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December 11, 2015

Mr. Brent J. Fields
Secretary
U.S. Securities and Exchange Commission
100 F Street NE
Washington, DC 20549

Re: File No. SR-NASDAQ-2015-112; Release No. 34-75987

Dear Mr. Fields:

This comment response letter supplements the previous comment response letter ("Initial Letter") dated October 22, 2015 from The NASDAQ Stock Market LLC[1] ("Nasdaq" or "Exchange") and responds to the two comment letters[2] received in connection with a proposal filed by with the Securities and Exchange Commission ("Commission") to amend Nasdaq Rule 4758 (Order Routing) to adopt a new routing option, the Retail Order Process ("RTFY").[3]

The overarching goal of RTFY is to enhance execution quality and benefit retail investors by providing price improvement opportunities to retail order flow for Designated Retail Orders ("DROs"). As stated both in the RTFY Filing and the Initial Letter, when RTFY orders are routed, Nasdaq will incur the standard fee or will receive the standard rebate (where applicable) as per the destination's standard fee schedule, but will not accept any negotiated payment for

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1 The Initial Letter is posted on http://www.sec.gov/comments/sr-nasdaq-2015-112/nasdaq2015112.shtml.

2 See Letter from Joseph Saluzzi, Themis Trading LLC, dated September 29, 2015 and Letter from Suzanne Shatto, dated October 6, 2015. The letters are posted on http://www.sec.gov/comments/sr-nasdaq-2015-112/nasdaq2015112.shtml.

3 Securities Exchange Act Release No. 75987 (September 25, 2015), 80 FR 59210 (October 1, 2015)(SR-NASDAQ-2015-112) ("RTFY Filing").

order flow. The Exchange believes that this approach will bolster price improvement opportunity for RTFY orders because each venue will focus on execution quality rather than competing on transaction fees. The Exchange notes that it has had conversations with several potential destinations that support this belief. Further, while some destinations agree to a guaranteed minimum price improvement per share, others focus more on the average price improvement. Certain destinations are unsure of what the level of price improvement will be, but provide assurances that they will compete vigorously with their execution quality. Consequently, the Exchange strongly believes that the competition for these orders, and thus the resulting execution quality, will be better than what is experienced today.

Nasdaq realizes that taking a destination's assurance on execution quality is not sufficient. Therefore, the Exchange notes that it is within the best execution committee's (the "Committee")[4] authority, discretion, and obligation to review and determine the structure and destinations in the System routing table[5] ("Table"). The Committee reviews the performance of routing destinations on a regular basis for all routing and the same will be true for RTFY. If the Committee determines that a particular routing destination is underperforming based on various parameters (e.g., price improvement, fill rate, latency, etc.), the Committee may either remove that destination altogether from the Table or lower its priority within the Table.[6] This process ensures that these destinations will compete aggressively with each other in order to receive RTFY orders. As previously mentioned, the Exchange expects that such competition will be primarily based on price improvement, but also on other parameters such as fill rate or latency that will benefit end users of the RTFY strategy - individual retail investors.

Also, as noted in the RTFY proposal and one of the comment letters, there is some chance that orders that are routed under the RTFY routing option could miss executions at the Exchange. First, it is important to note that this scenario, which many would deem a *race condition*, exists in all routing of orders. When one destination is chosen over another, there is always a possibility that an execution will be missed. Further, the very tenets of today's market

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4 The Committee consists of several internal Nasdaq employees representing product management, internal audit, economic research, broker-dealer compliance, and market operations.

5 The term "System routing table" refers to the proprietary process for determining the specific trading venues to which the System routes orders and the order in which it routes them. Nasdaq reserves the right to maintain a different System routing table for different routing options and to modify the System routing table at any time without notice. See Nasdaq Rule 4758(a)(1)(A).

6 It is worth noting that in the past, the Committee has moved a venue down within the Table due, in part, to an unsatisfactory fill rate. On another occasion, the Committee has moved a venue down within the Table because its average price improvement and latency profile did not justify its higher place within the Table relative to other destinations.

structure that requires routing firms to route to all better prices before accessing inferior prices[7] may lead to missed executions at the formerly inferior prices. Even so, it is the Exchange's belief that any chance of an RTFY order missing a better price at the Exchange is miniscule. The Exchange is proposing this new routing option to attract passive non-marketable order to post on the Exchange by offering a new way for the users to experience price improvement when and if the non-marketable flow becomes marketable in transit to the Exchange. The portion of orders that will actually be routed due to this non-marketable to marketable progression is small,[8] plus the chances of a missed execution represent some small portion thereof (i.e., it is a small portion of a small portion). Additionally, missed executions often may be due to latency in away destinations systems. As noted previously, latency is one of the parameters that the Committee considers in its regular reviews of routing destinations. Thus, destinations causing undue latency that may lead to missed executions or inferior execution prices would lose their priority within the Table or be removed altogether.[9]

If it turns out that the small portion of RTFY orders that end up being routed to away destinations do not experience high quality of execution, which is contrary to what the Exchange expects, Nasdaq will fail to win significant order flow. The end investors will at worst experience the current level of execution quality - the existing competition among exchanges will persist and the orders will be sent to the venues that provide the best execution quality. In this case, which the Exchange believes is unlikely, Nasdaq loses but the end investor still wins.

Nasdaq strongly believes that the approval of RTFY by the Commission will further promote intense competition among exchanges and other venues and help to drive price improvement and overall execution quality higher for end retail investors.

Nasdaq appreciates the opportunity to address the Commission and respectfully requests that it approve SR-NASDAQ-2015-112.

Respectfully Submitted,

Jonathan F. Cayne

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7 Securities Exchange Act Release No. 51808 (June 9, 2005), 70 FR 37496 (June 29, 2005). See 17 CFR 242.611.

8 The Exchange notes that based on its estimates approximately 2.6% of orders deemed to be non-marketable ultimately result in marketable orders that will be routed under the RTFY routing option.

9 Supra note 6.