

Required fields are shown with yellow backgrounds and asterisks.

Page 1 of * 26	SECURITIES AND EXCHANGE COMMISSION WASHINGTON, D.C. 20549 Form 19b-4	File No.* SR - 2018 - * 063	Amendment No. (req. for Amendments *)
----------------	--	-----------------------------	---------------------------------------

Filing by The Nasdaq Stock Market LLC
Pursuant to Rule 19b-4 under the Securities Exchange Act of 1934

Initial * <input checked="" type="checkbox"/>	Amendment * <input type="checkbox"/>	Withdrawal <input type="checkbox"/>	Section 19(b)(2) * <input type="checkbox"/>	Section 19(b)(3)(A) * <input checked="" type="checkbox"/>	Section 19(b)(3)(B) * <input type="checkbox"/>
			Rule		
Pilot <input type="checkbox"/>	Extension of Time Period for Commission Action * <input type="checkbox"/>	Date Expires * <input type="text"/>	<input type="checkbox"/> 19b-4(f)(1)	<input type="checkbox"/> 19b-4(f)(4)	
			<input checked="" type="checkbox"/> 19b-4(f)(2)	<input type="checkbox"/> 19b-4(f)(5)	
			<input type="checkbox"/> 19b-4(f)(3)	<input type="checkbox"/> 19b-4(f)(6)	

Notice of proposed change pursuant to the Payment, Clearing, and Settlement Act of 2010	Security-Based Swap Submission pursuant to the Securities Exchange Act of 1934
Section 806(e)(1) * <input type="checkbox"/>	Section 806(e)(2) * <input type="checkbox"/>
Section 3C(b)(2) * <input type="checkbox"/>	

Exhibit 2 Sent As Paper Document <input type="checkbox"/>	Exhibit 3 Sent As Paper Document <input type="checkbox"/>
---	---

Description

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

A proposed rule change to amend the Exchange pricing at Chapter XV, Section 2 entitled Nasdaq Options Market Fees and Rebates.

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 * Sun Last Name * Kim

Title * Associate General Counsel

E-mail * Sun.Kim@nasdaq.com

Telephone * (212) 231-5106 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.

(Title *)

Date 07/31/2018

By Edward S. Knight

Executive Vice President and General Counsel

edward.knight@nasdaq.com

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

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

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

Form 19b-4 Information *

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

The Nasdaq Stock Market LLC (“Nasdaq” or “Exchange”), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)¹ and Rule 19b-4 thereunder,² is filing with the Securities and Exchange Commission (“Commission”) a proposed rule change to amend the Exchange’s pricing at Chapter XV, Section 2 entitled “Nasdaq Options Market – Fees and Rebates,” which governs pricing for Nasdaq Participants using The Nasdaq Options Market LLC (“NOM”), Nasdaq’s facility for executing and routing standardized equity and index options. The Exchange proposes to amend an incentive offered today related to its subsidy program, the Market Access and Routing Subsidy or “MARS.”

While the changes proposed herein are effective upon filing, the Exchange has designated the amendments become operative on August 1, 2018.

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

(b) Not applicable.

(c) Not applicable.

2. Procedures of the Self-Regulatory Organization

The proposed rule change was approved by senior management of the Exchange pursuant to authority delegated by the Board of Directors (the “Board”) on September 19, 2017. 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.

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

Questions and comments on the proposed rule change may be directed to:

Sun Kim
Associate General Counsel
Nasdaq, Inc.
212-231-5106

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

a. Purpose

NOM proposes to amend the Exchange's pricing at Chapter XV, Section 2 entitled "Nasdaq Options Market – Fees and Rebates." Specifically, the Exchange proposes to amend an incentive in note "d" offered to NOM Participants that qualify for any MARS Payment Tier in Chapter XV, Section 2(6) related to the MARS subsidy program. MARS pays a subsidy to NOM Participants that provide certain order routing functionalities to other NOM Participants and/or use such functionalities themselves.³

Background on MARS

Today, to qualify for MARS, a NOM Participant's routing system (hereinafter "System") is required to meet certain criteria.⁴

³ Generally, under MARS, the Exchange pays participating NOM Participants to subsidize their costs of providing routing services to route orders to NOM. The Exchange believes that the proposed amendment to MARS will continue to attract higher volumes of electronic equity and ETF options volume to the Exchange from non-NOM Participants as well as NOM Participants. The order routing functionalities permit NOM Participants to provide access and connectivity to other Participants as well as utilize such access for themselves. The Exchange notes that one NOM Participant is eligible for payments under MARS, while another NOM Participant might potentially be liable for transaction charges associated with the execution of the order, because those orders were delivered to the Exchange through a NOM Participant's connection to the Exchange and that Participant qualified for the MARS Payment.

