SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-74680; File No. SR-NASDAQ-2015-029)

April 8, 2015

Self-Regulatory Organizations; The NASDAQ Stock Market LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Modify NASDAQ Rule 7051 Fees Relating to Pricing for Direct Circuit Connections

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 March 26, 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 and II 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

NASDAQ is proposing to amend Rule 7051 to increase installation and monthly fees assessed for Direct Circuit Connection to NASDAQ, and to waive certain installation fees thereunder for a limited time. The exchange will implement the proposed changes on April 1, 2015.

The text of the proposed rule change is available at http://nasdaq.cchwallstreet.com at NASDAQ's principal office, 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, NASDAQ included statements concerning the purpose of, and basis for, the proposed rule change and discussed any comments it received on the

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

2 17 CFR 240.19b-4.

proposed rule change. The text of those 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 parts 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 to amend Rule 7051 entitled "Direct Connectivity to Nasdaq" to increase the installation and monthly fees assessed for 1Gb and 10Gb connectivity to the Exchange. Direct connectivity offers market participants one of several means by which they may connect to NASDAQ.[3] Currently, the Exchange offers a 10Gb circuit connection, a 1Gb circuit connection, and a 1Gb Ultra connection, all of which provide connectivity to the NASDAQ System.[4] The offerings are differentiated by the total capacity of the fiber connection (represented in Gigabytes or "Gb") and the type of switch used. A switch is a type of network hardware that acts as the "gatekeeper" for all clients' orders sent to the System[5] and orders them in sequence for entry into the System for execution. The 1Gb "Ultra" fiber connection offering uses lower latency[6] switches than the 1Gb fiber connection offering.[7]

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3 Market participants may also connect to NASDAQ through the colocation facility or third parties. Direct connectivity is offered through data centers in Carteret, NJ, Secaucus, NJ, Ashburn, VA, and Chicago, IL.

4 See Securities Exchange Act Release No. 62663 (August 9, 2010), 75 FR 49543 (August 13, 2010) (SR-NASDAQ-2010-077).

5 As defined in Rule 4751(a).

6 The term "latency" for the purposes of this rule filing means a measure of the time it takes for an order to enter into a switch and then exit for entry into the System.

7 Each of NASDAQ's connection offerings use [sic] different switches, but the switches are of uniform type within each offering (i.e., all 1G connectivity options currently use the same switches). As a consequence, all client subscribers to a particular connectivity option receive the same latency in terms of the capabilities of their switches.

The Exchange assesses separate installation and ongoing monthly fees for subscription to each option. For 1Gb connectivity, the Exchange assesses an installation fee of $1,000 and ongoing monthly fees of $1,000. For 10Gb connectivity, the Exchange charges an installation fee of $1,000 and ongoing monthly fees of $5,000. For 1Gb Ultra, the Exchange charges an installation fee of $1,500 and ongoing monthly fees of $1,500. The Exchange adopted 10Gb and 1Gb offering and related fees in August 2010, and has not increase [sic] fees for these offerings since.[8] The Exchange adopted 1Gb Ultra in August 2014, and has not increased fees for the offering since.[9]

In light of increased costs in offering these fiber connectivity options, and declining subscribership to 1Gb connectivity, the Exchange is proposing to increase the fees assessed for all three of the offerings. In terms of installation fees, the Exchange is proposing to harmonize the cost of installation by increasing the installation fees assessed for 10Gb and 1Gb connectivity from $1,000 to $1,500, which is the fee currently assessed for installation of 1Gb Ultra connectivity. The Exchange is proposing to waive the installation fees for the months of April through July, 2015, for all three connectivity options. As such, both new subscriptions and customers transferring from one connectivity option to another during that time will not be assessed the installation fee. The Exchange notes that this will allow customers to move from one offering to another, or to move the location of their connectivity from one direct connectivity access point to another, with no penalty in the form of an installation fee.

The Exchange is also proposing to increase the ongoing monthly fees for each connectivity option. Specifically, the Exchange is proposing to increase the ongoing monthly

8 Supra note 4.

9 See Securities Exchange Act Release No. 72811 (August 11, 2014), 79 FR 48262 (August 15, 2014) (SR-NASDAQ-2014-079).

fees for 10Gb connectivity from $5,000 to $7,500. The Exchange is proposing to increase the ongoing monthly fee for 1Gb connectivity from $1,000 to $2,500. Lastly, the Exchange is proposing to increase the ongoing monthly fee for 1Gb Ultra from $1,500 to $2,500.

2. Statutory Basis

NASDAQ believes that the proposed rule change is consistent with the provisions of Section 6 of the Act,[10] in general, and with Sections 6(b)(4) and 6(b)(5) of the Act,[11] 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 Exchange believes that the proposed increased fees are reasonable because they allow the Exchange to realign the fees assessed for the service with the costs incurred by NASDAQ in offering the service, which have increased since the offerings were first adopted. Specifically, NASDAQ has incurred increases in the cost of labor and networks in the installation and maintenance of equipment. The Exchange notes that the 1Gb and 10Gb infrastructures have been upgraded over the last 5 years with improvements in network performance along with a continued increase in bandwidth capacity constraints due to market data feeds growing. Consequently, this has resulted in higher networking costs that NASDAQ is now proposing to pass on through connectivity fees. In terms of labor, installation effort and costs have increased, which include NASDAQ data center operations and network engineering teams in multiple locations, data center vendor costs, and optical equipment that needs to be

10 15 U.S.C. 78f.

