SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-70614; File No. SR-NASDAQ-2013-129)

October 4, 2013

Self-Regulatory Organizations; The NASDAQ Stock Market LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Amend its Schedule of Fees and Credits Applicable to Execution and Routing of Orders in Securities Priced at $1 or More Per Share Under Rule 7018

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act")[1], and Rule 19b-4[2] thereunder, notice is hereby given that on September 27, 2013, 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 NASDAQ. 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 the Substance of the Proposed Rule Change

NASDAQ is proposing amend its schedule of fees and credits applicable to execution and routing of orders in securities priced at $1 or more per share under Rule 7018. NASDAQ will implement the proposed rule change on October 1, 2013.

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

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

2 17 CFR 240.19b-4.

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

In its filing with the Commission, the Exchange included statements concerning the purpose of and basis for the proposed rule change. 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

NASDAQ is proposing several changes to its schedule of fees and credits applicable to execution and routing of orders in securities priced at $1 or more per share under Rule 7018. First, NASDAQ currently offers a credit of $0.0020 per share executed for midpoint pegged and midpoint post-only orders ("midpoint orders") that provide liquidity if a member provides an average daily volume of more than 5 million shares through midpoint orders during the month and the member's average daily volume of liquidity provided through midpoint orders during the month is at least 2 million shares more than in April 2013. NASDAQ is proposing to eliminate this pricing tier for midpoint orders, because no member has ever qualified for it. Accordingly, NASDAQ believes that the tier has been ineffective at encouraging members to make greater use of midpoint orders, and may be eliminated without member impact. Under tiers that will remain in place, NASDAQ pays a credit of $0.0017 per share executed for midpoint orders if the member provides an average daily volume of 5 million or more shares through midpoint orders during the month (without any requirement for an increase above prior levels), and a credit of $0.0014 per share executed for midpoint orders if the member provides an average daily volume of less than 5 million shares through midpoint orders during the month.

Second, NASDAQ is modifying certain routing fees applicable to orders routed to NASDAQ OMX PSX ("PSX"), so that the applicable fees for routing to that venue will be generally consistent with fees for routing to other venues. Specifically, NASDAQ currently charges $0.0028 per share executed for orders using the SOLV or SAVE routing strategies[3] that execute at PSX, while charging $0.0030 per share executed when such orders execute at most other venues.[4] NASDAQ is increasing the fee for routing to PSX to match the $0.0030 per share executed fee for other most venues. Similarly, NASDAQ currently charges $0.0028 per share executed for order using the TFTY routing strategy[5] that execute at PSX, while charging $0.0030 per share executed when such orders execute at the New York Stock Exchange ("NYSE").[6]

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3 SAVE is a routing option under which orders may either (i) route to BX and PSX, check the NASDAQ book for available shares, and then route to other destinations on the applicable routing table, or (ii) may check NASDAQ first and then route to destinations on the applicable routing table. If shares remain un-executed after routing, they are posted to the book. Once on the book, if the order is subsequently locked or crossed by another market center, NASDAQ will not route the order to the locking or crossing market center. SOLV is a routing option under which orders may either (i) route to BX and PSX, check NASDAQ, and then route to other destinations on the applicable routing table, or (ii) may check NASDAQ first and then route to destinations on the applicable routing table. If shares remain un-executed after routing, they are posted to the book. Once on the book, if the order is subsequently locked or crossed by another accessible market center, NASDAQ will route the order to the locking or crossing market center.

4 The exception is NASDAQ OMX BX ("BX"). For SAVE and SOLV orders that execute at BX, NASDAQ charges no fee and pays no rebate, reflecting the fact that BX itself pays a small credit with respect to orders that access liquidity.

5 TFTY is a routing option under which orders check NASDAQ for available shares only if so instructed by the entering firm and are thereafter routed to destinations on the applicable routing table. If shares remain un-executed after routing, they are posted to the book. Once on the book, if the order is subsequently locked or crossed by another market center, the System will not route the order to the locking or crossing market center.

6 The routing table applicable to TFTY generally favors routing destinations that charge no or low execution fees, and would generally route to such destinations before routing to higher cost destinations such as NYSE and PSX. For TFTY orders that execute at BX (which pays a small credit for executions), NASDAQ charges no fee and pays no rebate.

NASDAQ is increasing the fee for routing to PSX to match this $0.0030 per share executed fee. The changes are designed to increase revenue in a period of persistent low trading volumes and to simplify the routing fee schedule. The changes are unlikely to have a significant impact on members that use NASDAQ's routing services, since relatively few routed orders are executed at PSX.

Third, NASDAQ is reducing the credit paid with respect to QCST and QDRK orders[7] that execute at BX from $0.0014 per share executed to $0.0011 per share executed. The change will make the credit paid with respect to orders routed to BX more consistent with the credits paid by BX itself, which have been modified in recent months.[8] In addition, the change will

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For TFTY orders that execute at destinations other than BX, PSX, and NYSE, NASDAQ charges $0.0005 per share executed, consistent with the lower cost of routing to such destinations.

7 QDRK is a routing option under which orders check NASDAQ for available shares and simultaneously route the remaining shares to destinations on the applicable routing table that are not posting Protected Quotations within the meaning of Regulation NMS. If shares remain un-executed after routing, they are posted on the book. Once on the book, if the order is subsequently locked or crossed by another market center, NASDAQ will not route the order to the locking or crossing market center.

