

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-74784; File No. SR-NASDAQ-2015-034)

April 22, 2015

Self-Regulatory Organizations; The NASDAQ Stock Market LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change Relating to NASDAQ Market Center Participant Registration and Sponsored Access

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 April 20, 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 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 amend Rule 4611, entitled “Nasdaq Market Center Participant Registration” and adopt a new Rule 4615, entitled “Sponsored Participants.”

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

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

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

The purpose of the proposed rule change is to amend Rule 4611, entitled "Nasdaq Market Center Participant Registration" to relocate 4611(d), pertaining to Sponsored Access, to a new Rule 4615, entitled "Sponsored Participants," and adopt rule text similar to other exchanges.³ The Exchange does not believe that this proposed rule change will impact market participants currently accessing the System pursuant to Rule 4611.

On January 13, 2010, the Commission approved the Exchange's current rule.⁴ On November 3, 2010, the Commission adopted Rule 15c3-5 which governs risk management controls by broker-dealers with market access.⁵ At this time, the Exchange proposes to modify its current rule to conform the rule text to that of other exchanges. Specifically, this proposed rule change would conform rule text related to Sponsored Access by eliminating provisions already covered by 15c3-5. The current rule applies to members conducting either an equities or an options business.

A Sponsored Participant is an entity with authorized electronic access to the Exchange for the entry and execution of orders. A Sponsored Participant trades under a Sponsoring Member's

³ The proposed rule text is similar to NASDAQ OMX PHLX LLC ("Phlx") Rule 1094, the International Securities Exchange LLC ("ISE") Rule 706, the Chicago Board Options Exchange Incorporated ("CBOE") Rule 6.20A and NYSE ARCA, Inc. ("NYSE Arca") Rule 7.29.

⁴ Securities Exchange Act Release No. 61345 (January 13, 2010), 75 FR 3263 (January 20, 2010) (SR-NASDAQ-2008-104) ("NASDAQ Sponsored Access Approval Order").

⁵ Securities Exchange Act Release No. 63241, 75 FR 69792 (November 15, 2010).

execution and clearing identity pursuant to a sponsorship arrangement. The proposed rule continues to require the Sponsoring Member to take responsibility for the Sponsored Participant's activity on the Exchange.

Today, Nasdaq Rule 4611 provides that members that enter into an arrangement with another person or entity to provide that person with access to Nasdaq or otherwise allow such person to route its orders to Nasdaq using the member's market participant identifier, to provide such access are responsible for all trading conducted pursuant to that arrangement to the same extent as trading directly conducted by the member for customers. Consequently, the member is responsible for implementing policies and procedures for supervising and monitoring trading effected pursuant to the arrangement to ensure that it is in compliance with all applicable federal securities laws and rules and Exchange rules. A Sponsoring Member is required to execute and maintain agreements with each Sponsored Participants and commit to various Regulatory requirements and provided access to book and records and financial information. Financial limits are imposed on Sponsored Participants. Requirements are specified with respect to permissible technology. Other arrangements with Third Party Providers must also be documented and contain the commitments specified in Rule 4611(d)(3)(B). Rule 4611(d)(4) specified financial controls to monitor and control the Sponsored Access to limit financial exposure. Rule 4611(d)(5) specifies regulatory control to effectively monitor and control compliance with Regulatory Requirements.

The Exchange intends to remove current Rule 4611(d) and adopt a new Rule 4515 with provisions related to Sponsored Access similar to that of other exchanges.⁶ The new proposed

⁶ The proposed rule text is similar to NASDAQ OMX PHLX LLC ("Phlx") Rule 1094, the International Securities Exchange LLC ("ISE") Rule 706, the Chicago Board Options

rule text similarly permits members conducting, either an equity or options business, to permit authorized access to the Exchange by Sponsored Participants provided they enter into a Sponsored Participant Agreement with the Exchange. Similar to current Rule 4611(d), the Sponsored Participant and its Sponsoring Member must enter into and maintain an agreement whereby the Sponsoring Member would continue to be responsible for orders entered into the System by the Sponsored Participant as well as all actions taken by the Sponsored Participant. The Sponsored Member shall continue to be bound to comply with Exchange' governance documents, Bylaws, Rules and procedures. The Sponsored Participant is required to provide a list of individuals authorized to access the Nasdaq Market Center on behalf of the Sponsored Participant and provide training to these individuals. The Sponsored Member must continue to restrict access to unauthorized persons, take reasonable security precautions to prevent unauthorized access, have in place adequate procedures and controls to monitor use and access to the Nasdaq Stock Market and pay fees that are owed. The Sponsoring Member must provide the Exchange with Notice of Consent acknowledging its responsibility for the orders, executions and actions of its Sponsored Participant at issue. The requirements specified with new Rule 4615(d), other than the list of individuals and the Notice of Consent, are currently required today in Rule 4611. The Exchange's new Rule requires a list of individuals and the consent that were previously not required by Rule. The rule text of current Rule 4611(d), pertaining to financial and regulatory controls, is being removed. Members continue to be obligated to adhere to financial and regulatory controls as specified in Rule 15c3-5. New Rule 4615 specifies the obligations of Sponsoring Members and Sponsoring Participants relative to accessing the Nasdaq

Exchange Incorporated ("CBOE") Rule 6.20A and NYSE ARCA, Inc. ("NYSE Arca") Rule 7.29.