⁴ Specifically the Participant's System is required to: (1) enable the electronic routing of orders to all of the U.S. options exchanges, including NOM; (2) provide current consolidated market data from the U.S. options exchanges; and

MARS Payments are made to NOM Participants that have System Eligibility and have routed the requisite number of Eligible Contracts daily in a month (“Average Daily Volume”), which were executed on NOM.⁵ Today, NOM Participants that have System Eligibility and have executed the requisite number of Eligible Contracts in a month will be paid the following rebates:⁶

(3) be capable of interfacing with NOM’s API to access current NOM match engine functionality. The Participant’s System would also need to cause NOM to be one of the top three default destination exchanges for (a) individually executed marketable orders if NOM is at the national best bid or offer (“NBBO”), regardless of size or time, or (b) orders that establish a new NBBO on NOM’s Order Book, but allow any user to manually override NOM as a default destination on an order-by-order basis. Any NOM Participant is permitted to avail itself of this arrangement, provided that its order routing functionality incorporates the features described herein and the Participant satisfies NOM that it appears to be robust and reliable. Participants remain solely responsible for implementing and operating its System.

⁵ For the purpose of qualifying for the MARS Payment, Eligible Contracts may include Firm, Non-NOM Market Maker, Broker-Dealer, or Joint Back Office or “JBO” equity option orders that add liquidity and are electronically delivered and executed. Eligible Contracts do not include Mini Option orders.

⁶ The specified MARS Payments are paid on all executed Eligible Contracts that add liquidity, which are routed to NOM through a participating NOM Participant’s System and meet the requisite Eligible Contracts ADV. No payments are made with respect to orders that are routed to NOM, but not executed. Also, a Participant is not entitled to receive any other revenue from the Exchange for the use of its System specifically with respect to orders routed to NOM.

Tiers	Average Daily Volume (“ADV”)	MARS Payment (Penny)	MARS Payment (Non- Penny)
1	2,000	\$0.07	\$0.15
2	5,000	\$0.09	\$0.20
3	10,000	\$0.11	\$0.30
4	20,000	\$0.15	\$0.50
5	45,000	\$0.17	\$0.60

NOM Participants that qualify for Customer⁷ and Professional⁸ Penny Pilot Options Rebate to Add Liquidity Tier 6 will receive an extra \$0.09 per contract rebate in addition to any MARS Payment tier on MARS Eligible Contracts the NOM Participant qualifies for in a given month.

Incentive

Today, the Exchange pays certain Customer and Professional Penny Pilot Options Rebates to Add Liquidity. These rebates are structured as a 6 tier rebate program ranging from \$0.20 to \$0.48 per contract, with increasing volume requirements for each tier. In addition to the Customer and Professional Penny Pilot Options Rebates to Add Liquidity, the NOM Participant may also qualify for an additional rebate provided the NOM Participant qualifies for any MARS Payment Tier for each transaction which adds

⁷ The term “Customer” or (“C”) applies to any transaction that is identified by a Participant for clearing in the Customer range at The Options Clearing Corporation which is not for the account of broker or dealer or for the account of a “Professional.” See Chapter XV.

⁸ The term “Professional” or (“P”) means any person or entity that (i) is not a broker or dealer in securities, and (ii) places more than 390 orders in listed options per day on average during a calendar month for its own beneficial account(s) pursuant to Chapter I, Section 1(a)(48). All Professional orders shall be appropriately marked by Participants. See Chapter XV.

liquidity in Penny Pilot Options in that month. Further, the Exchange pays an additional \$0.04 per contract Penny Pilot Options Customer and/or Professional Rebate to Add Liquidity for each transaction which adds liquidity in Penny Pilot Options in that month, in addition to qualifying Penny Pilot Options Customer and/or Professional Rebate to Add Liquidity Tiers 1-6.⁹ Also, today, NOM Participants that qualify for a note “c” incentive receive the greater of the note “c” or note “d” incentive.¹⁰

The Exchange now proposes to amend note “d” to increase the additional \$0.04 per contract Penny Pilot Options Customer and/or Professional Rebate to Add Liquidity currently offered to NOM Participants that qualify for any MARS Payment Tier in addition to qualifying for Customer and/or Professional Rebate to Add Liquidity Tier 1 to \$0.05 per contract for each transaction which adds liquidity in Penny Pilot Options in that month. For those NOM Participants that qualify for Customer and/or Professional Rebate to Add Liquidity Tiers 2-6, the Exchange will continue to provide the additional \$0.04 per contract rebate for each transaction that adds liquidity in Penny Pilot Options in that month, provided the NOM Participant also qualifies for any MARS Payment Tier.

b. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act,¹¹ in general, and furthers the objectives of Sections 6(b)(4) and 6(b)(5) of the Act,¹²

⁹ See Chapter XV, Section 2(1), note “d.”

