| OMB APPROVAL |
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| OMB Number: 3235-0045<br>Estimated average burden<br>hours per response............38 |

*Required fields are shown with yellow backgrounds and asterisks.*



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

File No.* SR - 2017 - * 070

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 fees at Rule 7014 to raise the combined Consolidated Volume (adding and removing liquidity) criteria from the current requirement that a QMM have at least 3.5 percent to now require at least 3.7 percent.

**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 * Sean  Last Name * Bennett

Title * Principal Associate General Counsel

E-mail * Sean.Bennett@nasdaq.com

Telephone * (301) 978-8499  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 07/10/2017

By Edward S. Knight
(Name *)

(Title *)
Executive 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 *** <br> 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 *** <br> 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 *** <br> 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** <br> Add Remove View <br> Exhibit Sent As Paper Document <br> ☐ | 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** <br> Add Remove View <br> Exhibit Sent As Paper Document <br> ☐ | 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** <br> 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** <br> 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** <br> 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 fees at Rule 7014 to raise the combined Consolidated Volume (adding and removing liquidity) criteria from the current requirement that a QMM have at least 3.5% to now require at least 3.7%, which a QMM must have to be eligible for a $0.0029 per share executed charge for orders in securities listed on exchanges other than Nasdaq priced at $1 or more per share that access liquidity on the Nasdaq Market Center.

While these amendments are effective upon filing, the Exchange has designated the proposed amendments to be operative on July 1, 2017.[3]

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,

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

2 17 CFR 240.19b-4.

3 The Exchange initially filed the proposed pricing changes on June 28, 2017 (SR-NASDAQ-2017-066). On July 10, 2017, the Exchange withdrew that filing and submitted this filing. This filing corrects a marking error to the Exhibit 5 and clarifies the statutory basis discussion.

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:

T. Sean Bennett
Principal Associate General Counsel
Nasdaq, Inc.
(301) 978-8499

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 Exchange's fees at Rule 7014 to raise the combined Consolidated Volume (adding and removing liquidity) criteria from the current requirement that a QMM have at least 3.5% to now require at least 3.7%, which a QMM must have to be eligible for a $0.0029 per share executed charge for orders in securities listed on exchanges other than Nasdaq priced at $1 or more per share that access liquidity on the Nasdaq Market Center.

A QMM is a member that makes a significant contribution to market quality by providing liquidity at the national best bid and offer ("NBBO") in a large number of stocks for a significant portion of the day.[4] In addition, the member must avoid imposing the burdens on Nasdaq and its market participants that may be associated with excessive rates of entry of orders away from the inside and/or order cancellation.[5] The designation reflects the QMM's commitment to provide meaningful and consistent support to market quality and price discovery by extensive quoting at the NBBO in a large number of

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4 See Rule 7014(d).

5 Id.

securities. In return for its contributions, certain financial benefits are provided to a QMM with respect to its order activity, as described under Rule 7014(e). These benefits include a lower rate charged for executions of orders in securities priced at $1 or more per share that access liquidity on the Nasdaq Market Center.[6]

Under Rule 7014(e), the Exchange charges a QMM $0.0030 per share executed for removing liquidity in Nasdaq-listed securities priced at $1 or more, and $0.00295 per share executed for removing liquidity in securities priced at $1 or more per share listed on exchanges other than Nasdaq, if the QMM's volume of liquidity added through one or more of its Nasdaq Market Center MPIDs during the month (as a percentage of Consolidated Volume) is not less than 0.80%. The Exchange assesses a charge of $0.0029 per share executed for removing liquidity in securities priced at $1 or more per share listed on exchanges other than Nasdaq if the QMM has a combined Consolidated Volume (adding and removing liquidity) of at least 3.5%, and the QMM also meets the QMM Tier 2 qualification criteria. The QMM Tier 2 qualification criteria requires a QMM to execute shares of liquidity provided in all securities through one or more of its Nasdaq Market Center MPIDs that represent above 0.90% of Consolidated Volume during the month.

The Exchange is proposing to increase the combined Consolidated Volume (adding and removing liquidity) requirement to at least 3.7%. This increase is reflective of the Exchange's desire to provide incentives to attract order flow to the Exchange in securities listed on exchanges other than Nasdaq in return for significant market-

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6 See Rule 7014(e).

improving behavior. The modest increase in the qualification criteria will help ensure that QMMs are providing significant market-improving behavior.

