

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-64635; File No. SR-NASDAQ-2011-072)

June 8, 2011

Self-Regulatory Organizations; The NASDAQ Stock Market LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Modify Fees for Members Using the NASDAQ Market Center

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 May 25, 2011, The NASDAQ Stock Market LLC (the “Exchange” or “NASDAQ”) filed with the Securities and Exchange Commission (the “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 pricing for NASDAQ members using the NASDAQ Market Center. NASDAQ will implement the proposed change on June 1, 2011. 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 proposed rule change. The text of these statements may be examined at the places specified in

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

Item IV below. NASDAQ 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 the Statutory Basis for, the Proposed Rule Change

1. Purpose

NASDAQ is amending Rule 7018 to make modifications to its pricing schedule for execution of quotes/orders through the NASDAQ Market Center of securities priced at \$1 or more. Specifically, NASDAQ is proposing to introduce, on a three-month pilot basis, an Attributable Market Provider program to encourage more extensive market making activity on NASDAQ. During a pilot period ending August 31, 2011, a market maker with an MPID through which it has registered as a market maker in a daily average of more than 5,000 securities during the month will receive an additional credit of \$0.0004 per share executed with respect to attributable quotes/orders that provide liquidity through such MPID, in addition to the credit that it is otherwise entitled to receive under Rule 7018. The maximum additional rebate that a member can receive under this pilot program is \$250,000 per month. The cap applies on a per member basis, regardless of the number of MPIDs through which the member qualifies for the program. Through the program, NASDAQ hopes to encourage market makers to register in a greater number of securities and to offer displayed, attributable liquidity in order to enhance price discovery. Throughout the pilot period, NASDAQ will evaluate the costs and benefits of the program, and will then either allow the pilot to lapse or file to extend, modify, or make the program permanent.

NASDAQ is also amending other provisions of Rule 7018 to reflect a recent filing by NASDAQ OMX BX, Inc. (“BX”)³ in which BX introduced pricing tiers for the credit it pays to persons accessing liquidity on BX. Currently, NASDAQ passes through the \$0.0014 per share credit it receives from BX when it routes TFTY, SOLV, CART, or SAVE orders to BX that execute at that venue. Although NASDAQ expects that the volume of orders its members route to BX using the NASDAQ router will allow NASDAQ to continue to qualify for this same rate with respect to the orders that it routes to BX, it is at least theoretically possible that an unexpected decrease in demand for NASDAQ’s routing services during a particular month could cause NASDAQ to receive a lower credit with respect to the orders it routes to BX. In that case, NASDAQ believes that it would be unfair to members that opted to use the NASDAQ router to receive a lower rate than the \$0.0014 rate they had expected. Accordingly, NASDAQ is amending its routing fee provisions to replace the current pass-through language with a stated credit of \$0.0014 per share executed, which is the exact amount that NASDAQ expects to receive when routing to BX. Similarly, the NASDAQ fee schedule specifies the applicable fee for routing to venues such as the New York Stock Exchange. Such fees are, in some case, lower than the cost incurred by NASDAQ to route to such venues. In the case of orders routed to BX, however, NASDAQ expects the rebate it pays to match the rebate that it receives.

2. Statutory Basis

NASDAQ believes that the proposed rule change is consistent with the provisions of Section 6 of the Act,⁴ in general, and with Section 6(b)(4) of the Act,⁵ in particular, in that it provides for the equitable allocation of reasonable dues, fees and other charges among members

³ SR-BX-2011-030 (May 25, 2011).

⁴ 15 U.S.C. 78f.

⁵ 15 U.S.C. 78f(b)(4).

and issuers and other persons using any facility or system which NASDAQ operates or controls. All similarly situated members are subject to the same fee structure, and access to NASDAQ is offered on fair and non-discriminatory terms.

The proposed Attributable Market Provider program is reasonable because it will result in a fee reduction for members that qualify for the program, without increasing the costs borne by other members. Moreover, the proposed program is consistent with an equitable allocation of fees because it allocates a higher rebate to members that make significant contributions to NASDAQ market quality by making markets in a large number of stocks and that contribute to price discovery by posting attributable quotes/orders. Although members qualifying for the program may use non-attributed and non-displayed orders, the enhanced rebate will be paid only with respect to attributable, displayed liquidity. Moreover, NASDAQ believes that the program may encourage market makers to become active in more stocks and display more shares of liquidity, thereby benefitting other market participants that will receive a more complete understanding of the supply and demand for particular stocks and that will be able to access the liquidity displayed by such market makers.

With regard to the change in language describing rebates provided for routing to BX, NASDAQ believes that the change is reasonable and equitable because it is designed to ensure that members using NASDAQ to route to BX continue to receive the same credit that they currently receive when routing to BX. This credit, in turn, is designed to reflect the credit that NASDAQ receives from BX. Moreover, the change is equitable because it is designed to ensure that members receive the credit that they expect to receive when using NASDAQ to route to BX. Because the credit received by NASDAQ would decrease only in the event of a significant decrease in the usage of NASDAQ's router, NASDAQ believes that it would be unfair to

members that continue to use the router if their credit was affected by the usage of other members. Accordingly, establishing a specified credit in the fee rule will ensure that members are unaffected in the unlikely event that the rebate received by NASDAQ decreases.

Finally, 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. In such an 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. NASDAQ believes that the proposed rule change reflects this competitive environment because it will increase the rebate paid to certain active market makers, while maintaining current rebates with respect to routing to BX.

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

NASDAQ 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. Because the market for order execution and routing is extremely competitive, members may readily opt to disfavor NASDAQ's execution services if they believe that alternatives offer them better value. For this reason and the reasons discussed in connection with the statutory basis for the proposed rule change, 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.

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

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A)(ii) of the Act.⁶ 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 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-2011-072 on the subject line.

Paper comments:

- Send paper comments in triplicate to Elizabeth M. Murphy, Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549-1090.

All submissions should refer to File Number SR-NASDAQ-2011-072. 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

⁶ 15 U.S.C. 78s(b)(3)(A)(ii).

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-2011-072 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.⁷

Cathy H. Ahn
Deputy Secretary

⁷ 17 CFR 200.30-3(a)(12).