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

File No.* SR - 2017 - * 035
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 *).

Proposal to amend the Exchange transaction fees at Rule 7014(f) to amend the Designated Liquidity Provider Program.

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 * Andrew Last Name * Madar
Title * Senior Associate General Counsel
E-mail * Andrew.Madar@nasdaq.com
Telephone * (301) 978-8420 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 03/31/2017

By Edward S. Knight

(Name *)

(Title *)

Executive Vice President and General Counsel

edward.knight@nasdaq.com

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

Required fields are shown with yellow backgrounds and asterisks.

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

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

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 ("SEC" or "Commission") a proposal to amend the Exchange's transaction fees at Rule 7014(f) to amend the Designated Liquidity Provider ("DLP") Program ("Program"), as described further below.

While these amendments are effective upon filing, the Exchange has designated the proposed amendments to be operative on April 3, 2017.

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

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 the Exchange pursuant to authority delegated by the Board of Directors (the "Board") on August 15, 2016. 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:

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

2 17 CFR 240.19b-4.

Andrew Madar
Senior Associate General Counsel
Nasdaq, Inc.
301-978-8420.

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

a. Purpose

The purpose of the proposed rule change is to amend the DLP Program in Rule 7014(f) to eliminate the rebates that are paid pursuant to the New Product Support Incentives ("NPSI"). With the elimination of the NPSI, the Exchange also proposes to amend one of the "Basic Rebates" to increase that rebate from $0.0047 per executed share to $0.0070 per executed share. Nasdaq also proposes to amend the manner in which the average daily volume ("ADV") of an exchange-traded product ("ETP) is calculated for purposes of determining a DLP's eligibility for the Basic Rebate.

The DLP Program is designed to provide incentives to market makers to make markets in certain ETPs. To achieve this goal, Nasdaq provides credits to a DLP when executing a Qualified Security. As set forth in the Rule, a DLP is a registered Nasdaq market maker for a Qualified Security that has committed to maintain minimum performance standards.[3] A Qualified Security is defined as an exchange-traded product listed on Nasdaq pursuant to Nasdaq Rules 5705 (Exchange Traded Funds: Portfolio Depository Receipts and Index Fund Shares), 5710 (Securities Linked to the Performance

[3] The Rule also provides that a DLP shall be selected by Nasdaq based on factors including, but not limited to, experience with making markets in exchange-traded products, 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 DLPs in a security, or modify a previously established limit, upon prior written notice to members. See Rule 7014(f)(2).

of Indexes and Commodities, Including Currencies), 5720 (Trust Issued Receipts), 5735 (Managed Fund Shares), or 5745 (NextShares), and it must have at least one DLP.

Currently, a DLP may be eligible for three different kinds of rebates under the Program. First, a DLP will qualify for a "Basic Rebate" for adding shares of displayed liquidity in the ETP if the DLP is at the National Best Bid and Offer ("NBBO") at least 20% of the time on average in any given month in a particular assigned ETP. The Basic Rebates vary based on the ETP's ADV in a given month. Specifically, a DLP will receive: (i) a rebate of $0.0047 per executed share of displayed liquidity in an ETP that has less than 500,000 ADV during the month; (ii) a rebate of $0.0042 per executed share of displayed liquidity in an ETP that has between 500,000 and 5 million ADV during the month; and (iii) a rebate of $0.0036 per executed share of displayed liquidity in an ETP that has greater than 5 million ADV during the month. The Basic Rebate will be paid in lieu of other rebates or fees provided under Rules 7018 and 7014.

The second rebate is the NPSI rebate. Like the Basic Rebate, the NPSI rebate will be paid in lieu of other rebates or fees provided under Rules 7018 and 7014, including the Basic Rebate. A DLP will qualify for the NPSI rebate for adding shares of displayed liquidity in the ETP if the DLP is at the NBBO at least 20% of the time in the assigned ETP in any given month. The ETP itself must have a three month ADV of less than 500,000, and the ETP must be less than 36 months old. Assuming the ETP meets the NPSI volume criteria, a rebate of $0.0070 per executed share of displayed liquidity will be paid to DLPs that are assigned to ETPs that are 0-12 months from the ETP's product inception date; a rebate of $0.0065 per executed share of displayed liquidity for ETPs that are 12 to 24 months from the ETP's product inception date, and a rebate of $0.0055 per executed share of displayed liquidity for ETPs that are 24 to 36 months from the ETP's product inception date. For purposes of calculating the number of months under the rule, the first partial month an ETP is launched will count as one month.