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 the $0.0029 per share executed charge for removing liquidity in securities priced at $1 or more per share listed on exchanges other than Nasdaq will continue to be reasonable because the fee will remain unchanged. When the Exchange adopted the fee,[9] it believed that assessing the fee was reasonable because it was set at a level that is lower than the standard removal fee of $0.0030 per share executed, thereby providing an incentive to market participants, and it was also based on the Exchange's analysis of the cost to the Exchange of offering a lower fee, thereby decreasing the revenue derived from transactions by members that qualify for the fee, and the desired benefit to the market provided by the members that meet the fee's qualification criteria. The Exchange noted that the fee's qualification criteria provided an incentive to members to increase their participation in the market as measured by Consolidated Volume, which benefits all market participants. The Exchange also noted

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

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

[9] See Securities Exchange Act Release No. 78977 (September 29, 2016), 81 FR 69140 (October 5, 2016) (SR-NASDAQ-2016-032).

that members may qualify for a $0.00295 per share executed fee for removing liquidity in Tape A or B securities priced at $1 or more if the member's volume of liquidity added through one or more of its Nasdaq Market Center MPIDs during the month (as a percentage of Consolidated Volume) is not less than 0.80%. The Exchange explained that the proposed fee would continue to require a member to both qualify under the Tier 2 criteria that requires the member to execute shares of liquidity provided in all securities through one or more of its Nasdaq Market Center MPIDs that represent above 0.90% of Consolidated Volume during the month, and also provide an increased combined Consolidated Volume (adding and removing liquidity) requirement (which the Exchange is proposing to increase from at least 3.5% to 3.7%). Consequently, the Exchange noted that to qualify for a lower transaction fee for removing liquidity in Tape A or B securities under the QMM Program, the member must both provide greater Consolidated Volume through adding liquidity during the month (i.e., 0.90% versus 0.80%) and provide a certain level of combined Consolidated Volume, which accounts for both adding liquidity and removing liquidity. As noted above, the Exchange is not proposing to change the fee and the analysis described above remains valid. Accordingly, the Exchange believes that the fee remains reasonable.

The Exchange believes that the increase to the combined Consolidated Volume qualification criteria is an equitable allocation and is not unfairly discriminatory because it is reflective of the success that the lower charge tier has had in promoting beneficial market participation, as measured by combined Consolidated Volume (adding and removing liquidity). The Exchange believes that the level of combined Consolidated Volume may be increased without resulting in a significant reduction in the number of

QMMs that will likely qualify for the lower transaction fee. Consequently, the beneficial market participation should remain the same, and possibly increase. Moreover, the Exchange is not limiting which QMMs may qualify for the reduced charge. As noted, the QMM Program is intended to encourage members to promote price discovery and market quality by quoting at the NBBO for a significant portion of each day in a large number of securities, thereby benefitting Nasdaq and other investors by committing capital to support the execution of orders. To receive the $0.0029 per share executed charge, a member must meet the Tier 2 criteria, which requires the QMM to execute shares of liquidity provided in all securities through one or more of its Nasdaq Market Center MPIDs that represent above 0.90% of Consolidated Volume during the month. In addition, the QMM must provide a certain level of combined Consolidated Volume, which accounts for both adding liquidity and removing liquidity. The Exchange is proposing to increase the required combined Consolidated Volume requirement to make the qualification criteria required to receive the incentive more meaningful to QMMs in terms of the beneficial market activity required to receive the reduced charge, which is reflective of the Exchange's belief that QMMs may continue to qualify for the reduced charge while also providing more beneficial market participation. The Exchange uses Consolidated Volume as a measure of the QMM's activity in comparison to that of the market as a whole. Thus, the modestly increased combined Consolidated Volume criteria required to qualify for the fee does not discriminate unfairly and is equitably allocated, as eligibility for the fee is tied to the QMM's performance in comparison to other participants in aggregate.

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. 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 to remain competitive with other exchanges and with alternative trading systems that have been exempted from compliance with the statutory standards applicable to exchanges. Because competitors are free to modify their own fees in response, and because market participants may readily adjust their order routing practices, the Exchange believes that the degree to which fee changes in this market may impose any burden on competition is extremely limited.

