

100 F Street NE., Washington, DC 20549–1090.

All submissions should refer to File Number SR–NYSEMKT–2014–05. This file number should be included on the subject line if email 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 Web site (<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 Web site 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–NYSEMKT–2014–05 and should be submitted on or before February 11, 2014.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>10</sup>

**Kevin M. O'Neill,**  
Deputy Secretary.

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–71299; File No. SR–NASDAQ–2014–002]

### Self-Regulatory Organizations; The NASDAQ Stock Market LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change Relating to NASDAQ Options Market Fees and Rebates

January 14, 2014.

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 January 2, 2014, 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, 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 the Substance of the Proposed Rule Change

NASDAQ proposes to modify Chapter XV, entitled “Options Pricing,” at Section 2 governing pricing for NASDAQ members using the NASDAQ Options Market (“NOM”), NASDAQ's facility for executing and routing standardized equity and index options. Specifically, NOM proposes to: (i) Amend the Customer and Professional Rebates to Add Liquidity in Penny Pilot Options;<sup>3</sup> (ii) increase certain non-Customer Fees for Removing Liquidity in Penny Pilot Options; (iii) increase the Customer and NOM Market Maker<sup>4</sup>

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

<sup>2</sup> 17 CFR 240.19b–4.

<sup>3</sup> The Penny Pilot was established in March 2008 and in October 2009 was expanded and extended through June 30, 2014. See Securities Exchange Act Release Nos. 57579 (March 28, 2008), 73 FR 18587 (April 4, 2008) (SR–NASDAQ–2008–026) (notice of filing and immediate effectiveness establishing Penny Pilot); 60874 (October 23, 2009), 74 FR 56682 (November 2, 2009) (SR–NASDAQ–2009–091) (notice of filing and immediate effectiveness expanding and extending Penny Pilot); 60965 (November 9, 2009), 74 FR 59292 (November 17, 2009) (SR–NASDAQ–2009–097) (notice of filing and immediate effectiveness adding seventy-five classes to Penny Pilot); 61455 (February 1, 2010), 75 FR 6239 (February 8, 2010) (SR–NASDAQ–2010–013) (notice of filing and immediate effectiveness adding seventy-five classes to Penny Pilot); 62029 (May 4, 2010), 75 FR 25895 (May 10, 2010) (SR–NASDAQ–2010–053) (notice of filing and immediate effectiveness adding seventy-five classes to Penny Pilot); 65969 (December 15, 2011), 76 FR 79268 (December 21, 2011) (SR–NASDAQ–2011–169) (notice of filing and immediate effectiveness extension and replacement of Penny Pilot); 67325 (June 29, 2012), 77 FR 40127 (July 6, 2012) (SR–NASDAQ–2012–075) (notice of filing and immediate effectiveness extension and replacement of Penny Pilot through December 31, 2012); 68519 (December 21, 2012), 78 FR 136 (January 2, 2013) (SR–NASDAQ–2012–143) (notice of filing and immediate effectiveness extension and replacement of Penny Pilot through June 30, 2013); 69787 (June 18, 2013), 78 FR 37858 (June 24, 2013) (SR–NASDAQ–2013–082) and 71105 (December 17, 2013), 78 FR 77530 (December 23, 2013) (SR–NASDAQ–2013–154). See also NOM Rules, Chapter VI, Section 5.

<sup>4</sup> The term “NOM Market Maker” means a Participant that has registered as a Market Maker on NOM pursuant to Chapter VII, Section 2, and must also remain in good standing pursuant to Chapter VII, Section 4. In order to receive NOM Market Maker pricing in all securities, the Participant must be registered as a NOM Market Maker in at least one security.

Fees for Removing Liquidity and Customer Rebate to Add Liquidity in Non-Penny Pilot Options and surcharge for options overlying the Nasdaq 100 Index traded under the symbol NDX (“NDX”);<sup>5</sup> and (iv) increase Fees for Adding and Removing Liquidity for options overlying the PHLX Semiconductor Sector<sup>SM</sup> (SOX<sup>SM</sup>), PHLX Housing Sector<sup>TM</sup> (HGX<sup>SM</sup>) and PHLX Oil Service Sector<sup>SM</sup> (OSX<sup>SM</sup>).

