OMB APPROVAL
OMB Number: 3235-0045 Estimated average burden hours per response............38

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

File No.* SR - 2015 - * 142
Amendment No. (req. for Amendments *)

Filing by NASDAQ Stock Market

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

Initial *	Amendment *	Withdrawal	Section 19(b)(2) *	Section 19(b)(3)(A) *	Section 19(b)(3)(B) *
☑	☐	☐	☐	☑	☐

Pilot	Extension of Time Period for Commission Action *	Date Expires *
☐	☐	

Rule

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

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

Section 806(e)(1) *	Section 806(e)(2) *
☐	☐

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

Section 3C(b)(2) * ☐

Exhibit 2 Sent As Paper Document ☐ Exhibit 3 Sent As Paper Document ☐

Description

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

Market Order Spread Protection

Contact Information

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

First Name * Angela Last Name * Dunn
Title * Associate General Counsel
E-mail * angela.dunn@nasdaq.com
Telephone * (215) 496-5692 Fax

Signature

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

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

Date 11/11/2015
By Edward S. Knight
(Name *)

(Title *)
Exective Vice President and General Counsel

NOTE: Clicking the button at right will digitally sign and lock this form. A digital signature is as legally binding as a physical signature, and once signed, this form cannot be changed.

edward.knight@nasdaq.com

Required fields are shown with yellow backgrounds and asterisks.

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

For complete Form 19b-4 instructions please refer to the EFFS website.

Form 19b-4 Information * Add Remove View	The self-regulatory organization must provide all required information, presented in a clear and comprehensible manner, to enable the public to provide meaningful comment on the proposal and for the Commission to determine whether the proposal is consistent with the Act and applicable rules and regulations under the Act.
Exhibit 1 - Notice of Proposed Rule Change * Add Remove View	The Notice section of this Form 19b-4 must comply with the guidelines for publication in the Federal Register as well as any requirements for electronic filing as published by the Commission (if applicable). The Office of the Federal Register (OFR) offers guidance on Federal Register publication requirements in the Federal Register Document Drafting Handbook, October 1998 Revision. For example, all references to the federal securities laws must include the corresponding cite to the United States Code in a footnote. All references to SEC rules must include the corresponding cite to the Code of Federal Regulations in a footnote. All references to Securities Exchange Act Releases must include the release number, release date, Federal Register cite, Federal Register date, and corresponding file number (e.g., SR-[SRO]-xx-xx). A material failure to comply with these guidelines will result in the proposed rule change being deemed not properly filed. See also Rule 0-3 under the Act (17 CFR 240.0-3)
Exhibit 1A- Notice of Proposed Rule Change, Security-Based Swap Submission, or Advance Notice by Clearing Agencies * Add Remove View	The Notice section of this Form 19b-4 must comply with the guidelines for publication in the Federal Register as well as any requirements for electronic filing as published by the Commission (if applicable). The Office of the Federal Register (OFR) offers guidance on Federal Register publication requirements in the Federal Register Document Drafting Handbook, October 1998 Revision. For example, all references to the federal securities laws must include the corresponding cite to the United States Code in a footnote. All references to SEC rules must include the corresponding cite to the Code of Federal Regulations in a footnote. All references to Securities Exchange Act Releases must include the release number, release date, Federal Register cite, Federal Register date, and corresponding file number (e.g., SR-[SRO]-xx-xx). A material failure to comply with these guidelines will result in the proposed rule change, security-based swap submission, or advance notice being deemed not properly filed. See also Rule 0-3 under the Act (17 CFR 240.0-3)
Exhibit 2 - Notices, Written Comments, Transcripts, Other Communications Add Remove View Exhibit Sent As Paper Document ☐	Copies of notices, written comments, transcripts, other communications. If such documents cannot be filed electronically in accordance with Instruction F, they shall be filed in accordance with Instruction G.
Exhibit 3 - Form, Report, or Questionnaire Add Remove View Exhibit Sent As Paper Document ☐	Copies of any form, report, or questionnaire that the self-regulatory organization proposes to use to help implement or operate the proposed rule change, or that is referred to by the proposed rule change.
Exhibit 4 - Marked Copies Add Remove View	The full text shall be marked, in any convenient manner, to indicate additions to and deletions from the immediately preceding filing. The purpose of Exhibit 4 is to permit the staff to identify immediately the changes made from the text of the rule with which it has been working.
Exhibit 5 - Proposed Rule Text Add Remove View	The self-regulatory organization may choose to attach as Exhibit 5 proposed changes to rule text in place of providing it in Item I and which may otherwise be more easily readable if provided separately from Form 19b-4. Exhibit 5 shall be considered part of the proposed rule change.
Partial Amendment Add Remove View	If the self-regulatory organization is amending only part of the text of a lengthy proposed rule change, it may, with the Commission's permission, file only those portions of the text of the proposed rule change in which changes are being made if the filing (i.e. partial amendment) is clearly understandable on its face. Such partial amendment shall be clearly identified and marked to show deletions and additions.