¹⁰ The note “c” incentive can be found at Chapter XV, Section 2(1) and provides additional incentives to NOM Participants that qualify for the Penny Pilot Options Customer and/or Professional Rebate to Add Liquidity Tier 6 in addition to meeting certain criteria specified in note “c”.

¹¹ 15 U.S.C. 78f(b).

¹² 15 U.S.C. 78f(b)(4) and (5).

in particular, in that it provides for the equitable allocation of reasonable dues, fees and other charges among Participants and issuers and other persons using any facility or system which the Exchange operates or controls, and is not designed to permit unfair discrimination between customers, issuers, brokers, or dealers.

The Exchange believes it is reasonable to amend note “d” in Chapter XV, Section 2(1) to increase the additional \$0.04 per contract rebate for NOM Participants qualifying for Penny Pilot Options Customer and/or Professional Rebate to Add Liquidity Tier 1 in addition to qualifying for any MARS Payment tier to \$0.05 per contract for each transaction that adds liquidity in Penny Pilot Options for that month. The proposed amendment should continue to encourage NOM Participants to qualify for the Penny Pilot Options Customer and/or Professional Rebate to Add Liquidity Tier 1 in addition to any MARS Payment tier, thereby executing a greater amount of order flow on NOM to the benefit of all market participants who may interact with the order flow. Furthermore, the proposed changes will allow the Exchange to remain competitive with other options exchanges that offer similar incentives.¹³

Further, the Exchange’s proposal to amend the note “d” incentive as described above is equitable and not unfairly discriminatory. All NOM Participants are eligible to qualify for a MARS Payment, provided they have System Eligibility, and all NOM

¹³ See MIA X PEARL Fee Schedule, Section 1)a). MIA X PEARL offers priority customers and non-priority customers a \$0.25 per contract maker rebate in tier 1 for adding liquidity in penny classes. See Cboe BZX Options Exchange (“BZX”) Fee Schedule. BZX offers customers and professionals a base rebate of \$0.25 per contract for adding liquidity in penny pilot options. Under NOM’s proposal, NOM Participants would similarly have the opportunity to earn up a \$0.25 per contract Penny Pilot Options Customer and/or Professional Rebate to Add Liquidity in Tier 1 (i.e., the \$0.20 per contract Tier 1 rebate plus the additional \$0.05 note “d” incentive), provided they meet the requisite qualifications.

Participants may be eligible for the Penny Pilot Options Customer and/or Professional Rebate to Add Liquidity Tier 1 provided they execute qualifying volume. All NOM Participants are eligible to qualify for the note “d” incentive provided the requisite requirements are met. The Exchange would uniformly pay the additional note “d” incentive to all qualifying NOM Participants.

3. Self-Regulatory Organization’s Statement on Burden on Competition

The Exchange does not believe that the proposed rule change will impose any burden on competition not necessary or appropriate in furtherance of the purposes of the Act. The Exchange’s proposal to amend the note “d” incentive as described above does not impose an undue burden on competition. All NOM Participants are eligible to qualify for a MARS Payment, provided they have System Eligibility, and all NOM Participants may be eligible for a Penny Pilot Options Customer and/or Professional Rebate to Add Liquidity provided they execute qualifying volume. All NOM Participants are eligible to qualify for the note “d” incentive provided the requisite requirements are met. The Exchange would uniformly pay the additional note “d” incentive to all qualifying NOM Participants. Furthermore, 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. The Exchange’s proposal reflects this competitive environment as it will allow the Exchange remain competitive with other options exchanges that offer similar incentives, as discussed above.¹⁴

¹⁴ See note 13 above.

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,¹⁵ Nasdaq has designated this proposal as establishing or changing a due, fee, or other charge imposed by the self-regulatory organization on any person, whether or not the person is a Participant 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.

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

Not applicable.

