SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-74475; File No. SR-NASDAQ-2015-019)

March 11, 2015

Self-Regulatory Organizations; The NASDAQ Stock Market LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change Relating to Penny Pilot Options

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 February 27, 2015, 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 Substance of the Proposed Rule Change

NASDAQ proposes to modify Chapter XV, entitled "Options Pricing," at Section 2 governing pricing for NASDAQ members using the NASDAQ Options Market ("NOM"),[3] NASDAQ's facility for executing and routing standardized equity and index options. Specifically, NOM proposes to amend certain Fees for Removing Liquidity.

While the changes proposed herein are effective upon filing, the Exchange has designated that the amendments be operative on March 2, 2015.

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

2 17 CFR 240.19b-4.

3 NOM is a facility of NASDAQ. References in this proposal to Chapter and Series refer to NOM rules, unless otherwise indicated.

The text of the proposed rule change is available on the Exchange's website at http://www.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

NASDAQ proposes to modify Chapter XV, entitled "Options Pricing," at Section 2(1) governing the fees assessed for option orders entered into NOM. Specifically, the Exchange proposes to increase the Professional,[4] Firm,[5]

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[4] The term "Professional" 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. The Exchange initially established Professional pricing in order to "…bring additional revenue to the Exchange." See Securities Exchange Act Release No. 64494 (May 13, 2011), 76 FR 29014 (May 19, 2011) (SR-NASDAQ-2011-066). In this filing, the Exchange addressed the perceived favorable pricing of Professionals who were assessed fees and paid rebates like a Customer prior to the filing; and noted that a Professional, unlike a retail Customer, has access to sophisticated trading systems that contain functionality not available to retail Customers.

[5] The term "Firm" applies to any transaction that is identified by a member or member organization for clearing in the Firm range at The Options Clearing Corporation ("OCC").

NOM Market Maker,[6] Non-NOM Market Maker,[7] and Broker-Dealer[8] Penny Pilot Options[9] Fees for Removing Liquidity. No change is proposed to Customer[10] Penny Pilot Options Fees for Removing Liquidity.

Section 2 NASDAQ Options Market – Fees and Rebates

Penny Pilot Fees for Removing Liquidity

The Exchange proposes to amend the Fees for Removing Liquidity in Penny Pilot Options in Chapter IV, Section 2(1) as follows:

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6 The term "NOM Market Maker" means a Participant that has registered as a Market Maker on NOM pursuant to Chapter VII, Section 2, and must also remain in good standing pursuant to Chapter VII, Section 4. In order to receive NOM Market Maker pricing in all securities, the Participant must be registered as a NOM Market Maker in at least one security. See Chapter XV. "Participant" means a firm, or organization that is registered with the Exchange pursuant to Chapter II of these Rules for purposes of participating in options trading on NOM as a "Nasdaq Options Order Entry Firm" or "Nasdaq Options Market Maker". See Chapter I, Section (a)(40).

7 The term "Non-NOM Market Maker" is a registered market maker on another options exchange that is not a NOM Market Maker. A Non-NOM Market Maker must append the proper Non-NOM Market Maker designation to orders routed to NOM.

8 The term "Broker-Dealer" applies to any transaction which is not subject to any of the other transaction fees applicable within a particular category.

9 The Penny Pilot was established in March 2008 and was last extended in 2014. See Securities Exchange Act Release Nos. 57579 (March 28, 2008), 73 FR 18587 (April 4, 2008) (SR-NASDAQ-2008-026) (notice of filing and immediate effectiveness establishing Penny Pilot); and 73686 (November 25, 2014), 79 FR 71477 (December 2, 2014) (SR-NASDAQ-2014-115) (notice of filing and immediate effectiveness extending the Penny Pilot through June 30, 2015). All Penny Pilot Options listed on the Exchange can be found at http://www.nasdaqtrader.com/Micro.aspx?id=phlx.

10 The term "Customer" applies to any transaction that is identified by a Participant for clearing in the Customer range at the OCC which is not for the account of broker or dealer or for the account of a "Professional" (as that term is defined in Chapter I, Section 1(a)(48)).