11 15 U.S.C. 78f(b)(4) and (5).

purchased, installed and maintained. The Exchange notes that it is not increasing the charge for installation of 1Gb Ultra connectivity because the fee implemented in 2014 already incorporated these elevated costs and continues to cover the installation costs.

The Exchange also believes that the proposed increases in the ongoing monthly fees for all three connectivity options are reasonable. The Exchange notes that it is increasing the ongoing monthly fees for each of the connectivity options in light of the higher networking and labor costs NASDAQ incurs in supporting the services. In addition, the Exchange has lost subscribers to the 1Gb connectivity option, which has resulted in fewer subscribers over which to spread the fixed costs of the service. As a consequence, the Exchange believes that it is reasonable to increase the monthly charge more than it is increasing the monthly charge for the 1Gb Ultra connectivity offering, which will result in the same monthly charge for both 1Gb and 1Gb Ultra connectivity offerings but will allow NASDAQ to compensate for the lower subscribership of the 1Gb connectivity option. The Exchange notes that the fees are similar to the fees NASDAQ charges member firms for co-location connectivity.[12] Lastly, the proposed fees are comparable to the fees charged for similar connectivity by other exchanges. For example, the International Securities Exchange LLC ("ISE") offers four connectivity options that provide access to its two markets. ISE charges the following monthly fees for connectivity: $750 for its 1Gb option, $4,000 for its 10Gb option, $7,000 for its 10Gb low latency option, and $12,500 for its 40Gb low latency option. The Exchange notes that its connectivity options provide access to three exchanges (NASDAQ, NASDAQ OMX BX and NASDAQ OMX PHLX), which is reflected in the premium above the comparable ISE connectivity.[13]

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12 See Rule 7034(b).

13 See ISE Fee Schedule, Section IV.B. available at http://www.ise.com/fees.

The Exchange believes that the fees for these services are equitably allocated consistent with Section 6(b)(4) of the Act and are non-discriminatory consistent with Section 6(b)(5) of the Act in that all direct connect clients are offered the same service and there is no differentiation among them with regard to the fees charged for such services. In particular, the proposed fees are equitably allocated because all member firms that subscribe to a particular connectivity option under the rule will be assessed the same fee. The proposed installation fees are [sic] and are not unfairly discriminatory because the Exchange is increasing the fees for each service in amounts that are reflective of the increased costs associated with offering each of the connectivity options, and are in amounts representative of the value provided to their subscribers. The proposed waiver of the installation fees is both equitable and not unfairly discriminatory because it will allow all subscribers the option to subscribe to another connectivity offering, to the extent the proposed connectivity fees of their existing connections are deemed too high in relationship to the benefit received. With regard to the ongoing monthly fee increases, the 10Gb connectivity option provides the fastest connectivity option with the greatest capacity and also represents the greatest cost to NASDAQ in offering it among the three options. Accordingly, NASDAQ is increasing the fee the most to users that receive the greatest benefit. As noted above, NASDAQ is increasing the 1Gb ongoing monthly fees more than the 1Gb Ultra connectivity option, which provides the same capacity but lower latency than the 1Gb option. The Exchange believes that the proposed increase in the 1Gb connectivity option monthly fee is both an equitable allocation of a fee and not unfairly discriminatory because lower subscribership to the option has resulted in fewer subscribers to bear the increased costs of offering the service.

The Exchange notes that should a particular exchange charges [sic] excessive fees for direct connectivity services affected members will opt to terminate their direct connectivity arrangements with that exchange, and pursue a range of alternative trading strategies not dependent upon the exchange's direct connectivity services. Accordingly, the exchange charging excessive fees would stand to lose not only direct connectivity revenues, but also any other revenues associated with the customer's operations. Moreover, all of the Exchange's fees for these services are equitably allocated consistent with Section 6(b)(4) of the Act and consistent with Section 6(b)(5) of the Act are non-discriminatory in that all direct connect clients are offered the same service and there is no differentiation among them with regard to the fees charged for such services.

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

The Exchange 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.[14] As discussed above, the Exchange believes that the proposed fees for direct connectivity services are comparable to the fees charged for the same service provided to other exchanges' customers. Additionally, such costs are constrained by the robust competition for order flow among exchanges and non-exchange markets, because direct connectivity exists to advance that competition, and excessive fees for direct connectivity services would serve to impair an exchange's ability to compete for order flow. Therefore, the Exchange believes that the proposed rule change enhances, rather than burdens, competition.

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

[14] 15 U.S.C. 78f(b)(8).

Written comments were neither solicited nor received.

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

The foregoing 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:

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-2015-029 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-2015-029. This file number should be included on the subject line if e-mail is used. To help the Commission process and review

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

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-2015-029 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]

Brent J. Fields
Secretary

[16] 17 CFR 200.30-3(a)(12).