¹⁵ 15 U.S.C. 78s(b)(3)(A)(ii).

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

Not applicable.

11. Exhibits

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

EXHIBIT 1

SECURITIES AND EXCHANGE COMMISSION
(Release No. _____ ; File No. SR-NASDAQ-2018-063)

July __, 2018

Self-Regulatory Organizations; The Nasdaq Stock Market LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to amend the Exchange’s pricing at Chapter XV, Section 2 entitled “Nasdaq Options Market – Fees and Rebates.”

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 31, 2018, 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 pricing at Chapter XV, Section 2 entitled “Nasdaq Options Market – Fees and Rebates,” which governs pricing for Nasdaq Participants using The Nasdaq Options Market LLC (“NOM”), Nasdaq’s facility for executing and routing standardized equity and index options. The Exchange proposes to amend an incentive offered today related to its subsidy program, the Market Access and Routing Subsidy or “MARS.”

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

While the changes proposed herein are effective upon filing, the Exchange has designated the amendments become operative on August 1, 2018.

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

NOM proposes to amend the Exchange's pricing at Chapter XV, Section 2 entitled "Nasdaq Options Market – Fees and Rebates." Specifically, the Exchange proposes to amend an incentive in note "d" offered to NOM Participants that qualify for any MARS Payment Tier in Chapter XV, Section 2(6) related to the MARS subsidy program. MARS pays a subsidy to NOM Participants that provide certain order routing functionalities to other NOM Participants and/or use such functionalities themselves.³

³ Generally, under MARS, the Exchange pays participating NOM Participants to subsidize their costs of providing routing services to route orders to NOM. The Exchange believes that the proposed amendment to MARS will continue to attract higher volumes of electronic equity and ETF options volume to the Exchange from non-NOM Participants as well as NOM Participants. The order routing functionalities permit NOM Participants to provide access and connectivity to

Background on MARS

Today, to qualify for MARS, a NOM Participant's routing system (hereinafter "System") is required to meet certain criteria.⁴

MARS Payments are made to NOM Participants that have System Eligibility and have routed the requisite number of Eligible Contracts daily in a month ("Average Daily Volume"), which were executed on NOM.⁵ Today, NOM Participants that have System Eligibility and have executed the requisite number of Eligible Contracts in a month will be paid the following rebates:⁶

other Participants as well as utilize such access for themselves. The Exchange notes that one NOM Participant is eligible for payments under MARS, while another NOM Participant might potentially be liable for transaction charges associated with the execution of the order, because those orders were delivered to the Exchange through a NOM Participant's connection to the Exchange and that Participant qualified for the MARS Payment.

⁴ Specifically the Participant's System is required to: (1) enable the electronic routing of orders to all of the U.S. options exchanges, including NOM; (2) provide current consolidated market data from the U.S. options exchanges; and (3) be capable of interfacing with NOM's API to access current NOM match engine functionality. The Participant's System would also need to cause NOM to be one of the top three default destination exchanges for (a) individually executed marketable orders if NOM is at the national best bid or offer ("NBBO"), regardless of size or time, or (b) orders that establish a new NBBO on NOM's Order Book, but allow any user to manually override NOM as a default destination on an order-by-order basis. Any NOM Participant is permitted to avail itself of this arrangement, provided that its order routing functionality incorporates the features described herein and the Participant satisfies NOM that it appears to be robust and reliable. Participants remain solely responsible for implementing and operating its System.

⁵ For the purpose of qualifying for the MARS Payment, Eligible Contracts may include Firm, Non-NOM Market Maker, Broker-Dealer, or Joint Back Office or "JBO" equity option orders that add liquidity and are electronically delivered and executed. Eligible Contracts do not include Mini Option orders.

⁶ The specified MARS Payments are paid on all executed Eligible Contracts that add liquidity, which are routed to NOM through a participating NOM Participant's System and meet the requisite Eligible Contracts ADV. No

Tiers	Average Daily Volume (“ADV”)	MARS Payment (Penny)	MARS Payment (Non- Penny)
1	2,000	\$0.07	\$0.15
2	5,000	\$0.09	\$0.20
3	10,000	\$0.11	\$0.30
4	20,000	\$0.15	\$0.50
5	45,000	\$0.17	\$0.60

NOM Participants that qualify for Customer⁷ and Professional⁸ Penny Pilot Options Rebate to Add Liquidity Tier 6 will receive an extra \$0.09 per contract rebate in addition to any MARS Payment tier on MARS Eligible Contracts the NOM Participant qualifies for in a given month.