The third rebate is the Additional Tape C ETP Incentives. This rebate will be paid in addition to other rebates or fees provided under Rules 7018 and 7014, including the Basic Rebate and the NPSI. In order to qualify for the Additional Tape C rebate, the DLP must add displayed liquidity in a Tape C ETP that is listed on Nasdaq pursuant to Nasdaq Rules 5705, 5710, 5720, 5735, or 5745.[4] The average time the DLP is at the NBBO for each assigned ETP must average at least 20%, and the average liquidity provided by the DLP for each assigned ETP must average at least 5% of the liquidity provided on Nasdaq in the respective ETP. The amount of the rebate varies according to the minimum monthly average number of ETPs to which a DLP is assigned. A DLP that has a minimum monthly average number of 10 assigned ETPs will receive a rebate of $0.0003 per executed share; a DLP that has a minimum monthly average number of 25 assigned ETPs will receive a rebate of $0.0004 per executed share; and a DLP that has a minimum monthly average number of 50 assigned ETPs will receive a rebate of $0.0005 per executed share.[5]

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4 Tape C securities are those that are listed on the Exchange, Tape A securities are those that are listed on NYSE, and Tape B securities are those that are listed on exchanges other than Nasdaq or NYSE.

5 Additionally, if a current DLP has less than 10 DLP assignments, but increases the number of ETPs for which it is a DLP by 100%, the DLP will receive an incremental additional Tape C ETP rebate of $0.0001. A DLP receiving its first assignment will count as a 100% increase. This incremental rebate is only available for the first 100% increase and thus is not available for subsequent increases of 100%.

Currently, only an ETP with a product inception date of 36 months or less is eligible for the NPSI Rebate. Nasdaq has determined that eliminating the time-based eligibility requirement may increase the number of ETPs that may be eligible for a rebate under the DLP Program, and would therefore incentivize the DLPs that are assigned to those ETPs to qualify for a rebate by, among other things, meeting the applicable quoting requirements. This is consistent with the purpose of the DLP Program and may improve the market quality of additional Nasdaq-listed ETPs.

Once the time-based eligibility requirement is removed from the NPSI, the requirements for qualifying for the Basic Rebate tier for ETPs with an ADV of less than 500,000 are virtually identical to the requirements of qualifying for the NPSI rebate. Specifically, both the NPSI and the lowest level of the Basic Rebate tier have a volume requirement of less than 500,000 ADV, and both rebates require the DLP to be at the NBBO at least 20% of the time on average in the assigned ETP. Given the similarities between the NPSI and the lowest tier of the Basic Rebate, and in the interest of simplifying the operation of the Program, the Exchange has therefore determined to eliminate the NPSI rebate in its entirety.[6]

Currently, a DLP will receive a Basic Rebate of $0.0047 per executed share for an ETP with a monthly ADV of less than 500,000 if the DLP is at the NBBO at least 20% of the time on average in the assigned ETP. The Exchange is also proposing to amend this tier to increase the rebate from $0.0047 per executed share to $0.0070 per executed share so that DLPs that are currently receiving the NPSI rebate will continue to receive the same rebate going forward.

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[6] In eliminating the NPSI rebate, the Additional Tape C ETP Incentives rebate will be re-numbered as Rule 7014(f)(5)(B).

Nasdaq believes that it is appropriate to increase the Basic Rebate for an ETP with a monthly ADV of less than 500,000 to $0.0070 per executed share, because DLPs that currently receive an NPSI rebate of $0.0070 per executed share will continue to receive the same rebate even with the elimination of the NPSI rebate. Nasdaq believes that the proposed $0.0070 per executed share rebate is proportionate to the requirements for the Basic Rebate while acting as a sufficient incentive to DLPs in lower-volume ETPs to increase their quoting and trading activity in those securities. Nasdaq believes it is appropriate to raise the Basic Rebate for an ETP with a monthly ADV of less than 500,000, and not for other Basic Rebate tiers, because DLPs need significantly more incentives to quote and trade lower-volume ETPs than higher-volume ETPs.

Finally, Nasdaq is changing the measurement used to calculate an ETP's ADV for purposes of determining a DLP's eligibility for the Basic Rebate. Currently, a DLP will qualify for the Basic Rebate if the ETP's ADV meets the applicable volume threshold, as measured in the same month in which the rebate is being paid. Nasdaq proposes to determine a DLP's eligibility for the Basic Rebate by using the ETP's ADV in the month prior to which the rebate is being paid. Nasdaq believes that adopting a prior month ADV measurement provides greater transparency and certainty to a DLP in determining the Basic Rebate than the current month measurement. Nasdaq is proposing to apply this change to all tiers of the Basic Rebate, as it believes that the basis for this change applies equally to DLPs in all of the Basic Rebate tiers. Nasdaq does not believe that DLPs will significantly alter their trading activity as a result of this change, since the relevant measurement is the ADV of the ETP to which the DLP is assigned, not the ADV of the DLP.

b. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act,[7] in general, and furthers the objectives of Sections 6(b)(4) and 6(b)(5) of the Act,[8] 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, and is not designed to permit unfair discrimination between customers, issuers, brokers, or dealers.

