

SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34-73948; File No. SR-NASDAQ-2014-124)

December 29, 2014

Self-Regulatory Organizations; The NASDAQ Stock Market LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Modify NASDAQ Rule 7018 Fees

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”),<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on December 16, 2014, The NASDAQ Stock Market LLC (“NASDAQ” or the “Exchange”) filed with the Securities and Exchange Commission (“Commission”) a proposed rule change as described in Items I, II and III 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 modify NASDAQ Rule 7018 fees assessed for execution and routing securities listed on execution and routing securities listed on the New York Stock Exchange (“NYSE”) as well as a few minor clarifications to NASDAQ Rules 7018(a)(2) and (3).

While the changes proposed herein are effective upon filing, the Exchange has designated that the amendments be operative on January 1, 2015.

The text of the proposed rule change is available at [nasdaq.cchwallstreet.com](http://nasdaq.cchwallstreet.com) at NASDAQ’s principal office, and at the Commission’s Public Reference Room.

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<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 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, NASDAQ 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 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 NASDAQ Rule 7018(a)(2) to modify fees assessed for execution and routing securities listed on the NYSE, as well as a few minor clarifications to NASDAQ Rules 7018(a)(2) and (3).

Specifically, the Exchange is proposing to increase the charge for DOT or LIST orders that execute in the NYSE closing process from \$0.00095 per share executed to \$0.0010 per share executed. The Exchange is proposing to increase the charge for DOT or LIST orders that execute in the NYSE opening process or reopening process from \$0.0005 per share executed to \$0.0015 per share executed.

The Exchange is raising both of the above fees for DOT or LIST orders routed to NYSE because NASDAQ is seeking to cover the cost of routing and to reflect recent increases in the fees charged by NYSE with respect to orders routed to it by NASDAQ. Each time NES executes an order at an away market, NES is charged a clearing fee and, in the case of certain exchanges, a transaction fee is also charged in certain symbols, which fees are passed through to the Exchange.

The Exchange currently recoups clearing and transaction charges incurred by the Exchange as well as certain other costs incurred by the Exchange when routing to away markets, such as administrative and technical costs associated with operating NES, membership fees at away markets, staffing and technical costs associated with routing orders. The Exchange assesses the actual away market fee at the time that the order was entered into the Exchange's trading system. This transaction fee is calculated on an order-by-order basis since different away markets charge different amounts. The Exchange desires to recoup additional costs at this time.

Additionally, NASDAQ Rules 7018(d) and (e) set forth fees assessed for executions received in the Opening and Closing Crosses. The rule provides a fee of \$0.0004 per share executed assessed for all other quotes and orders not otherwise noted under the rules. The Exchange is proposing to increase the fee from \$0.0004 to \$0.0006 per share executed for imbalance-only and continuous book orders in the Opening and Closing Crosses. The proposed increases to the fees assessed for executions in the Closing and Opening Crosses will help the Exchange recapture some of the costs it incurs operating the cross system, while maintaining very low fees for the execution of orders in these crosses.

The Exchange is also eliminating NASDAQ Rule 7018(g), the subsection concerning retail price improvement program (the "Program") pricing for retail orders and retail price improvement orders, because the pilot program expires at the end of 2014.

Finally, the Exchange is clarifying in two places in each of NASDAQ Rule 7018(a)(2) and NASDAQ Rule 7018(a)(3) that the language regarding DOT or LIST orders explicitly refers to a charge. These changes are being made solely for the purpose of adding additional clarity.

## 2. Statutory Basis

NASDAQ believes that the proposed rule change is consistent with the provisions of Section 6 of the Act,<sup>3</sup> in general, and with Sections 6(b)(4) and 6(b)(5) of the Act,<sup>4</sup> 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. This proposal is reasonable, equitable and not unfairly discriminatory for the reasons noted below.

The Exchange believes that increasing the fees for DOT or LIST orders that execute in the NYSE closing from \$0.00095 per share executed to \$0.0010 per share executed, as well as increasing the fees for DOT or LIST orders that execute in the NYSE opening or reopening processes from \$0.0005 per share executed to \$0.0015 per share executed, are reasonable because the Exchange would apply such fees uniformly and desires to recoup an additional portion of the cost it incurs when routing such orders that execute in the NYSE closing, opening or reopening processes.

The Exchange believes that increasing these fees for DOT or LIST orders that execute in the NYSE closing, opening or reopening processes are equitable and not unfairly discriminatory because the Exchange would assess the same increased fees to all market participants utilizing routing for DOT or LIST orders that execute in the NYSE opening or reopening processes.