Incentive

Today, the Exchange pays certain Customer and Professional Penny Pilot Options Rebates to Add Liquidity. These rebates are structured as a 6 tier rebate program ranging from \$0.20 to \$0.48 per contract, with increasing volume requirements for each tier. In addition to the Customer and Professional Penny Pilot Options Rebates to Add Liquidity,

payments are made with respect to orders that are routed to NOM, but not executed. Also, a Participant is not entitled to receive any other revenue from the Exchange for the use of its System specifically with respect to orders routed to NOM.

⁷ The term “Customer” or (“C”) applies to any transaction that is identified by a Participant for clearing in the Customer range at The Options Clearing Corporation which is not for the account of broker or dealer or for the account of a “Professional.” See Chapter XV.

⁸ The term “Professional” or (“P”) means any person or entity that (i) is not a broker or dealer in securities, and (ii) places more than 390 orders in listed options per day on average during a calendar month for its own beneficial account(s) pursuant to Chapter I, Section 1(a)(48). All Professional orders shall be appropriately marked by Participants. See Chapter XV.

the NOM Participant may also qualify for an additional rebate provided the NOM Participant qualifies for any MARS Payment Tier for each transaction which adds liquidity in Penny Pilot Options in that month. Further, the Exchange pays an additional \$0.04 per contract Penny Pilot Options Customer and/or Professional Rebate to Add Liquidity for each transaction which adds liquidity in Penny Pilot Options in that month, in addition to qualifying Penny Pilot Options Customer and/or Professional Rebate to Add Liquidity Tiers 1-6.⁹ Also, today, NOM Participants that qualify for a note “c” incentive receive the greater of the note “c” or note “d” incentive.¹⁰

The Exchange now proposes to amend note “d” to increase the additional \$0.04 per contract Penny Pilot Options Customer and/or Professional Rebate to Add Liquidity currently offered to NOM Participants that qualify for any MARS Payment Tier in addition to qualifying for Customer and/or Professional Rebate to Add Liquidity Tier 1 to \$0.05 per contract for each transaction which adds liquidity in Penny Pilot Options in that month. For those NOM Participants that qualify for Customer and/or Professional Rebate to Add Liquidity Tiers 2-6, the Exchange will continue to provide the additional \$0.04 per contract rebate for each transaction that adds liquidity in Penny Pilot Options in that month, provided the NOM Participant also qualifies for any MARS Payment Tier.

⁹ See Chapter XV, Section 2(1), note “d.”

¹⁰ The note “c” incentive can be found at Chapter XV, Section 2(1) and provides additional incentives to NOM Participants that qualify for the Penny Pilot Options Customer and/or Professional Rebate to Add Liquidity Tier 6 in addition to meeting certain criteria specified in note “c”.

2. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act,¹¹ in general, and furthers the objectives of Sections 6(b)(4) and 6(b)(5) of the Act,¹² in particular, in that it provides for the equitable allocation of reasonable dues, fees and other charges among Participants and issuers and other persons using any facility or system which the Exchange operates or controls, and is not designed to permit unfair discrimination between customers, issuers, brokers, or dealers.

The Exchange believes it is reasonable to amend note “d” in Chapter XV, Section 2(1) to increase the additional \$0.04 per contract rebate for NOM Participants qualifying for Penny Pilot Options Customer and/or Professional Rebate to Add Liquidity Tier 1 in addition to qualifying for any MARS Payment tier to \$0.05 per contract for each transaction that adds liquidity in Penny Pilot Options for that month. The proposed amendment should continue to encourage NOM Participants to qualify for the Penny Pilot Options Customer and/or Professional Rebate to Add Liquidity Tier 1 in addition to any MARS Payment tier, thereby executing a greater amount of order flow on NOM to the benefit of all market participants who may interact with the order flow. Furthermore, the proposed changes will allow the Exchange to remain competitive with other options exchanges that offer similar incentives.¹³

¹¹ 15 U.S.C. 78f(b).

¹² 15 U.S.C. 78f(b)(4) and (5).