The text of the proposed rule change is available on the Exchange's Web site 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. 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

NASDAQ proposes to amend certain fees in Chapter XV, Section 2. The Exchange proposes to amend the Customer and Professional Penny Pilot Options Rebates to Add Liquidity to continue to incentivize Participants to direct additional Customer and/or Professional liquidity to NOM. The Exchange proposes to increase non-Customer Fees for Removing Liquidity in Penny Pilot Options to be able to offer greater Customer and Professional Penny Pilot Options Rebates to Add Liquidity. The Exchange proposes to increase the Customer and NOM Market Make Fees for Removing Liquidity and Customer Rebate to Add Liquidity in Non-Penny Pilot Options and NDX surcharge. The Exchange proposes to increase the Fees for Adding and Removing Liquidity in SOX, HGX and OSX.

<sup>5</sup> This would include options on Nasdaq-100 Index (“NDX”). Today, for transactions in NDX, the Exchange assesses a surcharge of \$0.10 per contract will be added to the Fee for Adding Liquidity and the Fee for Removing Liquidity in Non-Penny Pilot Options, except for a Customer who will not be assessed a surcharge.

<sup>10</sup> 17 CFR 200.30–3(a)(12).

## Customer and Professional Penny Pilot Option Rebates to Add Liquidity

Add Liquidity based on an eight tier rebate structure as follows:

The Exchange currently pays Customer and Professional Rebates to

Monthly	Volume	Rebate to add liquidity
Tier 1 .....	Participant adds Customer and/or Professional liquidity of up to 0.20% of total industry customer equity and ETF option average daily volume ("ADV") contracts per day in a month.	\$0.25
Tier 2 .....	Participant adds Customer and/or Professional liquidity of 0.21% to 0.30% of total industry customer equity and ETF option ADV contracts per day in a month.	0.40
Tier 3 .....	Participant adds Customer and/or Professional liquidity of 0.31% to 0.49% of total industry customer equity and ETF option ADV contracts per day in a month.	0.43
Tier 4 .....	Participant adds Customer and/or Professional liquidity of 0.5% or more of total industry customer equity and ETF option ADV contracts per day in a month.	0.45
Tier 5 .....	Participant adds (1) Customer and/or Professional liquidity of 25,000 or more contracts per day in a month, (2) the Participant has certified for the Investor Support Program set forth in Rule 7014, and (3) the Participant executed at least one order on NASDAQ's equity market.	0.42
Tier 6 .....	Participant has Total Volume of 115,000 or more contracts per day in a month, of which 25,000 or more contracts per day in a month must be Customer and/or Professional liquidity.	0.45
Tier 7 .....	Participant has Total Volume of 150,000 or more contracts per day in a month, of which 50,000 or more contracts per day in a month must be Customer and/or Professional liquidity.	0.47
Tier 8 .....	Participant (1) has Total Volume of 200,000 or more contracts per day in a month, of which 70,000 or more contracts per day in a month must be Customer and/or Professional liquidity or (2) adds Customer and/or Professional liquidity of 1.00% or more of national customer volume in multiply-listed equity and ETF options classes in a month.	[sic]

For purposes of qualifying for a Customer and Professional Rebate to Add Liquidity tier, the Exchange determines the applicable percentage of total industry customer equity and ETF option average daily volume by including the Participant's Penny Pilot and Non-Penny Pilot Customer and/or Professional volume that adds liquidity. The Exchange is proposing to make certain amendments to the tiers as noted below.

The Exchange proposes to clarify the Tier 1 Customer and Professional Penny Pilot Options Rebates to Add Liquidity by adding rule text stating that Non-Penny Pilot Options as well as Penny Pilot Options which add liquidity would qualify a Participant for a Tier 1 rebate. This is not an amendment to the tier, but rather a clarification of the rule text. The Exchange would continue to pay a rebate of \$0.25 per contract to Participants that add Customer and/or Professional liquidity in Penny Pilot Options and/or Non-Penny Pilot Options of up to 0.20% of total industry customer equity and ETF option average daily volume ("ADV") contracts per day in a month.

The Exchange proposes to amend the Tier 2 Customer and Professional Penny Pilot Options Rebates to Add Liquidity to increase the current \$0.40 per contract rebate to \$0.42 per contract. The Exchange proposes to clarify the Tier 2 Customer and Professional Penny Pilot Options Rebate to Add Liquidity by adding rule text stating that Non-Penny Pilot Options as well as Penny Pilot Options which add liquidity

would qualify a Participant for a Tier 2 rebate. This is not an amendment to the tier, but rather a clarification of the rule text. Finally, the Exchange proposes to amend the Tier 2 volume threshold by clarifying that the current threshold of 0.21% to 0.30% of total customer equity and ETF options ADV contracts per day in a month would be better worded as *above* 0.20% to 0.30%. The Exchange believes that the use of the word "above" brings greater clarity to the rule text. With this amendment, the Exchange would pay a \$0.42 per contract rebate to Participants that add Customer and/or Professional liquidity in Penny Pilot Options and/or Non-Penny Pilot Options above 0.20% to 0.30% of total industry customer equity and ETF option ADV contracts per day in a month.