1. Text of the Proposed Rule Change

(a) The NASDAQ Stock Market LLC ("Nasdaq" or "Exchange"), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act")[1] and Rule 19b-4 thereunder,[2] is filing with the Securities and Exchange Commission ("Commission") a proposal to amend the rules of the NASDAQ Options Market, LLC ("NOM"), NASDAQ's facility for executing and routing standardized equity and index options, at Chapter VI, Section 6, entitled "Acceptance of Quotes and Orders," specifically at Section 6(c) concerning Market Order Spread Protection.

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

(b) Not applicable.

(c) Not applicable.

2. Procedures of the Self-Regulatory Organization

The proposed rule change was approved by senior management of the Exchange pursuant to authority delegated by the Board of Directors of the Exchange (the "Board") on July 1, 2015. Exchange staff will advise the Board of any action taken pursuant to delegated authority. No other action is necessary for the filing of the rule change. Questions and comments on the proposed rule change may be directed to Angela Saccomandi Dunn, Associate General Counsel, Nasdaq, Inc., at (215) 496-5692.

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

2 17 CFR 240.19b-4.

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

a. Purpose

The purpose of this filing is to amend Chapter VI, Section 6 entitled "Acceptance of Quotes and Orders," specifically, at paragraph (c) related to Market Order Spread Protection. This feature was adopted as an enhancement to NOM's Systems in 2011.[3] The Market Order Spread Protection was designed to protect Market Orders[4] from being executed in very wide markets. This feature is not optional and is set at the same threshold for all options traded on NOM. The Market Order Spread Protection is applicable to all Participants submitting Market Orders.

At this time, the Exchange is proposing to amend Section 6(c) which currently states, "System Orders that are Market Orders will be rejected if the NBBO is wider than a preset threshold at the time the order is received by the System." The Exchange proposes to amend this sentence as follows: "System Orders that are Market Orders will be rejected if the *best of the* NBBO *and the internal market BBO*[5] *(the "Reference BBO")* is wider than a preset threshold at the time the order is received by the System." The Exchange is amending this rule text to account for both Price-Improving[6] and Post-Only

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3 See Securities Exchange Act Release No. 64667 (June 14, 2011), 76 FR 35930 (June 20, 2011) (SR-NASDAQ-2011-080).

4 "Market Orders" are orders to buy or sell at the best price available at the time of execution. Participants can designate that their Market Orders not executed after a pre-established period of time, as established by the Exchange, will be cancelled back to the Participant. See NOM Rules at Chapter VI, Section 1(e)(5).

5 Best Bid or Best Offer on NOM.

6 See NOM Rules at Chapter VI, Section 1(e)(6).

Orders.[7] Both of these order types, as well as orders which would lock or cross another market,[8] could result in non-displayed pricing and would result in the internal market BBO being better than the NBBO.

Price Improving Orders are orders to buy or sell an option at a specified price at an increment smaller than the minimum price variation ("MPV") in the security. Price Improving Orders may be entered in increments as small as one cent. Price Improving Orders that are available for display shall be displayed at the minimum price variation in that security and shall be rounded up for sell orders and rounded down for buy orders.