¹³ See MIAx PEARL Fee Schedule, Section 1)a). MIAx PEARL offers priority customers and non-priority customers a \$0.25 per contract maker rebate in tier 1 for adding liquidity in penny classes. See Cboe BZX Options Exchange (“BZX”) Fee Schedule. BZX offers customers and professionals a base rebate of \$0.25 per contract for adding liquidity in penny pilot options. Under NOM’s proposal, NOM Participants would similarly have the opportunity to earn up a \$0.25 per

Further, the Exchange's proposal to amend the note "d" incentive as described above is equitable and not unfairly discriminatory. All NOM Participants are eligible to qualify for a MARS Payment, provided they have System Eligibility, and all NOM Participants may be eligible for the Penny Pilot Options Customer and/or Professional Rebate to Add Liquidity Tier 1 provided they execute qualifying volume. All NOM Participants are eligible to qualify for the note "d" incentive provided the requisite requirements are met. The Exchange would uniformly pay the additional note "d" incentive to all qualifying NOM Participants.

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

The Exchange does not believe that the proposed rule change will impose any burden on competition not necessary or appropriate in furtherance of the purposes of the Act. The Exchange's proposal to amend the note "d" incentive as described above does not impose an undue burden on competition. All NOM Participants are eligible to qualify for a MARS Payment, provided they have System Eligibility, and all NOM Participants may be eligible for a Penny Pilot Options Customer and/or Professional Rebate to Add Liquidity provided they execute qualifying volume. All NOM Participants are eligible to qualify for the note "d" incentive provided the requisite requirements are met. The Exchange would uniformly pay the additional note "d" incentive to all qualifying NOM Participants. Furthermore, 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

contract Penny Pilot Options Customer and/or Professional Rebate to Add Liquidity in Tier 1 (i.e., the \$0.20 per contract Tier 1 rebate plus the additional \$0.05 note "d" incentive), provided they meet the requisite qualifications.

opportunities available at other venues to be more favorable. The Exchange's proposal reflects this competitive environment as it will allow the Exchange remain competitive with other options exchanges that offer similar incentives, as discussed above.¹⁴

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.¹⁵

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

¹⁴ See note 13 above.

¹⁵ 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-2018-063 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-2018-063. 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-2018-063 and should be submitted on or before [insert date 21 days from publication in the Federal Register].

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

Eduardo A. Aleman
Assistant Secretary

¹⁶ 17 CFR 200.30-3(a)(12).

EXHIBIT 5

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

The Nasdaq Stock Market Rules

* * * * *

Chapter XV Options Pricing

* * * * *

Sec. 2 Nasdaq Options Market—Fees and Rebates

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

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

	Customer	Professional	Firm	Non-NOM Market Maker	NOM Market Maker	Broker- Dealer
Penny Pilot Options:						
Rebate to Add Liquidity	*** d, e, f	*** d, e, f	\$0.10	\$0.10	#	\$0.10
Fee for Removing Liquidity	\$0.50 ^{3, 4}	\$0.50 ^{3, 4}	\$0.50	\$0.50 ²	\$0.50 ²	\$0.50
Non-Penny Pilot Options:						
Fee for Adding Liquidity	N/A	N/A	\$0.45	\$0.45	\$0.35 ⁵	\$0.45
Fee for Removing Liquidity	\$0.85	\$0.85	\$1.10	\$1.10	\$1.10	\$1.10
Rebate to Add Liquidity	\$0.80 ^{1, e, f}	\$0.80 ^{1, e, f}	N/A	N/A	\$0.30 ^{5, 6}	N/A

¹A Participant that qualifies for Customer or Professional Penny Pilot Options Rebate to Add Liquidity Tiers 2, 3, 4, or 5 in a month will receive an additional \$0.10 per contract Non-Penny Pilot Options Rebate to Add Liquidity for each transaction which adds liquidity in Non-Penny Pilot Options in that month. A Participant that qualifies for Customer or Professional Penny Pilot Options Rebate to Add Liquidity Tier 6 in a month

will receive an additional \$0.20 per contract Non-Penny Pilot Options Rebate to Add Liquidity for each transaction which adds liquidity in Non-Penny Pilot Options in that month.

²Participants that add 1.30% of Customer, Professional, Firm, Broker-Dealer or Non-NOM Market Maker liquidity in Penny Pilot Options and/or Non-Penny Pilot Options of total industry customer equity and ETF option ADV contracts per day in a month will be subject to the following pricing applicable to executions: a \$0.48 per contract Penny Pilot Options Fee for Removing Liquidity when the Participant is (i) both the buyer and the seller or (ii) the Participant removes liquidity from another Participant under Common Ownership.