In this instance, although the change to the QMM program may limit the benefits of the program in non-Nasdaq-listed securities to the extent QMMs that currently qualify for the $0.0029 per share executed charge are unable to meet the more stringent combined Consolidated Volume requirement, the incentive in question will remain in place and is itself reflective of the need for exchanges to offer significant financial incentives to attract order flow in return for meaningful market-improving behavior. The Exchange believes that the proposed qualification criteria will not negatively impact who will qualify for the $0.0029 per share executed charge but will rather have a positive impact on overall market quality as QMMs increase their participation in the market to qualify for the lower charge. If, however, the Exchange is incorrect and the changes proposed herein are unattractive to QMMs, it is likely that Nasdaq will lose market share as a result. Accordingly, Nasdaq does not believe that the proposed changes will impair the ability of members or competing order execution venues to maintain their competitive standing in the financial markets.

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,[10] 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 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.

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[10] 15 U.S.C. 78s(b)(3)(A)(ii).

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-2017-070)

July __, 2017

Self-Regulatory Organizations; The NASDAQ Stock Market LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to amend Qualification Criteria under the Qualified Market Maker Program at Rule 7014

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 July 10, 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 qualification criteria under the Qualified Market Maker Program at Rule 7014. While these amendments are effective upon filing, the Exchange has designated the proposed amendments to be operative on July 1, 2017. [3]

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

2 17 CFR 240.19b-4.

3 The Exchange initially filed the proposed pricing changes on June 28, 2017 (SR-NASDAQ-2017-066). On July 10, 2017, the Exchange withdrew that filing and submitted this filing. This filing corrects a marking error to the Exhibit 5 and clarifies the statutory basis discussion.

The text of the proposed rule change is available on the Exchange's Website at http://nasdaq.cchwallstreet.com, at the principal office of the Exchange, and at the Commission's Public Reference Room.

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

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

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

1. Purpose

The purpose of the proposed rule change is to amend the Exchange's fees at Rule 7014 to raise the combined Consolidated Volume (adding and removing liquidity) criteria from the current requirement that a QMM have at least 3.5% to now require at least 3.7%, which a QMM must have to be eligible for a $0.0029 per share executed charge for orders in securities listed on exchanges other than Nasdaq priced at $1 or more per share that access liquidity on the Nasdaq Market Center.

A QMM is a member that makes a significant contribution to market quality by providing liquidity at the national best bid and offer ("NBBO") in a large number of stocks for a significant portion of the day.[4] In addition, the member must avoid imposing the burdens on Nasdaq and its market participants that may be associated with excessive

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[4] See Rule 7014(d).

rates of entry of orders away from the inside and/or order cancellation.[5] The designation reflects the QMM's commitment to provide meaningful and consistent support to market quality and price discovery by extensive quoting at the NBBO in a large number of securities. In return for its contributions, certain financial benefits are provided to a QMM with respect to its order activity, as described under Rule 7014(e). These benefits include a lower rate charged for executions of orders in securities priced at $1 or more per share that access liquidity on the Nasdaq Market Center.[6]

Under Rule 7014(e), the Exchange charges a QMM $0.0030 per share executed for removing liquidity in Nasdaq-listed securities priced at $1 or more, and $0.00295 per share executed for removing liquidity in securities priced at $1 or more per share listed on exchanges other than Nasdaq, if the QMM's volume of liquidity added through one or more of its Nasdaq Market Center MPIDs during the month (as a percentage of Consolidated Volume) is not less than 0.80%. The Exchange assesses a charge of $0.0029 per share executed for removing liquidity in securities priced at $1 or more per share listed on exchanges other than Nasdaq if the QMM has a combined Consolidated Volume (adding and removing liquidity) of at least 3.5%, and the QMM also meets the QMM Tier 2 qualification criteria. The QMM Tier 2 qualification criteria requires a QMM to execute shares of liquidity provided in all securities through one or more of its Nasdaq Market Center MPIDs that represent above 0.90% of Consolidated Volume during the month.

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5 Id.

