \*

**(4)** No change.

**(b) - (m)** No change.

\* \* \* \* \*