When routing orders to non-NASDAQ OMX exchanges such as NYSE, the Exchange incurs costly connectivity charges related to telecommunication lines, membership and access

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<sup>3</sup> 15 U.S.C. 78f.

<sup>4</sup> 15 U.S.C. 78f(b)(4) and (5).

fees, and other related costs when routing orders. The Exchange believes that the proposed fee increases for DOT or LIST orders that execute in the NYSE closing, opening or reopening processes will enable Nasdaq to recover the costs it incurs to route such orders to NYSE. Each destination market's transaction charge varies and there is a cost incurred by the Exchange when routing orders to away markets, including administrative and technical costs associated with operating NES, as well as membership fees at away markets.

NASDAQ also believes that the changes to the fees assessed for participation in the Opening and Closing Crosses are consistent with an equitable allocation of a reasonable fee and not unfairly discriminatory. Specifically, the Exchange is proposing to increase the fee from \$0.0004 to \$0.0006 per share executed for imbalance-only and continuous book orders in the Opening and Closing Crosses. The Exchange believes that the fees are reasonable because supporting the crosses requires capital investment to maintain a system that facilitates an orderly auction process, and the proposed increases are designed to offset the costs the Exchange incurs in operating the crosses. Moreover, the proposed fees are equitably allocated because they apply a fee on all members that benefit from participation in the Opening and Closing Crosses, and are based on the type of order entered and contribution to market quality. Similarly, the proposed fees are not unfairly discriminatory because they are based on the type of order executed in the crosses and the benefit to market quality that such orders provide. NASDAQ believes that the proposal to increase the charges assessed for executions in the crosses is reasonable, equitably allocated and not unfairly discriminatory because the increased fees are identical in amount and apply to all members that elect to participate in the crosses and receive an execution. Moreover, NASDAQ does not believe that the increased fees will negatively impact participation in the

crosses as current rates assessed for the open and closing cross continue to be materially less than the standard fee for accessing liquidity.

The Exchange believes that removing NASDAQ Rule 7018(g), the subsection concerning pricing for the Program, is reasonable because the Program is a pilot that is not being renewed so the related pricing is made moot. The Exchange also believes that this change is consistent with an equitable allocation of a reasonable fee and not unfairly discriminatory because the ending of the pilot for this Program and associated pricing applies uniformly across all Exchange members.

The Exchange also believes that the proposed rule change clarifications to DOT or LIST orders in two places in each of NASDAQ Rule 7018(a)(2) and NASDAQ Rule 7018(a)(3) is consistent with the provisions of Section 6 of the Act,<sup>5</sup> in general, and with Sections 6(b)(5) of the Act<sup>6</sup> in particular, in that it is designed 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. Specifically, this is achieved through clarifications to the language regarding DOT or LIST orders that will now explicitly refer to a charge and thereby promote market participants' improved understanding of the rule.

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.<sup>7</sup> 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 be excessive, or rebate opportunities available at other venues to be more favorable. In such an

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<sup>5</sup> 15 U.S.C. 78f.

<sup>6</sup> 15 U.S.C. 78f(b)(5).

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, the changes to routing fees do not impose a burden on competition because NASDAQ's routing services are optional and are the subject of competition from other exchanges and broker-dealers that offer routing services, as well as the ability of members to develop their own routing capabilities. The increased fees for DOT or LIST orders that execute in the NYSE closing, opening or reopening processes are reflective of the Exchange's need to recover the costs it incurs to route such orders to NYSE. In sum, if the changes proposed herein are unattractive to market participants, it is likely that NASDAQ will lose market share or routable order flow as a result. Additionally, the modestly increased fees for execution in the NASDAQ crosses are reflective of a need to support and improve NASDAQ systems, which in turn benefit market quality, and ultimately, competition.

Accordingly, 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

Written comments were neither solicited nor received.

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<sup>7</sup> 15 U.S.C. 78f(b)(8).

### 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<sup>8</sup>. 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](mailto:rule-comments@sec.gov). Please include File Number SR-NASDAQ-2014-124 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.

All submissions should refer to File Number SR-NASDAQ-2014-124. 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

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<sup>8</sup> 15 U.S.C. 78s(b)(3)(A)(ii).



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 such 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-2014-124 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.<sup>9</sup>

Brent J. Fields  
Secretary

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<sup>9</sup> 17 CFR 200.30-3(a)(12).