The Exchange believes that it is reasonable to eliminate the NPSI rebate and to correspondingly increase the amount of the Basic Rebate tier for an ETP with a monthly ADV of less than 500,000. Once the time-based eligibility requirement is removed from the NPSI, the requirements for qualifying for the Basic Rebate tier for ETPs with an ADV of less than 500,000 are virtually identical to the requirements of qualifying for the NPSI rebate. Given the similarities between the NPSI and the lowest tier of the Basic Rebate, and in the interest of simplifying the operation of the Program, the Exchange believes it is reasonable to eliminate the NPSI Rebate in its entirety and concurrently re-number the Additional Tape C ETP Incentives rebate. By eliminating the NPSI rebate and raising the amount of the Basic Rebate for ETPs with an ADV of less than 500,000 to $0.0070 per executed share, Nasdaq will increase the number of ETPs that may be eligible for this rebate, while ensuring that DLPs that currently receive an NPSI rebate of $0.0070 per executed share will continue to have the same opportunity to receive that rebate amount even with the elimination of the NPSI rebate. Increasing the number of ETPs that may be eligible for the $0.0070 rebate will incentivize the DLPs that are assigned to those ETPs to qualify for the rebate by, among other things, meeting the

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

[8] 15 U.S.C. 78f(b)(4) and (5).

applicable quoting requirements. This is consistent with the purpose of the DLP Program and may improve the market quality of additional Nasdaq-listed ETPs. Even with the NPSI's time-based requirement removed, Nasdaq believes that the proposed $0.0070 per executed share rebate is proportionate to the requirements for the Basic Rebate while acting as a sufficient incentive to DLPs in lower-volume ETPs to increase their quoting and trading activity in those securities.

Nasdaq believes it is reasonable to change the measurement used to calculate an ETP's ADV for purposes of determining a DLP's eligibility for the Basic Rebate. Nasdaq believes that adopting a prior month ADV measurement provides greater transparency and certainty to a DLP in determining the Basic Rebate than the current month measurement. Nasdaq is proposing to apply this change to all tiers of the Basic Rebate, as it believes that the basis for this change applies equally to DLPs in all of the Basic Rebate tiers.

Nasdaq believes that eliminating the NPSI rebate, and increasing the amount of the Basic Rebate tier for an ETP with a monthly ADV of less than 500,000, is equitable and not unfairly discriminatory. In eliminating the NPSI Rebate and raising the amount of the Basic Rebate for ETPs with an ADV of less than 500,000 to $0.0070 per executed share, all DLPs that currently qualify NPSI Rebate will continue to have the opportunity to qualify for the same $0.0070 rebate that they currently receive. By raising the amount of the Basic Rebate for ETPs with an ADV of less than 500,000 to $0.0070 per executed share, DLPs that are assigned to such ETPs that are not currently receiving the $0.0070 per executed share rebate will now be eligible to receive this rebate. This will incentivize the DLPs that are assigned to such ETPs to qualify for this rebate by, among other things, meeting the applicable quoting requirements. Moreover, Nasdaq believes it is appropriate to raise the Basic Rebate for an ETP with a monthly ADV of less than 500,000, and not for other Basic Rebate tiers, because DLPs need significantly more incentives to quote and trade lower-volume ETPs than higher-volume ETPs. For these reasons, Nasdaq believes it is reasonable to raise the Basic Rebate for low-volume ETPs in this manner even though the NPSI's time-based requirement will no longer apply.

Nasdaq believes that changing the measurement used to calculate an ETP's ADV for purposes of determining a DLP's eligibility for the Basic Rebate is equitable and not unfairly discriminatory. Nasdaq is proposing to apply this change to all tiers of the Basic Rebate, as it believes that the basis for this change (providing greater transparency and certainty to a DLP in determining the rebate amount) applies equally to DLPs in all of the Basic Rebate tiers. Nasdaq does not believe that DLPs will significantly alter their trading activity as a result of this change, since the relevant measurement is the ADV of the ETP to which the DLP is assigned, not the ADV of the DLP. In addition, this standard will apply to all DLPs that would otherwise qualify for the Basic Rebate.

4. <u>Self-Regulatory Organization's Statement on Burden on Competition</u>

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. In terms of inter-market competition, the Exchange notes that it operates in a highly competitive market in which market participants can readily favor competing venues if they deem fee levels at a particular venue to be excessive, or rebate opportunities available at other venues to be more favorable. In such an environment, the Exchange must continually adjust its fees and rebates 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 and rebates in response, and because market participants may readily adjust their order routing practices, the Exchange believes that the degree to which fee changes in this market may impose any burden on competition is extremely limited.