Post-Only Orders are orders that will not remove liquidity from the System. Post-Only Orders are to be ranked and executed on the Exchange or cancelled, as appropriate, without routing away to another market. Post-Only Orders are evaluated at the time of entry with respect to locking or crossing other orders as follows: (i) if a Post-Only Order would lock or cross an order on the System, the order will be re-priced to $.01 below the current low offer (for bids) or above the current best bid (for offers) and displayed by the System at one minimum price increment below the current low offer (for bids) or above the current best bid (for offers); and (ii) if a Post-Only Order would not lock or cross an order on the System but would lock or cross the NBBO as reflected in the protected quotation of another market center, the order will be handled pursuant to Chapter VI, Section 7(b)(3)(C). Participants may choose to have their Post-Only Orders returned whenever the order would lock or cross the NBBO or be placed on the book at a price

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7 See NOM Rules at Chapter VI, Section 1(e)(11).

8 Options Order Protection and Locked and Crossed Market Rules are located in Chapter XII of NOM Rules. In the event of a locked and crossed market, the BBO will be repriced and displayed in accordance with NOM Rules at Chapter VI, Section 7(b)(3)(C).

other than its limit price. Post-Only Orders received prior to the opening will be eligible for execution during the opening cross and will be processed as per Chapter VI, Section 8. Post-Only Orders received after market close will be rejected.[9] Similarly, with this order type, market participants are able to submit orders or quotes priced between the MPV.

The current rule text does not reflect the possibility that orders or quotes could be priced between the MPV. The proposed rule text amends the current rule text to account for Price Improving and Post-Only Orders and the results of repricing.

The following is an example of a Price Improving Order and Market Order Spread Protection. Assume an option MPV is scaled in $0.05 increments and a limit buy order of $0.05 exists on the Exchange. If a Price Improving sell order is entered at $0.11, this order will not be displayed at its limit of $0.11, because the order is priced at a non-MPV increment. This order will be displayed at the nearest MPV price of $0.15 (because of the option's $0.05 MPV increment). Assume this order makes up the best offer on the Exchange. For this example, assume the Market Order Spread Threshold in the System is set at $0.09. Further assume a Market Order to buy is submitted to the Exchange. Based on the Exchange's proposed implementation of Market Order Spread Protection, the Market Order to buy would execute against the resting sell order at $0.11, since $0.11 is the best available offer and the internal market BBO spread is $0.06 (spread between the best bid of $0.05 and the best offer of $0.11) which is less than the Market Order Spread Threshold of $0.09. Based on the current rule text, a Participant could expect their Market Order to be rejected, since the NBBO spread is $0.10 (spread between the best

9 Post-Only Orders may not have a time-in-force designation of Good Til Cancelled or Immediate or Cancel.

NBB of $0.05 and the NBO of $0.15) which exceeds the $0.09 Market Order Spread Threshold. The Exchange is amending the rule text to provide for the internal market BBO being better than the NBBO.

The following is a similar example for a Post-Only Order. Assume an option MPV is scaled in $0.05 increments and a limit buy order of $0.05 exists on the Exchange. If a Post-Only Order is entered to sell at $0.05, this order will not immediately trade at its limit of $0.05 since by definition it will not remove liquidity from the System. Instead, the Post-Only Order will be available to trade $0.01 above the locking price of $0.05 (i.e., $0.06) and displayed at the nearest MPV increment price of $0.10. Assume this order makes up the best offer on the Exchange. For this example, assume the Market Order Spread Threshold in the System is set at $0.04. Further assume a Market Order to buy is submitted to the Exchange. Based on the Exchange's proposed implementation of Market Order Spread Protection, the Market Order to buy would execute against the resting Post-Only Order at $0.06, since $0.06 is the best available offer and the internal market BBO spread is $0.01 (spread between the best bid of $0.05 and the best offer of $0.06) which is less than the Market Order Spread Threshold of $0.04. Based on the current rule text, a Participant could expect their Market Order to be rejected, since the NBBO spread is $0.05 (spread between the best NBB of $0.05 and the NBO of $0.10) which exceeds the $0.04 Market Order Spread Threshold.