Participants that add 1.50% of Customer, Professional, Firm, Broker-Dealer or Non-NOM Market Maker liquidity in Penny Pilot Options and/or Non-Penny Pilot Options of total industry customer equity and ETF option ADV contracts per day in a month and meet or exceed the cap for The Nasdaq Stock Market Opening Cross during the month will be subject to the following pricing applicable to executions less than 10,000 contracts: a \$0.32 per contract Penny Pilot Options Fee for Removing Liquidity when the Participant is (i) both the buyer and seller or (ii) the Participant removes liquidity from another Participant under Common Ownership.

Participants that add 1.75% of Customer, Professional, Firm, Broker-Dealer or Non-NOM Market Maker liquidity in Penny Pilot Options and/or Non-Penny Pilot Options of total industry customer equity and ETF option ADV contracts per day in a month will be subject to the following pricing applicable to executions less than 10,000 contracts: a \$0.32 per contract Penny Pilot Options Fee for Removing Liquidity when the Participant is (i) both the buyer and seller or (ii) the Participant removes liquidity from another Participant under Common Ownership.

³A Customer or Professional that removes liquidity in SPY Options will be assessed a fee of \$0.49 per contract.

⁴ NOM Participants that qualify for any MARS Payment Tier in Section (6) will be assessed a Customer or Professional Penny Pilot Options Fee for Removing Liquidity of \$0.48 per contract, excluding SPY.

⁵ The NOM Market Maker Fee for Adding Liquidity in Non-Penny Pilot Options will apply unless Participants meet the volume thresholds set forth in this note. Participants that add NOM Market Maker liquidity in Non-Penny Pilot Options of 7,500 to 9,999 ADV contracts per day in a month will be assessed a \$0.00 per contract Non-Penny Options Fee for Adding Liquidity in that month. Participants that add NOM Market Maker liquidity in Non-Penny Pilot Options of 10,000 or more ADV contracts per day in a month will receive the Non-Penny Rebate to Add Liquidity for that month instead of paying the Non-Penny Fee for Adding Liquidity.

⁶ Participants that qualify for the Tier 6 NOM Market Maker Rebate to Add Liquidity in Penny Pilot Options will receive a \$0.86 per contract NOM Market Maker Rebate to Add Liquidity in Non-Penny Pilot Options. Participants that qualify for a note "5" incentive will receive the greater of the note "5" or note "6" incentive.

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

Monthly Volume	Rebate to Add Liquidity
Tier 1 Participant adds Customer, Professional, Firm, Non-NOM Market Maker and/or Broker-Dealer liquidity in Penny Pilot Options and/or Non-Penny Pilot Options of up to 0.10% of total industry customer equity and ETF option average daily volume ("ADV") contracts per day in a month	\$0.20
Tier 2 Participant adds Customer, Professional, Firm, Non-NOM Market Maker and/or Broker-Dealer liquidity in Penny Pilot Options and/or Non-Penny Pilot Options above 0.10% to 0.20% of total industry customer equity and ETF option ADV contracts per day in a month	\$0.25
Tier 3 Participant adds Customer, Professional, Firm, Non-NOM Market Maker and/or Broker-Dealer liquidity in Penny Pilot Options and/or Non-Penny Pilot Options above 0.20% to 0.30% of total industry customer equity and ETF option ADV contracts per day in a month	\$0.42
Tier 4 Participant adds Customer, Professional, Firm, Non-NOM Market Maker and/or Broker-Dealer liquidity in Penny Pilot Options and/or Non-Penny Pilot Options above 0.30% to 0.40% of total industry customer equity and ETF option ADV contracts per day in a month	\$0.43
Tier 5 Participant adds Customer, Professional, Firm, Non-NOM Market Maker and/or Broker-Dealer liquidity in Penny Pilot Options and/or Non-Penny Pilot Options above 0.40% to 0.75% of total industry customer equity and ETF option ADV contracts per day in a month	\$0.45
Tier 6 Participant adds Customer, Professional, Firm, Non-NOM Market Maker and/or Broker-Dealer liquidity in Penny Pilot Options and/or Non-Penny Pilot Options above 0.75% or more of total industry customer equity and ETF option ADV contracts per day in a month, or Participant adds: (1) Customer and/or Professional liquidity in Penny Pilot Options and/or Non-Penny Pilot Options of 0.20% or more of total industry customer equity and ETF option ADV contracts per day in a month, and (2) has added liquidity in all securities through one or more of its Nasdaq Market Center MPIDs that represent 1.00% or more of Consolidated Volume in a month or qualifies for MARS (defined below)	\$0.48 ^c

^aReserved.

^bReserved.