Here, increasing the Basic Rebate for ETPs with an ADV of less than 500,000 to $0.0070 per executed share, eliminating the NPSI rebate, and changing the measurement of an ETP's ADV for purposes of the Basic Rebate 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. With these proposed changes, all similarly-situated members are equally capable of qualifying for the proposed Basic Rebate for ETPs with an ADV of less than 500,000 if they choose to meet the requirements of the Program and the Basic Rebate, and the same rebate will be paid to all members that qualify for it. In addition, members will continue to have opportunities to qualify for the Tape C Rebate under the Program.

Nasdaq believes that raising the Basic Rebate for an ETP with a monthly ADV of less than 500,000, and not for other Basic Rebate tiers, does not constitute a burden on competition not necessary or appropriate, because DLPs need significantly more incentives to quote and trade lower-volume ETPs than higher-volume ETPs. Eliminating the NPSI Rebate and increasing the proposed Basic Rebate for ETPs with an ADV of less than 500,000 to $0.0070 per executed share will expand the scope of ETPs, and the DLPs that are assigned to them, that are eligible for this rebate, while helping ensure that DLPs that currently qualify for the $0.0070 rebate under the NPSI will continue to qualify for this amount. This change will therefore incentivize the DLPs that are assigned to ETPs with an ADV of less than 500,000, and which do not currently qualify for the NPSI Rebate, to qualify for the rebate by, among other things, meeting the applicable quoting requirements, which may improve the market quality of additional Nasdaq-listed ETPs. Given the competitive nature of the market for listing and trading ETPs, these changes which may encourage other market venues to make similar changes to improve their market quality. Thus, the Exchange does not believe that the proposed changes will impose any burden on competition, but may rather promote competition.

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

No written comments were either solicited or received.

6. Extension of Time Period for Commission Action

Not applicable.

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

Pursuant to Section 19(b)(3)(A)(ii) of the Act,[9] the Exchange 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.

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

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

the Commission takes such action, the Commission shall institute proceedings to determine whether the proposed rule should be approved or disapproved.

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. Notice of Proposed Rule Change for publication in the Federal Register.

5. Text of the proposed rule change.

EXHIBIT 1

SECURITIES AND EXCHANGE COMMISSION
(Release No. ; File No. SR-NASDAQ-2017-035)

April __, 2017

Self-Regulatory Organizations; The NASDAQ Stock Market LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Amend the Exchange's Transaction Fees at Rule 7014(f) to Amend the Designated Liquidity Provider Program

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 March 31, 2017, 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 Exchange's transaction fees at Rule 7014(f) to amend the Designated Liquidity Provider ("DLP") Program ("Program").

While these amendments are effective upon filing, the Exchange has designated the proposed amendments to be operative on April 3, 2017.

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.

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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 the proposed rule change is to amend the DLP Program in Rule 7014(f) to eliminate the rebates that are paid pursuant to the New Product Support Incentives ("NPSI"). With the elimination of the NPSI, the Exchange also proposes to amend one of the "Basic Rebates" to increase that rebate from $0.0047 per executed share to $0.0070 per executed share. Nasdaq also proposes to amend the manner in which the average daily volume ("ADV") of an exchange-traded product ("ETP) is calculated for purposes of determining a DLP's eligibility for the Basic Rebate.

The DLP Program is designed to provide incentives to market makers to make markets in certain ETPs. To achieve this goal, Nasdaq provides credits to a DLP when executing a Qualified Security. As set forth in the Rule, a DLP is a registered Nasdaq market maker for a Qualified Security that has committed to maintain minimum performance standards.[3] A Qualified Security is defined as an exchange-traded product

[3] The Rule also provides that a DLP shall be selected by Nasdaq based on factors including, but not limited to, experience with making markets in exchange-traded products, adequacy of capital, willingness to promote Nasdaq as a marketplace, issuer preference, operational capacity, support personnel, and history of

listed on Nasdaq pursuant to Nasdaq Rules 5705 (Exchange Traded Funds: Portfolio Depository Receipts and Index Fund Shares), 5710 (Securities Linked to the Performance of Indexes and Commodities, Including Currencies), 5720 (Trust Issued Receipts), 5735 (Managed Fund Shares), or 5745 (NextShares), and it must have at least one DLP.