This rule change will correct the existing rule text to reflect current practice which accounts for non-displayed order types and reprices due to trade-through and locked and crossed market restrictions.[10] Participants were notified via an Options Trader Alert of this rule text error.[11]

b. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act[12] in general, and furthers the objectives of Section 6(b)(5) of the Act[13] in particular, in that it is designed to promote just and equitable principles of trade, to remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general to protect investors and the public interest, by amending the rule text to reflect the impact of non-displayed order types and repricing due to trade-through and locked and crossed market restrictions.

Amending the current NOM rule text for Market Order Spread Protection to account for non-displayed orders such as Price-Improving and Post-Only Orders and repricing due to trade-through and locked and crossed market restrictions would provide Participants with the expected results of the Market Order Spread Protection feature. The Exchange believes that it is consistent with the Act to amend the rule text to reflect these non-displayed orders because today, these orders types permit Participants to submit orders or quotes priced between the MPV, which will be rounded to the nearest MPV for display.

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10 See Chapter XII of NOM Rules.

11 See Options Regulatory Alert 2015-28 dated September 4, 2015.

12 15 U.S.C. 78f(b).

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

The Exchange believes that the amendment to the Market Order Spread Protection language does not otherwise create an impediment to a free and open market because these two order types already exist today and provide investors the opportunity to trade at a better price than would otherwise be available, e.g. inside the disseminated best bid and offer for a security, which could result in better executions for investors. Further, these order types incent Participants to compete by putting forth their best price to potentially match or better any Price Improving or Post-Only Orders or any other order resident in the System. This may result in more aggressive, rather than less aggressive, trading interest. This proposal reflects the impact of these order types on the Market Order Spread Protection feature.

By reflecting the proper rule text to account for these order types the Exchange is providing Participants with additional information with which to anticipate the impact of the Market Order Spread Protection feature.

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

The Exchange does not believe that the proposed rule change will impose any burden on competition not necessary or appropriate in furtherance of the purposes of the Act. The Exchange does not believe that the proposal to amend the Market Order Spread Protection rule text to account for Price Improving or Post-Only Orders or repricing due to trade-through and locked and crossed market restrictions creates an undue burden on competition because it will serve to provide Participants with greater information to anticipate the impact of the Market Order Spread Protection feature. Today, Participants are able to submit orders or quotes priced between the MPV for display at the nearest MPV. This rule change would reflect the ability to enter these types of orders on NOM and the impact of the Market Order Spread Protection feature. The purpose of this rule change is to protect orders resting on the Order Book when the market is wide. This feature will be applied in a similar manner to all Participants on NOM.

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

No written comments were either solicited or received.

6. Extension of Time Period for Commission Action

Not applicable.

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

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A)[14] of the Act and Rule 19b-4(f)(6) thereunder[15] in that it effects a change that: (i) does not significantly affect the protection of investors or the public interest; (ii) does not impose any significant burden on competition; and (iii) by its terms, does not become operative for 30 days after the date of the filing, or such shorter time as the Commission may designate if consistent with the protection of investors and the public interest. Amending the Market Order Spread Protection rule does not significantly affect the protection of investors because it accounts for two types of orders, Price Improving and Post-Only Orders, and the behavior of orders which would lock or cross an away market, which already exist today on NOM and the manner in which these orders interact with the Order Book. The rule text will serve to provide Participants with greater information to anticipate the impact of the Market Order Spread Protection feature. The proposed rule

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14 15 U.S.C. 78s(b)(3)(A).

15 17 CFR 240.19b-4(f)(6).

text does not significantly burden competition because today investors have the opportunity to trade at a better price than would otherwise be available, e.g. inside the disseminated best bid and offer for a security, which could result in better executions for investors. This rule text considers the existence of these orders and the Market Order Spread Protection feature. These amendments are being proposed to further the goals of the Market Order Spread Protection rule.