(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:						
Fee for Removing Liquidity	$0.48	$0.50 [d]	$0.50 [d]	$0.50 [d]	$0.50 [d]	$0.50 [d]

Today, Professionals, Firms, Non-NOM Market Makers, NOM Market Makers, and Broker-Dealers are assessed a $0.49 per contract Fee for Removing Liquidity in a Penny Pilot Option.[11]

The Exchange proposes to increase the Penny Pilot Fee for Removing Liquidity for Professionals, Firms, Non-NOM Market Makers, NOM Market Makers, and Broker-Dealers by a penny, from $0.49 to $0.50 per contract.[12] The Exchange is increasing the Fees for Removing Liquidity in Penny Pilot Options so that it will be able to continue to offer rebates to Customers, Professionals, Firms, Non-NOM Market Makers, NOM Market Makers, and Broker-Dealers to attract liquidity and encourage order interaction

[11] In addition, note d states that Participants that qualify for Customer or Professional Rebate to Add Liquidity Tiers 7 or 8 (the highest rebate tiers) in a given month will be assessed a Professional, Firm, Non-NOM Market Maker, NOM Market Maker, or Broker-Dealer Fee for Removing Liquidity in Penny Pilot Options of $0.48 per contract and a Customer Fee for Removing Liquidity in Penny Pilot Options of $0.47 per contract. See Chapter XV, Section 2(1).

[12] Customers will continue to be assessed a Penny Pilot Option Fee for Removing Liquidity of $0.48 per contract.

on NOM.[13] The Exchange will still allow participants that qualify for Customer or Professional Rebate to Add Liquidity Tiers 7 or 8 in a given month to be assessed a Professional, Firm, Non-NOM Market Maker, NOM Market Maker, or Broker-Dealer Fee for Removing Liquidity in Penny Pilot Options of $0.48 per contract.

2. Statutory Basis

NASDAQ believes that the proposed fee changes are consistent with the provisions of Section 6 of the Act,[14] in general, and with Section 6(b)(4) of the Act,[15] in particular, in that they provide 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 as described in detail below.

Penny Pilot Fees for Removing Liquidity

The Exchange's proposal to increase the Professional, Firm, Non-NOM Market Maker, NOM Market Maker, and Broker-Dealer Fees for Removing Liquidity in Penny Pilot Options from $0.49 to $0.50 per contract is reasonable because the increase will afford the Exchange the opportunity to offer additional and increased rebates to these Exchange participants, which should benefit all market participants through increased liquidity and order interaction. The Exchange believes that rebates incentivize

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[13] The Customer and Professional Rebate to Add Liquidity in Penny Pilot Options is earned pursuant to eight Monthly Volume Tiers. The NOM Market Maker Rebate to Add Liquidity in Penny Pilot Options is earned pursuant to six different Monthly Volume Tiers. The concept of "Common Ownership" (Participants under 75% common ownership or control) applies to pricing in Chapter XV, Section 2 for which a volume threshold or volume percentage is required to obtain the pricing. See Chapter XV, Section 2(1).

[14] 15 U.S.C. 78f.

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

Participants to select the Exchange as a venue to post liquidity and attract additional order flow to the benefit of all market participants. Incentivizing Participants to post liquidity will also benefit Participants through increased order interaction. Increased liquidity, and in particular Customer liquidity (as noted, the fee for removing Customer liquidity continues to be lower than for removing other liquidity) provides more trading opportunities, which attracts other Participants, including NOM Market Makers.[16] An increase in the activity of these market participants in turn facilitates tighter spreads, which may cause an additional corresponding increase in order flow from other market participants. Moreover, in constructing the Exchange's fee and rebate program, the Exchange aims to remain competitive with other venues so that it is a superior choice for market participants when posting orders. The Exchange believes that the fee resulting from the proposed increase is still less than the rates assessed by other options for certain Penny Pilot Options.[17]

The Exchange believes that it is equitable and not unfairly discriminatory to increase Fees for Removing Liquidity in Penny Pilot Options for Professionals, Firms, Non-NOM Market Makers, NOM Market Makers, and Broker-Dealers because all market participants, other than Customers, will continue to be assessed a uniform fee. As

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16 For obligations of Market Makers, see Chapter VII, Section 5. For Market Maker quotations (e.g. firm quotes, continuous quotes), see Chapter VII, Section 6.