Currently, a DLP may be eligible for three different kinds of rebates under the Program. First, a DLP will qualify for a "Basic Rebate" for adding shares of displayed liquidity in the ETP if the DLP is at the National Best Bid and Offer ("NBBO") at least 20% of the time on average in any given month in a particular assigned ETP. The Basic Rebates vary based on the ETP's ADV in a given month. Specifically, a DLP will receive: (i) a rebate of $0.0047 per executed share of displayed liquidity in an ETP that has less than 500,000 ADV during the month; (ii) a rebate of $0.0042 per executed share of displayed liquidity in an ETP that has between 500,000 and 5 million ADV during the month; and (iii) a rebate of $0.0036 per executed share of displayed liquidity in an ETP that has greater than 5 million ADV during the month. The Basic Rebate will be paid in lieu of other rebates or fees provided under Rules 7018 and 7014.

The second rebate is the NPSI rebate. Like the Basic Rebate, the NPSI rebate will be paid in lieu of other rebates or fees provided under Rules 7018 and 7014, including the Basic Rebate. A DLP will qualify for the NPSI rebate for adding shares of displayed liquidity in the ETP if the DLP is at the NBBO at least 20% of the time in the assigned ETP in any given month. The ETP itself must have a three month ADV of less than 500,000, and the ETP must be less than 36 months old. Assuming the ETP meets the

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adherence to Nasdaq rules and securities laws. Nasdaq may limit the number of DLPs in a security, or modify a previously established limit, upon prior written notice to members. See Rule 7014(f)(2).

NPSI volume criteria, a rebate of $0.0070 per executed share of displayed liquidity will be paid to DLPs that are assigned to ETPs that are 0-12 months from the ETP's product inception date; a rebate of $0.0065 per executed share of displayed liquidity for ETPs that are 12 to 24 months from the ETP's product inception date, and a rebate of $0.0055 per executed share of displayed liquidity for ETPs that are 24 to 36 months from the ETP's product inception date. For purposes of calculating the number of months under the rule, the first partial month an ETP is launched will count as one month.

The third rebate is the Additional Tape C ETP Incentives. This rebate will be paid in addition to other rebates or fees provided under Rules 7018 and 7014, including the Basic Rebate and the NPSI. In order to qualify for the Additional Tape C rebate, the DLP must add displayed liquidity in a Tape C ETP that is listed on Nasdaq pursuant to Nasdaq Rules 5705, 5710, 5720, 5735, or 5745.[4] The average time the DLP is at the NBBO for each assigned ETP must average at least 20%, and the average liquidity provided by the DLP for each assigned ETP must average at least 5% of the liquidity provided on Nasdaq in the respective ETP. The amount of the rebate varies according to the minimum monthly average number of ETPs to which a DLP is assigned. A DLP that has a minimum monthly average number of 10 assigned ETPs will receive a rebate of $0.0003 per executed share; a DLP that has a minimum monthly average number of 25 assigned ETPs will receive a rebate of $0.0004 per executed share; and a DLP that has a

4 Tape C securities are those that are listed on the Exchange, Tape A securities are those that are listed on NYSE, and Tape B securities are those that are listed on exchanges other than Nasdaq or NYSE.

minimum monthly average number of 50 assigned ETPs will receive a rebate of $0.0005 per executed share.[5]

Currently, only an ETP with a product inception date of 36 months or less is eligible for the NPSI Rebate. Nasdaq has determined that eliminating the time-based eligibility requirement may increase the number of ETPs that may be eligible for a rebate under the DLP Program, and would therefore incentivize the DLPs that are assigned to those ETPs to qualify for a rebate by, among other things, meeting the applicable quoting requirements. This is consistent with the purpose of the DLP Program and may improve the market quality of additional Nasdaq-listed ETPs.

Once the time-based eligibility requirement is removed from the NPSI, the requirements for qualifying for the Basic Rebate tier for ETPs with an ADV of less than 500,000 are virtually identical to the requirements of qualifying for the NPSI rebate. Specifically, both the NPSI and the lowest level of the Basic Rebate tier have a volume requirement of less than 500,000 ADV, and both rebates require the DLP to be at the NBBO at least 20% of the time on average in the assigned ETP. Given the similarities between the NPSI and the lowest tier of the Basic Rebate, and in the interest of simplifying the operation of the Program, the Exchange has therefore determined to eliminate the NPSI rebate in its entirety.[6]

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5 Additionally, if a current DLP has less than 10 DLP assignments, but increases the number of ETPs for which it is a DLP by 100%, the DLP will receive an incremental additional Tape C ETP rebate of $0.0001. A DLP receiving its first assignment will count as a 100% increase. This incremental rebate is only available for the first 100% increase and thus is not available for subsequent increases of 100%.

