SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-73959; File No. SR-NASDAQ-2014-095)

December 30, 2014

Self-Regulatory Organizations; The NASDAQ Stock Market LLC; Order Granting Approval of
Proposed Rule Change to Provide a New Optional Functionality to Minimum Quantity Orders

I.   Introduction

On September 18, 2014, The NASDAQ Stock Market LLC ("NASDAQ" or "Exchange")

filed with the Securities and Exchange Commission ("Commission"), pursuant to Section

19(b)(1) of the Securities Exchange Act of 1934 ("Act")[1] and Rule 19b-4 thereunder,[2] a

proposed rule change to amend NASDAQ Rule ("Rule") 4751(f)(5) to provide a new optional

functionality for Minimum Quantity Orders. The proposed rule change was published for

comment in the Federal Register on October 6, 2014.[3] On November 18, 2014, the Commission

extended to January 4, 2015, the time period in which to approve the proposed rule change,

disapprove the proposed rule change, or institute proceedings to determine whether the proposed

rule change should be disapproved.[4] The Commission received one comment letter regarding the

proposed rule change.[5] This order approves the proposed rule change.

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

2   17 CFR 240.19b-4.

3   See Securities Exchange Act Release No. 73266 (September 30, 2014), 79 FR 60207
        ("Notice").

4   See Securities Exchange Act Release No. 73621, 79 FR 69957 (November 24, 2014).

5   See letter to SEC from James J. Angel, Associate Professor of Finance, Georgetown
        University, dated November 26, 2014 ("Angel Letter").

II.   Description of the Proposal

A Minimum Quantity Order ("MQO") allows a market participant to specify a minimum share amount at which it will execute. A MQO will not execute unless the volume of contra-side liquidity available to execute against the order meets or exceeds the designated minimum. A MQO received by the Exchange will execute immediately if there is sufficient liquidity available on the Exchange within the limit price of the order. In addition, multiple orders may be aggregated to meet the minimum quantity. For example, a MQO will execute if the sum of the shares of one or more orders is equal to or greater than its minimum quantity. If a MQO does not execute immediately due to lack of contra-side liquidity that is equal to or greater than the designated minimum, the order will post to the NASDAQ order book as a Non-Displayed Order. Once posted, a MQO will execute only if an incoming order is marketable against the resting MQO and is equal to or greater than the minimum quantity set on the resting MQO. Once posted, multiple orders cannot be aggregated to meet the minimum quantity requirement of the Minimum Quantity Order. If a MQO executes partially and the number of shares remaining is less than the minimum quantity of the order, the minimum quantity of the order is reduced to the remaining share size. If a MQO is received that is marketable against a resting contra-side order with size that does not meet the minimum quantity requirement, the MQO will be posted on the book as a Non-Displayed Order at the locking price.

The Exchange proposes to offer an optional order handling functionality that would permit an incoming MQO to forego executions where multiple resting orders could otherwise be aggregated to satisfy the minimum quantity designation. Under the proposed functionality, a MQO would only execute against a single contra-side order that would equal or exceed the

minimum quantity designation of the MQO.[6] In addition, if the minimum quantity designation

of an incoming MQO could not be satisfied by a resting contra-side order, the MQO would be re-

priced one minimum price increment away from the resting liquidity and posted to the NASDAQ

order book as a Non-Displayed Order.[7] If an incoming MQO receives a partial execution, the

remainder of the order would be cancelled if it would lock resting contra-side liquidity that does

not meet the minimum quantity designation.[8]

III.   Discussion and Commission Findings

After careful review, the Commission finds that the proposed rule change is consistent

with the requirements of the Act and the rules and regulations thereunder applicable to a national

securities exchange.[9] In particular, the Commission finds that the proposed rule change is

consistent with Section 6(b)(5) of the Act,[10] which requires, among other things, that the rules of

a national securities exchange be designed to prevent fraudulent and manipulative acts and

practices, to promote just and equitable principles of trade, to remove impediments to and perfect

the mechanism of a free and open market and a national market system, and, in general, to

protect investors and the public interest; and are not designed to permit unfair discrimination

between customers, issuers, brokers or dealers.

The Exchange represents that some market participants have indicated that they currently

avoid routing larger orders to NASDAQ due to the concern that such orders may interact against

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[6]   See Notice, 79 FR at 60209.

[7]   See proposed Rule 4751(f)(5); see also Notice, 79 FR at 60208.

[8]   See proposed Rule 4751(f)(5); see also Notice, 79 FR at 60209. The Exchange represents
        that the proposed functionality already exists on other trading venues. See Notice, 79 FR
        at 60208-09.

[9]   In approving this proposed rule change, the Commission has considered the proposed
        rule's impact on efficiency, competition, and capital formation. See 15 U.S.C. 78c(f).

[10]   15 U.S.C. 78f(b)(5).

small orders entered by professional traders, potentially resulting in more expensive transactions. The Exchange represents that the optional minimum execution size functionality proposed for MQOs should enhance the utility of such orders for market participants and should facilitate the entry of larger MQOs on the Exchange.[11] Specifically the Exchange believes that the proposed functionality would provide market participants, including institutional firms that ultimately represent individual retail investors in many cases, with better control over MQOs, thereby enhancing the potential to improve execution quality.[12]

The Commission notes that a commenter expressed strong support for the proposal.[13] In particular, the commenter states that the proposed rule change would benefit institutional investors, such as mutual funds that invest on behalf of retail investors, by minimizing their transaction costs.[14] For example, according to the commenter, the proposed functionality would improve large investors' ability to manage their orders and thereby obtain better execution quality.[15]

The Commission believes that the proposal should provide market participants with enhanced capability to manage their order flow. For the reasons noted above, the Commission believes that the proposed rule change is consistent with the Act.

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[11]   See Notice, 79 FR at 60208, 60210.

[12]   Id. at 60210.

[13]   See Angel Letter, supra note 5.

[14]   Id.

[15]   Id.

IV.   Conclusion

IT IS THEREFORE ORDERED, pursuant to Section 19(b)(2) of the Act,[16] that the

proposed rule change (SR-NASDAQ-2014-095) be, and it hereby is, approved.

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

authority.[17]

                                                   Brent J. Fields
                                                   Secretary

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[16]   15 U.S.C. 78s(b)(2).

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

5 U.S.C.