Market Center. This new rule is consistent with rules of other exchanges.⁷ Market participants are required to comply with Rule 15c3-5 in addition to relevant exchange provisions where they are members.

The rule text is the current Rule 4611(d)(3) requires a Sponsoring Member that provides Sponsored Access to execute and maintain agreements with each Sponsored Participant containing the commitments noted in Rule 4611(d)(3)(i) through (v). The proposed rule would require the Sponsored Participant to enter into and maintain customer agreements with one or more Sponsoring Members establishing proper relationship(s) and account(s) through which the Sponsored Participant may trade on the Nasdaq Market Center in accordance with provisions set forth in Rule 4615(b)(ii). In addition, proposed Rule 4615(b)(ii)(D) requires the Sponsored Participant to maintain, keep current and provide to the Sponsoring Member a list of individuals authorized to obtain access to the Nasdaq Market Center on behalf of the Sponsored Participant. This list of authorized persons is not required under the current rules.

2. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act⁸ in general, and furthers the objectives of Section 6(b)(5) of the Act⁹ in particular, in that it is designed 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, by continuing to permit market participants gain access to a marketplace. Specifically, the Exchange believes the proposed rule change is consistent with the

⁷ Id.

⁸ 15 U.S.C. 78f(b).

⁹ 15 U.S.C. 78f(b)(5).

Section 6(b)(5) requirements that the rules of an exchange be designed to promote just and equitable principles of trade, to prevent fraudulent and manipulative acts, to foster cooperation and coordination with persons engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in securities, to remove impediments to and to perfect the mechanism for a free and open market and a national market system, and, in general, to protect investors and the public interest.¹⁰ Additionally, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5) requirement that the rules of a national securities exchange be designed to not permit unfair discrimination between customer, issuers, brokers or dealers.¹¹

The Commission adopted Rule 15c3-5 under the Act, which, among other things, requires broker-dealers providing others with access to an exchange or alternative trading system to establish, document, and maintain a system of risk management controls and supervisory procedures reasonably designed to manage the financial, regulatory, and other risks of providing such access.¹² Rule 15c3-5 requires members to have in place certain pre-trade risk controls filters for sponsored orders, prior to those order being sent to the Exchange to ensure that regulatory and financial risk controls. Pursuant to Rule 15c3-5, broker-dealers with market access are obligated to establish, document, and maintain a system of risk management controls and supervisory procedures reasonably designed to manage financial, regulatory, and other risks of this business activity.

¹⁰ 15 U.S.C. 78f(b)(5).

¹¹ Id.

¹² See Securities Exchange Act Release No. 63241 (November 3, 2010), 75 FR 69792 (November 15, 2010).

The Exchange believes that the changes proposed herein should continue to offer market participants access to its marketplace. The Exchange believes that proposed Rule 4615 continues to require members to provide requisite information concerning sponsored arrangements, which aids the Exchange's efforts to monitor and regulate Nasdaq's markets and aids the prevention of fraudulent and manipulative practices.

The Exchange believes that the proposed rule change is designed to avoid unfair discrimination among members, as the proposed rule change provides for the Exchange to impose requirements on members in an objective manner. Finally, the proposed rule change will help remove impediments to and promote a free and open market and a national market system because it is consistent with rules in place at other exchanges and imposes similar requirements on its members.

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

The Exchange does not believe that the proposed rule change will impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. The proposed rule for Sponsored Access will continue to treat all members, equity and options, in a uniform fashion. The proposed rule change seeks to provide clear guidelines on the responsibilities of Sponsoring Members that provide Sponsored Access as well as the responsibilities owed by Sponsoring Members, with respect to Sponsored Participants, to the Exchange.

The proposed rule change does not impose any undue burden on competition, rather it seeks to enable market participants to gain access to the marketplace.

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

Because the foregoing proposed rule change does not: (i) significantly affect the protection of investors or the public interest; (ii) impose any significant burden on competition; and (iii) become operative for 30 days from the date on which it was filed, or such shorter time as the Commission may designate, it has become effective pursuant to Section 19(b)(3)(A) of the Act¹³ and subparagraph (f)(6) of Rule 19b-4 thereunder.¹⁴

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. If the Commission takes such action, the Commission shall institute proceedings to determine whether the proposed rule change 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:

¹³ 15 U.S.C. 78s(b)(3)(A).

¹⁴ 17 CFR 240.19b-4(f)(6). In addition, Rule 19b-4(f)(6) requires a self-regulatory organization to give the Commission written notice of its intent to file the proposed rule change at least five business days prior to the date of filing of the proposed rule change, or such shorter time as designated by the Commission. The Exchange has satisfied this requirement.

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-2015-034 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-2015-034. 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 will also 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-2015-034 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.¹⁵

Brent J. Fields
Secretary

¹⁵ 17 CFR 200.30-3(a)(12).