6 In eliminating the NPSI rebate, the Additional Tape C ETP Incentives rebate will be re-numbered as Rule 7014(f)(5)(B).

Currently, a DLP will receive a Basic Rebate of $0.0047 per executed share for an ETP with a monthly ADV of less than 500,000 if the DLP is at the NBBO at least 20% of the time on average in the assigned ETP. The Exchange is also proposing to amend this tier to increase the rebate from $0.0047 per executed share to $0.0070 per executed share so that DLPs that are currently receiving the NPSI rebate will continue to receive the same rebate going forward.

Nasdaq believes that it is appropriate to increase the Basic Rebate for an ETP with a monthly ADV of less than 500,000 to $0.0070 per executed share, because DLPs that currently receive an NPSI rebate of $0.0070 per executed share will continue to receive the same rebate even with the elimination of the NPSI rebate. Nasdaq believes that the proposed $0.0070 per executed share rebate is proportionate to the requirements for the Basic Rebate while acting as a sufficient incentive to DLPs in lower-volume ETPs to increase their quoting and trading activity in those securities. Nasdaq believes it is appropriate to raise the Basic Rebate for an ETP with a monthly ADV of less than 500,000, and not for other Basic Rebate tiers, because DLPs need significantly more incentives to quote and trade lower-volume ETPs than higher-volume ETPs.

Finally, Nasdaq is changing the measurement used to calculate an ETP's ADV for purposes of determining a DLP's eligibility for the Basic Rebate. Currently, a DLP will qualify for the Basic Rebate if the ETP's ADV meets the applicable volume threshold, as measured in the same month in which the rebate is being paid. Nasdaq proposes to determine a DLP's eligibility for the Basic Rebate by using the ETP's ADV in the month prior to which the rebate is being paid. Nasdaq believes that adopting a prior month ADV measurement provides greater transparency and certainty to a DLP in determining the Basic Rebate than the current month measurement. Nasdaq is proposing to apply this change to all tiers of the Basic Rebate, as it believes that the basis for this change applies equally to DLPs in all of the Basic Rebate tiers. Nasdaq does not believe that DLPs will significantly alter their trading activity as a result of this change, since the relevant measurement is the ADV of the ETP to which the DLP is assigned, not the ADV of the DLP.

2. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act,[7] in general, and furthers the objectives of Sections 6(b)(4) and 6(b)(5) of the Act,[8] 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, and is not designed to permit unfair discrimination between customers, issuers, brokers, or dealers.

The Exchange believes that it is reasonable to eliminate the NPSI rebate and to correspondingly increase the amount of the Basic Rebate tier for an ETP with a monthly ADV of less than 500,000. Once the time-based eligibility requirement is removed from the NPSI, the requirements for qualifying for the Basic Rebate tier for ETPs with an ADV of less than 500,000 are virtually identical to the requirements of qualifying for the NPSI rebate. Given the similarities between the NPSI and the lowest tier of the Basic Rebate, and in the interest of simplifying the operation of the Program, the Exchange believes it is reasonable to eliminate the NPSI Rebate in its entirety and concurrently re-number the Additional Tape C ETP Incentives rebate. By eliminating the NPSI rebate and raising the amount of the Basic Rebate for ETPs with an ADV of less than 500,000 to

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7 15 U.S.C. 78f(b).

8 15 U.S.C. 78f(b)(4) and (5).

$0.0070 per executed share, Nasdaq will increase the number of ETPs that may be eligible for this rebate, while ensuring that DLPs that currently receive an NPSI rebate of $0.0070 per executed share will continue to have the same opportunity to receive that rebate amount even with the elimination of the NPSI rebate. Increasing the number of ETPs that may be eligible for the $0.0070 rebate will incentivize the DLPs that are assigned to those ETPs to qualify for the rebate by, among other things, meeting the applicable quoting requirements. This is consistent with the purpose of the DLP Program and may improve the market quality of additional Nasdaq-listed ETPs. Even with the NPSI's time-based requirement removed, Nasdaq believes that the proposed $0.0070 per executed share rebate is proportionate to the requirements for the Basic Rebate while acting as a sufficient incentive to DLPs in lower-volume ETPs to increase their quoting and trading activity in those securities.

Nasdaq believes it is reasonable to change the measurement used to calculate an ETP's ADV for purposes of determining a DLP's eligibility for the Basic Rebate. Nasdaq believes that adopting a prior month ADV measurement provides greater transparency and certainty to a DLP in determining the Basic Rebate than the current month measurement. Nasdaq is proposing to apply this change to all tiers of the Basic Rebate, as it believes that the basis for this change applies equally to DLPs in all of the Basic Rebate tiers.