QCST is a routing option under which orders check NASDAQ for available shares and simultaneously route the remaining shares to destinations on the applicable routing table that are not posting Protected Quotations within the meaning of Regulation NMS and to certain, but not all, exchanges. If shares remain un-executed after routing, they are posted on the book. Once on the book, if the order is subsequently locked or crossed by another market center, NASDAQ will not route the order to the locking or crossing market center.

8 SR-BX-2013-054 (September 27, 2013); Securities Exchange Act Release No. 70339 (September 6, 2013), 78 FR 56249 (September 12, 2013) (SR-BX-2013-051). Depending on volumes of orders routed to BX in a given month, NASDAQ may receive a credit of either $0.0013 or $0.0007 per share executed with respect to such orders. The reduction of the credit paid by NASDAQ thereby reduces the extent to which NASDAQ pays an extra credit to encourage the use of the QDRK and QCST strategies, which were introduced earlier in the year but which have seen a recent increase in use. Securities Exchange Act Release No. 68839 (February 6, 2013), 78 FR 9957 (February 12, 2013) (SR-NASDAQ-2013-014).

reduce costs in a period of persistent low trading volumes and is unlikely to have a significant impact on members that use NASDAQ's routing services, since relatively few routed orders are executed at BX.

2. Statutory Basis

NASDAQ believes that the proposed rule change is consistent with the provisions of Section 6 of the Act,[9] in general, and with Sections 6(b)(4) and 6(b)(5) of the Act,[10] 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 or system which NASDAQ operates or controls, and is not designed to permit unfair discrimination between customers, issuers, brokers, or dealers.

The change to eliminate the rebate tier applicable to midpoint orders is reasonable because the tier has never applied to any members since its inception and therefore the change will not result in a fee increase. Similarly, the change is consistent with an equitable allocation of fees and is not unfairly discriminatory because members that use midpoint orders will continue to be eligible for the tiers for which they currently qualify (either $0.0017 or $0.0014 per share executed, depending on their volume levels). Accordingly, the change will not affect the allocation of fees and rebates among members and will not have a discriminatory impact on any members.

The change with respect to fees for routing to PSX is reasonable because it will make the applicable fees for routing to PSX consistent with the fees for routing to other venues. Moreover, the change will result in a modest increase of only $0.0002 per share executed for

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9 15 U.S.C. 78f.

10 15 U.S.C. 78f(b)(4) and (5).

SAVE, SOLV, and TFTY orders when they access liquidity on PSX. The change is consistent with an equitable allocation of fees and not unfairly discriminatory because it will eliminate an existing disparity between the fees charged for routing to PSX and routing to certain other destinations, thereby making the applicable fees more consistent. In addition, the change is equitable and not unfairly discriminatory because it affects only those members that opt to use NASDAQ's optional routing services, and will in any event have a minimal impact because few orders using the strategies execute at PSX.

The change with respect to QCST and QDRK orders routed to BX is reasonable because it will make the credit paid by NASDAQ more consistent with the credit received by NASDAQ from BX with respect to such orders. Moreover, the change will result in a modest decrease of only $0.0003 per share executed with respect to the applicable credit. The change is consistent with an equitable allocation of fees and not unfairly discriminatory because it will reduce the extent to which NASDAQ pays an extra credit to encourage the use of the QDRK and QCST strategies, thereby making the credit paid to NASDAQ members more consistent with credits paid by BX. In addition, the change is equitable and not unfairly discriminatory because it affects only those members that opt to use NASDAQ's optional routing services, and will in any event have a minimal impact because few orders using the strategies execute at BX.

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

NASDAQ does not believe that the proposed rule change will result in any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act, as amended.[11] NASDAQ 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

[11] 15 U.S.C. 78f(b)(8).

be excessive, or rebate opportunities available at other venues to be more favorable. In such an environment, NASDAQ 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, NASDAQ 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 proposed change with respect to midpoint orders has the effect of eliminating a rebate tier, the tier had not been successful at encouraging greater use of midpoint orders, and so its elimination is unlikely to have an impact on the order routing decisions of NASDAQ members. Moreover, other incentive tiers with respect to midpoint orders remain in place. Similarly, the proposed changes with respect to routing fees are expected to have a minimal effect on members that opt to use NASDAQ's routing services, because few routed orders execute at PSX or BX; moreover, the amount of the fee increase (for PSX) or credit reduction (for BX) is small. In addition, numerous alternatives exist to the routing services offered by NASDAQ. Thus, if any of the changes are [sic] unattractive to market participants, it is likely that NASDAQ will lose market share as a result. As a result of these considerations, 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) of the Act[12] and paragraph (f) of Rule 19b-4 thereunder.[13] 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 necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act.

IV. Solicitation of Comments

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

Electronic comments:

- Use the Commission's Internet comment form (http://www.sec.gov/rules/sro.shtml); or
- Send an e-mail to rule-comments@sec.gov. Please include File Number SR-NASDAQ-2013-129 on the subject line.

Paper comments:

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

All submissions should refer to File Number SR-NASDAQ-2013-129. 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 website (http://www.sec.gov/rules/sro.shtml). Copies

12 15 U.S.C. 78s(b)(3)(A).

13 17 CFR 240.19b-4(f).

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 on official business days between the hours of 10:00 a.m. and 3:00 p.m. Copies of such filing also will be available for inspection and copying at the principal offices 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-2013-129, 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.[14]

Kevin M. O'Neill
Deputy Secretary

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[14] 17 CFR 200.30-3(a)(12).