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

At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is: (i) necessary or appropriate in the public interest; (ii) for the protection of investors; or (iii) otherwise in furtherance of the purposes of the Act. If the Commission takes such action, the Commission shall institute proceedings to determine whether the proposed rule should be approved or disapproved.

A proposed rule change filed under Rule 19b-4(f)(6) normally does not become operative prior to 30 days after the date of filing. Rule 19b-4(f)(6)(iii), however, permits the Commission to designate a shorter time if such action is consistent with the protection of investors and the public interest. The Exchange requests that the Commission waive the 30-day pre-operative waiting period contained in Rule 19b-4(f)(6)(iii) so that the Exchange may amend its rule text to reflect the impact of non-displayed orders. The Exchange believes that it is important to correct the rule text to provide Participants with the correct information about the function of the Market Order Spread Protection feature.

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 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. Proposed rule text.

EXHIBIT 1

SECURITIES AND EXCHANGE COMMISSION
(Release No. ; File No. SR-NASDAQ-2015-142)

November __, 2015

Self-Regulatory Organizations; The NASDAQ Stock Market LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Market Order Spread Protection

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 November 11, 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 the rules of the NASDAQ Options Market, LLC ("NOM"), NASDAQ's facility for executing and routing standardized equity and index options, at Chapter VI, Section 6, entitled "Acceptance of Quotes and Orders," specifically at Section 6(c) concerning Market Order Spread Protection.

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.

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

2 17 CFR 240.19b-4.

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

In its filing with the Commission, the Exchange included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. The Exchange has prepared summaries, set forth in sections A, B, and C below, of the most significant aspects of such statements.

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

1. Purpose

The purpose of this filing is to amend Chapter VI, Section 6 entitled "Acceptance of Quotes and Orders," specifically, at paragraph (c) related to Market Order Spread Protection. This feature was adopted as an enhancement to NOM's Systems in 2011.[3] The Market Order Spread Protection was designed to protect Market Orders[4] from being executed in very wide markets. This feature is not optional and is set at the same threshold for all options traded on NOM. The Market Order Spread Protection is applicable to all Participants submitting Market Orders.

At this time, the Exchange is proposing to amend Section 6(c) which currently states, "System Orders that are Market Orders will be rejected if the NBBO is wider than a preset threshold at the time the order is received by the System." The Exchange

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3 See Securities Exchange Act Release No. 64667 (June 14, 2011), 76 FR 35930 (June 20, 2011) (SR-NASDAQ-2011-080).

4 "Market Orders" are orders to buy or sell at the best price available at the time of execution. Participants can designate that their Market Orders not executed after a pre-established period of time, as established by the Exchange, will be cancelled back to the Participant. See NOM Rules at Chapter VI, Section 1(e)(5).

proposes to amend this sentence as follows: "System Orders that are Market Orders will be rejected if the *best of the* NBBO *and the internal market BBO*[5] *(the "Reference BBO")* is wider than a preset threshold at the time the order is received by the System." The Exchange is amending this rule text to account for both Price-Improving[6] and Post-Only Orders.[7] Both of these order types, as well as orders which would lock or cross another market,[8] could result in non-displayed pricing and would result in the internal market BBO being better than the NBBO.

Price Improving Orders are orders to buy or sell an option at a specified price at an increment smaller than the minimum price variation ("MPV") in the security. Price Improving Orders may be entered in increments as small as one cent. Price Improving Orders that are available for display shall be displayed at the minimum price variation in that security and shall be rounded up for sell orders and rounded down for buy orders.

Post-Only Orders are orders that will not remove liquidity from the System. Post-Only Orders are to be ranked and executed on the Exchange or cancelled, as appropriate, without routing away to another market. Post-Only Orders are evaluated at the time of entry with respect to locking or crossing other orders as follows: (i) if a Post-Only Order would lock or cross an order on the System, the order will be re-priced to $.01 below the current low offer (for bids) or above the current best bid (for offers) and displayed by the

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5 Best Bid or Best Offer on NOM.