Nasdaq believes that eliminating the NPSI rebate, and increasing the amount of the Basic Rebate tier for an ETP with a monthly ADV of less than 500,000, is equitable and not unfairly discriminatory. In eliminating the NPSI Rebate and raising the amount of the Basic Rebate for ETPs with an ADV of less than 500,000 to $0.0070 per executed share, all DLPs that currently qualify NPSI Rebate will continue to have the opportunity to qualify for the same $0.0070 rebate that they currently receive. By raising the amount of the Basic Rebate for ETPs with an ADV of less than 500,000 to $0.0070 per executed share, DLPs that are assigned to such ETPs that are not currently receiving the $0.0070 per executed share rebate will now be eligible to receive this rebate. This will incentivize the DLPs that are assigned to such ETPs to qualify for this rebate by, among other things, meeting the applicable quoting requirements. Moreover, Nasdaq believes it is appropriate to raise the Basic Rebate for an ETP with a monthly ADV of less than 500,000, and not for other Basic Rebate tiers, because DLPs need significantly more incentives to quote and trade lower-volume ETPs than higher-volume ETPs. For these reasons, Nasdaq believes it is reasonable to raise the Basic Rebate for low-volume ETPs in this manner even though the NPSI's time-based requirement will no longer apply.

Nasdaq believes that changing the measurement used to calculate an ETP's ADV for purposes of determining a DLP's eligibility for the Basic Rebate is equitable and not unfairly discriminatory. Nasdaq is proposing to apply this change to all tiers of the Basic Rebate, as it believes that the basis for this change (providing greater transparency and certainty to a DLP in determining the rebate amount) applies equally to DLPs in all of the Basic Rebate tiers. Nasdaq does not believe that DLPs will significantly alter their trading activity as a result of this change, since the relevant measurement is the ADV of the ETP to which the DLP is assigned, not the ADV of the DLP. In addition, this standard will apply to all DLPs that would otherwise qualify for the Basic Rebate.

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. In terms of inter-market competition, the Exchange notes that it operates in a highly competitive market in which market participants can readily favor competing venues if they deem fee levels at a particular venue to be excessive, or rebate opportunities available at other venues to be more favorable. In such an environment, the Exchange must continually adjust its fees and rebates 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 and rebates in response, and because market participants may readily adjust their order routing practices, the Exchange believes that the degree to which fee changes in this market may impose any burden on competition is extremely limited.

Here, increasing the Basic Rebate for ETPs with an ADV of less than 500,000 to $0.0070 per executed share, eliminating the NPSI rebate, and changing the measurement of an ETP's ADV for purposes of the Basic Rebate 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. With these proposed changes, all similarly-situated members are equally capable of qualifying for the proposed Basic Rebate for ETPs with an ADV of less than 500,000 if they choose to meet the requirements of the Program and the Basic Rebate, and the same rebate will be paid to all members that qualify for it. In addition, members will continue to have opportunities to qualify for the Tape C Rebate under the Program.

Nasdaq believes that raising the Basic Rebate for an ETP with a monthly ADV of less than 500,000, and not for other Basic Rebate tiers, does not constitute a burden on competition not necessary or appropriate, because DLPs need significantly more incentives to quote and trade lower-volume ETPs than higher-volume ETPs. Eliminating the NPSI Rebate and increasing the proposed Basic Rebate for ETPs with an ADV of less than 500,000 to $0.0070 per executed share will expand the scope of ETPs, and the DLPs that are assigned to them, that are eligible for this rebate, while helping ensure that DLPs that currently qualify for the $0.0070 rebate under the NPSI will continue to qualify for this amount. This change will therefore incentivize the DLPs that are assigned to ETPs with an ADV of less than 500,000, and which do not currently qualify for the NPSI Rebate, to qualify for the rebate by, among other things, meeting the applicable quoting requirements, which may improve the market quality of additional Nasdaq-listed ETPs. Given the competitive nature of the market for listing and trading ETPs, these changes which may encourage other market venues to make similar changes to improve their market quality. Thus, the Exchange does not believe that the proposed changes will impose any burden on competition, but may rather promote competition.

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

No written comments were either solicited or received.

III. <u>Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action</u>

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A)(ii) of the Act.[9]

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

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

the protection of investors; or (iii) otherwise in furtherance of the purposes of the Act. If the Commission takes such action, the Commission shall institute proceedings to determine whether the proposed rule should be approved or disapproved.

IV. Solicitation of Comments

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

Electronic comments:

- Use the Commission's Internet comment form (http://www.sec.gov/rules/sro.shtml); or
- Send an e-mail to rule-comments@sec.gov. Please include File Number SR-NASDAQ-2017-035 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-2017-035. 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-2017-035 and should be submitted on or before [insert date 21 days from publication in the Federal Register].

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

Robert W. Errett
Deputy Secretary

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

EXHIBIT 5

Deleted text is [bracketed]. New text is underlined.