6 See Rule 7014(e).

The Exchange is proposing to increase the combined Consolidated Volume (adding and removing liquidity) requirement to at least 3.7%. This increase is reflective of the Exchange's desire to provide incentives to attract order flow to the Exchange in securities listed on exchanges other than Nasdaq in return for significant market-improving behavior. The modest increase in the qualification criteria will help ensure that QMMs are providing significant market-improving behavior.

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 the $0.0029 per share executed charge for removing liquidity in securities priced at $1 or more per share listed on exchanges other than Nasdaq will continue to be reasonable because the fee will remain unchanged. When the Exchange adopted the fee,[9] it believed that assessing the fee was reasonable because it was set at a level that is lower than the standard removal fee of $0.0030 per share executed, thereby providing an incentive to market participants, and it was also based on the Exchange's analysis of the cost to the Exchange of offering a lower fee, thereby decreasing the revenue derived from transactions by members that qualify for the fee, and

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

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

9 See Securities Exchange Act Release No. 78977 (September 29, 2016), 81 FR 69140 (October 5, 2016) (SR-NASDAQ-2016-032).

the desired benefit to the market provided by the members that meet the fee's qualification criteria. The Exchange noted that the fee's qualification criteria provided an incentive to members to increase their participation in the market as measured by Consolidated Volume, which benefits all market participants. The Exchange also noted that members may qualify for a $0.00295 per share executed fee for removing liquidity in Tape A or B securities priced at $1 or more if the member's volume of liquidity added through one or more of its Nasdaq Market Center MPIDs during the month (as a percentage of Consolidated Volume) is not less than 0.80%. The Exchange explained that the proposed fee would continue to require a member to both qualify under the Tier 2 criteria that requires the member to execute shares of liquidity provided in all securities through one or more of its Nasdaq Market Center MPIDs that represent above 0.90% of Consolidated Volume during the month, and also provide an increased combined Consolidated Volume (adding and removing liquidity) requirement (which the Exchange is proposing to increase from at least 3.5% to 3.7%). Consequently, the Exchange noted that to qualify for a lower transaction fee for removing liquidity in Tape A or B securities under the QMM Program, the member must both provide greater Consolidated Volume through adding liquidity during the month (i.e., 0.90% versus 0.80%) and provide a certain level of combined Consolidated Volume, which accounts for both adding liquidity and removing liquidity. As noted above, the Exchange is not proposing to change the fee and the analysis described above remains valid. Accordingly, the Exchange believes that the fee remains reasonable.

The Exchange believes that the increase to the combined Consolidated Volume qualification criteria is an equitable allocation and is not unfairly discriminatory because it is reflective of the success that the lower charge tier has had in promoting beneficial market participation, as measured by combined Consolidated Volume (adding and removing liquidity). The Exchange believes that the level of combined Consolidated Volume may be increased without resulting in a significant reduction in the number of QMMs that will likely qualify for the lower transaction fee. Consequently, the beneficial market participation should remain the same, and possibly increase. Moreover, the Exchange is not limiting which QMMs may qualify for the reduced charge. As noted, the QMM Program is intended to encourage members to promote price discovery and market quality by quoting at the NBBO for a significant portion of each day in a large number of securities, thereby benefitting Nasdaq and other investors by committing capital to support the execution of orders. To receive the $0.0029 per share executed charge, a member must meet the Tier 2 criteria, which requires the QMM to execute shares of liquidity provided in all securities through one or more of its Nasdaq Market Center MPIDs that represent above 0.90% of Consolidated Volume during the month. In addition, the QMM must provide a certain level of combined Consolidated Volume, which accounts for both adding liquidity and removing liquidity. The Exchange is proposing to increase the required combined Consolidated Volume requirement to make the qualification criteria required to receive the incentive more meaningful to QMMs in terms of the beneficial market activity required to receive the reduced charge, which is reflective of the Exchange's belief that QMMs may continue to qualify for the reduced charge while also providing more beneficial market participation. The Exchange uses Consolidated Volume as a measure of the QMM's activity in comparison to that of the market as a whole. Thus, the modestly increased combined Consolidated Volume criteria required to qualify for the fee does not discriminate unfairly and is equitably allocated, as eligibility for the fee is tied to the QMM's performance in comparison to other participants in aggregate.