6 See NOM Rules at Chapter VI, Section 1(e)(6).

7 See NOM Rules at Chapter VI, Section 1(e)(11).

8 Options Order Protection and Locked and Crossed Market Rules are located in Chapter XII of NOM Rules. In the event of a locked and crossed market, the BBO will be repriced and displayed in accordance with NOM Rules at Chapter VI, Section 7(b)(3)(C).

System at one minimum price increment below the current low offer (for bids) or above the current best bid (for offers); and (ii) if a Post-Only Order would not lock or cross an order on the System but would lock or cross the NBBO as reflected in the protected quotation of another market center, the order will be handled pursuant to Chapter VI, Section 7(b)(3)(C). Participants may choose to have their Post-Only Orders returned whenever the order would lock or cross the NBBO or be placed on the book at a price other than its limit price. Post-Only Orders received prior to the opening will be eligible for execution during the opening cross and will be processed as per Chapter VI, Section 8. Post-Only Orders received after market close will be rejected.[9] Similarly, with this order type, market participants are able to submit orders or quotes priced between the MPV.

The current rule text does not reflect the possibility that orders or quotes could be priced between the MPV. The proposed rule text amends the current rule text to account for Price Improving and Post-Only Orders and the results of repricing.

The following is an example of a Price Improving Order and Market Order Spread Protection. Assume an option MPV is scaled in \$0.05 increments and a limit buy order of \$0.05 exists on the Exchange. If a Price Improving sell order is entered at \$0.11, this order will not be displayed at its limit of \$0.11, because the order is priced at a non-MPV increment. This order will be displayed at the nearest MPV price of \$0.15 (because of the option's \$0.05 MPV increment). Assume this order makes up the best offer on the Exchange. For this example, assume the Market Order Spread Threshold in the System is set at \$0.09. Further assume a Market Order to buy is submitted to the Exchange. Based

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9 Post-Only Orders may not have a time-in-force designation of Good Til Cancelled or Immediate or Cancel.

on the Exchange's proposed implementation of Market Order Spread Protection, the Market Order to buy would execute against the resting sell order at $0.11, since $0.11 is the best available offer and the internal market BBO spread is $0.06 (spread between the best bid of $0.05 and the best offer of $0.11) which is less than the Market Order Spread Threshold of $0.09. Based on the current rule text, a Participant could expect their Market Order to be rejected, since the NBBO spread is $0.10 (spread between the best NBB of $0.05 and the NBO of $0.15) which exceeds the $0.09 Market Order Spread Threshold. The Exchange is amending the rule text to provide for the internal market BBO being better than the NBBO.

The following is a similar example for a Post-Only Order. Assume an option MPV is scaled in $0.05 increments and a limit buy order of $0.05 exists on the Exchange. If a Post-Only Order is entered to sell at $0.05, this order will not immediately trade at its limit of $0.05 since by definition it will not remove liquidity from the System. Instead, the Post-Only Order will be available to trade $0.01 above the locking price of $0.05 (i.e., $0.06) and displayed at the nearest MPV increment price of $0.10. Assume this order makes up the best offer on the Exchange. For this example, assume the Market Order Spread Threshold in the System is set at $0.04. Further assume a Market Order to buy is submitted to the Exchange. Based on the Exchange's proposed implementation of Market Order Spread Protection, the Market Order to buy would execute against the resting Post-Only Order at $0.06, since $0.06 is the best available offer and the internal market BBO spread is $0.01 (spread between the best bid of $0.05 and the best offer of $0.06) which is less than the Market Order Spread Threshold of $0.04. Based on the current rule text, a Participant could expect their Market Order to be rejected, since the

NBBO spread is $0.05 (spread between the best NBB of $0.05 and the NBO of $0.10) which exceeds the $0.04 Market Order Spread Threshold.

This rule change will correct the existing rule text to reflect current practice which accounts for non-displayed order types and reprices due to trade-through and locked and crossed market restrictions.[10] Participants were notified via an Options Trader Alert of this rule text error.[11]

2. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act[12] in general, and furthers the objectives of Section 6(b)(5) of the Act[13] in particular, in that it is designed to promote just and equitable principles of trade, to remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general to protect investors and the public interest, by amending the rule text to reflect the impact of non-displayed order types and repricing due to trade-through and locked and crossed market restrictions.