NASDAQ Stock Market Rules

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7014. Market Quality Incentive Programs
Small Cap Incentive Program

(a) – (c) No Change.

Qualified Market Maker ("QMM") Program

(d) – (e) No Change.

Designated Liquidity Provider ("DLP") Program

(f) The following fees and rebates discussed in this section shall apply to transactions in a Qualified Security by one of its Designated Liquidity Providers associated with its DLP Program MPID. These rebates and fees only apply for executions $1 per share and above. As used in the DLP Program, the term average daily volume ("ADV") shall mean the total consolidated volume reported to all consolidated transaction reporting plans, for each individual security, by all exchanges and trade reporting facilities during a month divided by the number of trading days during the month. If a security is not listed for a full month the number of trading days will only include the days which the security is listed.

For purposes of this paragraph:

(1) A security may be designated as a "Qualified Security" if:

(A) it is an exchange-traded product listed on Nasdaq pursuant to Nasdaq Rules 5705, 5710, 5720, 5735, or 5745;

(B) it has at least one Designated Liquidity Provider.

(2) A "Designated Liquidity Provider" or "DLP" is a registered Nasdaq market maker for a Qualified Security that has committed to maintain minimum performance standards. A DLP shall be selected by Nasdaq based on factors including, but not limited to, experience with making markets in exchange-traded products, 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

DLPs in a security, or modify a previously established limit, upon prior written notice to members.

(3) If a DLP 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) and 7014. If a DLP does not meet the stated performance measurements for 3 out of the past 4 months, the DLP is subject to forfeit of DLP status for that Qualified Security, at NASDAQ's discretion. A DLP 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 monthly performance criteria related to the specific fees and rebates provided under paragraph (5) below:

Basic Rebates	DLP must be at the national best bid (best offer) ("NBBO") at least 20% of the time on average in the assigned ETP.
[New Product Support Incentives]	[DLP must be at the NBBO at least 20% of the time on average in the assigned ETP, the ETP must have a three month ADV of less than 500,000 and the ETP must be less than 36 months old.]
Additional Tape C ETP Incentives	The average time the DLP is at the NBBO for each assigned ETP averages at least 20%, and the average liquidity provided by the DLP for each assigned ETP averages at least 5% of the liquidity provided on Nasdaq in the respective ETP.

(5) A DLP that satisfies the performance criteria above, will be eligible to receive the rebates provided in paragraph[s] (A) [- (B)]below in each of its assigned ETPs for which it qualified, and the rebates provided in paragraph ([C]B) in any Tape C ETP that meets the criteria of paragraph (1)(A) above. The rebates in paragraph[s] (A) [and (B)]below are in lieu of other rebates or fees provided under Rules 7018 and 7014. The rebates in paragraph ([C]B) below will be in addition to other rebates or fees provided under Rules 7018 and 7014, including those in paragraph[s] (A) [or (B)].

(A) Basic Rebates

If an ETP meets one of the below requirements, an eligible DLP will receive the rebate for which it qualifies for each displayed share that adds liquidity in the ETP:

ETP with monthly ADV less than 500,000 in the prior	ETP with monthly ADV between 500,000 and 5 million	ETP with monthly ADV greater than 5 million in the

month	in the prior month	prior month
$0.00[47]70 per executed share	$0.0042 per executed share	$0.0036 per executed share

(B) [New Product Support Incentives]

[If an ETP has ADV of less than 500,000 over the prior three months, an eligible DLP will receive the rebate for which it qualifies for each displayed share that adds liquidity in the ETP in lieu of the Basic Rebates outlined in 5(A) as long as the ETP is within the specified time periods listed below:]

[0 to 12 Months from Product Inception Date]	[12 to 24 Months from Product Inception Date]	[24 to 36 Months from Product Inception Date]
[$0.0070 per executed share]	[$0.0065 per executed share]	[$0.0055 per executed share]

[(C)]Additional Tape C ETP Incentives

The following rebates are provided to an eligible member for each displayed share that adds liquidity in a Tape C ETP that meets the criteria of paragraph (1)(A) above. This Rebate will only apply to the MPID where a member is a DLP:

	Tier 1	**Tier 2**	**Tier 3**
Minimum Monthly Average Number of Assigned ETPs as a DLP	10	25	50
Incremental Tape C ETP Rebate	$0.0003 per executed share	$0.0004 per executed share	$0.0005 per executed share

If a current DLP has less than 10 DLP assignments, but increases the number of ETPs for which it is a DLP by 100%, the DLP will receive an incremental additional Tape C ETP rebate of $0.0001. A DLP receiving its first assignment will count as a 100% increase. This incremental rebate is only available for the first 100% increase and thus is not available for subsequent increases of 100%.

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