^c Participants that: (1) add Customer, Professional, Firm, Non-NOM Market Maker and/or Broker-Dealer liquidity in Penny Pilot Options and/or Non-Penny Pilot Options of 1.15% or more of total industry customer equity and ETF option ADV contracts per day in a month will receive an additional \$0.02 per contract Penny Pilot Options Customer and/or Professional Rebate to Add Liquidity for each transaction which adds liquidity in Penny Pilot Options in that month; or (2) add Customer, Professional, Firm, Non-NOM Market Maker and/or Broker-Dealer liquidity in Penny Pilot Options and/or Non-Penny Pilot Options of 1.30% or more of total industry customer equity and ETF option ADV contracts per day in a month will receive an additional \$0.05 per contract Penny Pilot Options Customer and/or Professional Rebate to Add Liquidity for each transaction which adds liquidity in Penny Pilot Options in that month; or (3) (a) add Customer, Professional, Firm, Non-NOM Market Maker and/or Broker-Dealer liquidity in Penny Pilot Options and/or Non-Penny Pilot Options above 0.80% of total industry customer equity and ETF option ADV contracts per day in a month, (b) add Customer, Professional, Firm, Non-NOM Market Maker and/or Broker-Dealer liquidity in Non-Penny Pilot Options above 0.15% of total industry customer equity and ETF option ADV contracts per day in a month, and (c) execute greater than 0.04% of Consolidated Volume ("CV") via Market-on-Close/Limit-on-Close ("MOC/LOC") volume within The Nasdaq Stock Market Closing Cross within a month will receive an additional \$0.05 per contract Penny Pilot Options Customer and/or Professional Rebate to Add Liquidity for each transaction which adds liquidity in Penny Pilot Options in a month. Consolidated Volume shall mean the total consolidated volume reported to all consolidated transaction reporting plans by all exchanges and trade reporting facilities during a month in equity securities, excluding executed orders with a size of less than one round lot. For purposes of calculating Consolidated Volume and the extent of an equity member's trading activity, expressed as a percentage of or ratio to Consolidated Volume, the date of the annual reconstitution of the Russell Investments Indexes shall be excluded from both total Consolidated Volume and the member's trading activity.

^d NOM Participants that qualify for any MARS Payment Tier in Section (6) will receive: (1) an additional \$0.05 per contract Penny Pilot Options Customer and/or Professional Rebate to Add Liquidity for each transaction which adds liquidity in Penny Pilot Options in that month, in addition to qualifying Customer and/or Professional Rebate to Add Liquidity Tier 1, or (2) an additional \$0.04 per contract Penny Pilot Options Customer and/or Professional Rebate to Add Liquidity for each transaction which adds liquidity in Penny Pilot Options in that month, in addition to qualifying Penny Pilot Options Customer and/or Professional Rebate to Add Liquidity Tiers [1]2-6. NOM Participants that qualify for a note "c" incentive will receive the greater of the note "c" or note "d" incentive.

^e NOM Participants that transact in all securities through one or more of its Nasdaq Market Center MPIDs that represent 3.00% or more of Consolidated Volume in the same month on The Nasdaq Stock Market will receive a \$0.52 per contract rebate to add liquidity in Penny Pilot Options as Customer or Professional and \$1.00 per contract rebate to add liquidity in Non-Penny Pilot Options as Customer or Professional. Participants that qualify for this rebate would not be eligible for any other rebates in Tiers

1-6 or other rebate incentives on NOM for Customer and Professional order flow in Chapter XV, Section 2(1).

^f NOM Participants that (a) add Customer, Professional, Firm, Non-NOM Market Maker and/or Broker-Dealer liquidity in Penny Pilot Options and/or Non-Penny Pilot Options above 1.20% of total industry customer equity and ETF option ADV contracts per day in a month, (b) execute greater than 0.04% of Consolidated Volume ("CV") via Market-on-Close/Limit-on-Close ("MOC/LOC") volume within The Nasdaq Stock Market Closing Cross within a month, and (c) add greater than 1.5 million shares per day of nondisplayed volume within The Nasdaq Stock Market within a month will receive a \$0.55 per contract rebate to add liquidity in Penny Pilot Options as Customer or Professional and \$1.05 per contract rebate to add liquidity in Non-Penny Pilot Options as Customer or Professional. Participants that qualify for this rebate would not be eligible for any other rebates in Tiers 1-6 or other rebate incentives on NOM for Customer and Professional order flow in Chapter XV, Section 2(1).

* * * * *