Amending the current NOM rule text for Market Order Spread Protection to account for non-displayed orders such as Price-Improving and Post-Only Orders and repricing due to trade-through and locked and crossed market restrictions would provide Participants with the expected results of the Market Order Spread Protection feature. The Exchange believes that it is consistent with the Act to amend the rule text to reflect these

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10 See Chapter XII of NOM Rules.

11 See Options Regulatory Alert 2015-28 dated September 4, 2015.

12 15 U.S.C. 78f(b).

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

non-displayed orders because today, these orders types permit Participants to submit orders or quotes priced between the MPV, which will be rounded to the nearest MPV for display.

The Exchange believes that the amendment to the Market Order Spread Protection language does not otherwise create an impediment to a free and open market because these two order types already exist today and provide investors the opportunity to trade at a better price than would otherwise be available, e.g. inside the disseminated best bid and offer for a security, which could result in better executions for investors. Further, these order types incent Participants to compete by putting forth their best price to potentially match or better any Price Improving or Post-Only Orders or any other order resident in the System. This may result in more aggressive, rather than less aggressive, trading interest. This proposal reflects the impact of these order types on the Market Order Spread Protection feature.

By reflecting the proper rule text to account for these order types the Exchange is providing Participants with additional information with which to anticipate the impact of the Market Order Spread Protection feature.

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

The Exchange does not believe that the proposed rule change will impose any burden on competition not necessary or appropriate in furtherance of the purposes of the Act. The Exchange does not believe that the proposal to amend the Market Order Spread Protection rule text to account for Price Improving or Post-Only Orders or repricing due to trade-through and locked and crossed market restrictions creates an undue burden on competition because it will serve to provide Participants with greater information to anticipate the impact of the Market Order Spread Protection feature. Today, Participants are able to submit orders or quotes priced between the MPV for display at the nearest MPV. This rule change would reflect the ability to enter these types of orders on NOM and the impact of the Market Order Spread Protection feature. The purpose of this rule change is to protect orders resting on the Order Book when the market is wide. This feature will be applied in a similar manner to all Participants on NOM.

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

No written comments were either solicited or received.

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

Because the foregoing proposed rule change does not: (i) significantly affect the protection of investors or the public interest; (ii) impose any significant burden on competition; and (iii) become operative for 30 days from the date on which it was filed, or such shorter time as the Commission may designate, it has become effective pursuant to Section 19(b)(3)(A)(iii) of the Act[14] and subparagraph (f)(6) of Rule 19b-4 thereunder.[15]

At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is: (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

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14 15 U.S.C. 78s(b)(3)(a)(iii).

15 17 CFR 240.19b-4(f)(6). In addition, Rule 19b-4(f)(6) requires a self-regulatory organization to give the Commission written notice of its intent to file the proposed rule change at least five business days prior to the date of filing of the proposed rule change, or such shorter time as designated by the Commission. The Exchange has satisfied this requirement.

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-2015-142 on the subject line.

Paper comments:

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

All submissions should refer to File Number SR-NASDAQ-2015-142. 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-2015-142 and should be submitted on or before [insert date 21 days from publication in the Federal Register].

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

Robert W. Errett
Deputy Secretary

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

EXHIBIT 5

New text is underlined.

NASDAQ Stock Market Rules

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Options Rules

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Chapter VI Trading Systems

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Sec. 6 Acceptance of Quotes and Orders
All bids or offers made and accepted on NOM in accordance with the NOM Rules shall constitute binding contracts, subject to applicable requirements of the Rules of the Exchange and the Rules of the Clearing Corporation.

(a) and (b) No change.

(c) Market Order Spread Protection. System Orders that are Market Orders will be rejected if the <u>best of the</u> NBBO <u>and the internal market BBO (the "Reference BBO")</u> is wider than a preset threshold at the time the order is received by the System.

(d) No change.

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