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 to remain competitive with other exchanges and with alternative trading systems that have been exempted from compliance with the statutory standards applicable to exchanges. Because competitors are free to modify their own fees in response, and because market participants may readily adjust their order routing practices, the Exchange believes that the degree to which fee changes in this market may impose any burden on competition is extremely limited.

In this instance, although the change to the QMM program may limit the benefits of the program in non-Nasdaq-listed securities to the extent QMMs that currently qualify for the $0.0029 per share executed charge are unable to meet the more stringent combined Consolidated Volume requirement, the incentive in question will remain in place and is itself reflective of the need for exchanges to offer significant financial incentives to attract order flow in return for meaningful market-improving behavior. The Exchange believes that the proposed qualification criteria will not negatively impact who will qualify for the $0.0029 per share executed charge but will rather have a positive impact on overall market quality as QMMs increase their participation in the market to qualify for the lower charge. If, however, the Exchange is incorrect and the changes proposed herein are unattractive to QMMs, it is likely that Nasdaq will lose market share as a result. Accordingly, Nasdaq does not believe that the proposed changes will impair the ability of members or competing order execution venues to maintain their competitive standing in the financial markets.

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

No written comments were either solicited or received.

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

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A)(ii) of the Act.[10]

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

IV. Solicitation of Comments

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

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[10] 15 U.S.C. 78s(b)(3)(A)(ii).

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-2017-070 on the subject line.

Paper comments:

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

All submissions should refer to File Number SR-NASDAQ-2017-070. 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-2017-070 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.[11]

Eduardo A. Aleman
Assistant Secretary

[11] 17 CFR 200.30-3(a)(12).

**EXHIBIT 5**

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

**NASDAQ Stock Market Rules**

* * * * *

**7014. Market Quality Incentive Programs**
**Small Cap Incentive Program**

(a) – (c) No change.

**Qualified Market Maker ("QMM") Program**

(d) No change.

(e) Nasdaq will provide a rebate per share executed (as defined in the below table) with respect to all other displayed orders (other than Designated Retail Orders, as defined in Rule 7018) in securities priced at $1 or more per share that provide liquidity and were for securities listed on NYSE ("Tape A QMM Incentive"), securities listed on exchanges other than Nasdaq and NYSE ("Tape B QMM Incentive"), or securities listed on Nasdaq ("Tape C QMM Incentive"). Such rebate will be in addition to any rebate payable under Rule 7018(a):

| | QMM Tiers | Tape A QMM Incentive | Tape B QMM Incentive | Tape C QMM Incentive |
|---|---|---|---|---|
| Tier 1 | QMM executes shares of liquidity provided in all securities through one or more of its Nasdaq Market Center MPIDs that represent above 0.70% up to, and including, 0.90% of Consolidated Volume during the month | $0.0001 | $0.0001 | $0.0001 |
| Tier 2 | QMM executes shares of liquidity provided in all securities through one or more of its | $0.0002 | $0.0002 | $0.0002 |

Nasdaq Market Center MPIDs that represent above 0.90% of Consolidated Volume during the month

NASDAQ will charge a QMM a fee of $0.0030 per share executed for orders in NASDAQ-listed securities priced at $1 or more per share that access liquidity on the NASDAQ Market Center, and charge a QMM a fee of $0.00295 per share executed for orders in securities listed on exchanges other than NASDAQ priced at $1 or more per share that access liquidity on the NASDAQ Market Center; provided, however, that the QMM's volume of liquidity added through one or more of its Nasdaq Market Center MPIDs during the month (as a percentage of Consolidated Volume) is not less than 0.80%. Nasdaq will charge a QMM that meets the criteria of Tier 2 a fee of $0.0029 per share executed for orders in securities listed on exchanges other than NASDAQ priced at $1 or more per share that access liquidity on the NASDAQ Market Center if the QMM has a combined Consolidated Volume (adding and removing liquidity) of at least 3.<u>7</u>[5]%.

**Designated Liquidity Provider ("DLP") Program**

(f) No change.

**NBBO Program**

(g) No change.

**Definitions and Certifications**

(h) No change.

**Limit Up-Limit Down Pricing Program**

(i) No change.

**Nasdaq Growth Program**

(j) No change.

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