17 See, for example, the Miami International Securities Exchange LLC ("MIAX") Fee Schedule. Specifically, orders executed for the account of non-MIAX market makers will be assessed $0.55 per contract in options overlying EEM, GLD, IWM, QQQ, and SPY.

explained herein, order flow brings unique benefits to the market through increased liquidity which benefits all NOM Participants.[18]

Further, the Exchange believes it is reasonable, equitable and not unfairly discriminatory to offer Participants that qualify for Customer or Professional Rebate to Add Liquidity Tiers 7 or 8 in a given month to be assessed a Professional, Firm, Non-NOM Market Maker, NOM Market Maker, or Broker-Dealer Fee for Removing Liquidity in Penny Pilot Options of $0.48 per contract instead of the proposed $0.50 per contract. The increase in the differential from $0.01 to $0.02 is reasonable, equitable and not unfairly discriminatory because it is consistent with differentials at competing options exchanges. For example, NASDAQ OMX PHLX ("PHLX") provides that any member or member organization under Common Ownership with another member or member organization that qualifies for Customer Rebate Tiers 2, 3, 4 or 5 in Section B of the Pricing Schedule will be assessed $0.60 per contract, a reduction of $0.10 from the standard rate of $0.70 assessed Professional, Firm and Broker-Dealer[19]

The Exchange, and its facility NOM, operates in a highly competitive market, comprised of twelve exchanges, in which market participants can easily and readily direct order flow to competing venues if they deem fee levels at a particular venue to be excessive or rebates to be inadequate. Accordingly, the fees that are assessed and the rebates paid by the Exchange, as described in the proposal, are influenced by these robust market forces and therefore must remain competitive with fees charged and rebates paid

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18 See supra note 16 regarding continuous quoting and the commitment of capital by NOM Market Makers.

19 See PHLX's Pricing Schedule.

by other venues and therefore must continue to be reasonable and equitably allocated to those members that opt to direct orders to the Exchange rather than competing venues.

The proposed fees are designed to ensure a fair and reasonable use of Exchange resources by allowing the Exchange to recoup costs while continuing to attract liquidity and offer connectivity at competitive rates to Exchange members and member organizations.

By offering competitive pricing, the Exchange desires to incentivize members and member organizations, through the Exchange’s rebate and fee structure, to select NOM as a venue for bringing liquidity to the Exchange and trading. Such competitive, differentiated pricing exists today on other options exchanges. The Exchange’s goal is creating and increasing incentives to attract orders that will, in turn, benefit all market participants through increased liquidity.

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

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

In the Exchange’s fee schedule for Removing Liquidity in Penny Pilot Options, Customers have had to pay the lowest fee, and this continues to be reflected in the pricing schedule. The Exchange does not believe the proposed differential would result in any burden on competition as between Participants. The Exchange believes that continuing to assess Customers the current fee while increasing the fee for other Participants creates competition among options exchanges because the Exchange believes that this may cause market participants to select NOM as a venue to send Customer and other order flow.

The Exchange believes that incentivizing Participants to post liquidity on NOM benefits NOM Participants through increased order interaction.

The Exchange's proposal to increase the Professional, Firm, Non-NOM Market Maker, NOM Market Maker, and Broker-Dealer Fees for Removing Liquidity in Penny Pilot Options does not misalign the current fees on NOM. As noted, Customers were assessed less than other participants before the proposal, and will continue to be assessed less under the new fee. The Exchange believes that other market participants benefit from incentivizing order flow as explained herein. As noted, Customers continue to pay a lower Fee for Removing Liquidity in Penny Pilot Options, which is currently the case for most fees on NOM that are either not assessed to a Customer or where a Customer is assessed the lowest fee because of the liquidity such order flow brings to the Exchange. Also, NOM Market Makers have obligations[20] to the market which are not borne by other market participants and therefore the Exchange believes that NOM Market Makers are entitled to a lower fee.

For the reasons specified herein, the Exchange does not believe this proposal will result in any burden on competition. The Exchange operates in a highly competitive market comprised of twelve U.S. options exchanges in which sophisticated and knowledgeable market participants can readily send order flow to competing exchanges if they deem fee levels or rebate incentives at a particular exchange to be excessive or inadequate. The Exchange believes that this competitive marketplace impacts the fees and rebates present on the Exchange today and substantially influences the proposals set forth above.

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[20] See supra note 16.

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

Pursuant to Section 19(b)(3)(A)(ii) of the Act,[21] the Exchange has designated this proposal as establishing or changing a due, fee, or other charge imposed 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.

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

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21 15 U.S.C. 78s(b)(3)(A)(ii).

- Send an e-mail to rule-comments@sec.gov. Please include File Number SR-NASDAQ-2015-019 on the subject line.

  Paper comments:

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

All submissions should refer to File Number SR-NASDAQ-2015-019. 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 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-2015-019 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.[22]

Brent J. Fields

Secretary

[22] 17 CFR 200.30-3(a)(12).