The Exchange proposes to clarify the Tier 3 Customer and Professional Penny Pilot Options Rebates to Add Liquidity by adding rule text stating that Non-Penny Pilot Options as well as Penny Pilot Options which add liquidity would qualify a Participant for a Tier 3 rebate. This is not an amendment to the tier, but rather a clarification of the rule text. Additionally, the Exchange proposes to amend the Tier 3 volume threshold by lowering the 0.31% to 0.49% of total industry customer equity to *above* 0.30% to 0.40% of total customer equity and ETF options ADV contracts per day in a month. The Exchange believes that the use of the word "above" brings greater clarity to the rule text. With this amendment, the Exchange would continue to pay a \$0.43

per contract rebate to Participants that add Customer and/or Professional liquidity in Penny Pilot Options and/or Non-Penny Pilot Options above 0.30% to 0.40% of total industry customer equity and ETF option ADV contracts per day in a month.

The Exchange proposes to clarify the Tier 4 Customer and Professional Penny Pilot Options Rebates to Add Liquidity by adding rule text stating that Non-Penny Pilot Options as well as Penny Pilot Options which add liquidity would qualify a Participant for a Tier 4 rebate. This is not an amendment to the tier, but rather a clarification of the rule text. Additionally, the Exchange proposes to amend the Tier 4 volume threshold by lowering the current requirement of 0.5% or more of total industry customer equity and ETF options ADV contracts per day in a month to *above* 0.40%. The Exchange believes that the use of the word "above" brings greater clarity to the rule text. With this amendment, the Exchange would continue to pay a \$0.45 per contract rebate to Participants that add Customer and/or Professional liquidity in Penny Pilot Options and/or Non-Penny Pilot Options above 0.40% or more of total industry customer equity and ETF option ADV contracts per day in a month.

The Exchange proposes to amend the Tier 5 Customer and Professional Penny Pilot Options Rebates to Add Liquidity to include Non-Penny Pilot Options as of January 2, 2014 as Customer and/or Professional liquidity that will count toward achieving the 25,000 or more

contracts per day in a month criteria in Tier 5. Today, the Exchange pays a \$0.42 per contract rebate to Participants that add (1) Customer and/or Professional liquidity of 25,000 or more contracts per day in a month, (2) the Participant has certified for the Investor Support Program set forth in Rule 7014, and (3) the Participant executed at least one order on NASDAQ's equity market. The Exchange would permit Non-Penny Pilot Options in addition to Penny Pilot Options to count toward arriving at the 25,000 or more contracts per day in a month threshold for the first criteria of the three requisite criteria to qualify for the Tier 5 rebate. The Exchange proposes to add the words "in Penny Pilot Options" to the rule text simply to clarify that those types of contracts count toward the volume threshold today. This would not be a substantive change to the rule text. The Exchange also proposes to increase the rebate from \$0.42 to \$0.45 per contract to further incentivize Participants to add liquidity, certify for the Investor Support Program and execute orders on NASDAQ's equity market to qualify for this rebate.

The Exchange proposes to clarify that with respect to the Tier 6 Customer and Professional Penny Pilot Options Rebates to Add Liquidity that Penny Pilot Options qualify a participant with respect to this rebate tier. This is not an amendment to the Tier 6 rebate but rather the addition of rule text to clarify that, as is the case today, only Penny Pilot Options apply to this tier. Today, the Exchange pays a \$0.45 per contract rebate to Participants that have a Total Volume<sup>6</sup> of 115,000 or more contracts per day in a month, of which 25,000 or more contracts per day in a month must be Customer and/or Professional liquidity in Penny Pilot Options. The Exchange proposes to lower the Total Volume Threshold from 115,000 to 100,000 or more contracts per day in a month, of which 25,000 or more contracts per day in a month must be Customer and/or Professional liquidity. The Exchange believes that lowering the Total Volume threshold will incentivize Participants to direct liquidity to the Exchange.

The Exchange proposes to clarify that with respect to the Tier 7 Customer and Professional Penny Pilot Options Rebates to Add Liquidity that Penny Pilot Options qualify a participant with respect to this rebate tier. This is not an amendment to the Tier 7 rebate but

rather the addition of rule text to clarify that, as is the case today, only Penny Pilot Options apply to this tier. With this amendment, the Exchange would continue to pay a \$0.47 per contract rebate to Participants that have a Total Volume of 150,000 or more contracts per day in a month, of which 50,000 or more contracts per day in a month must be Customer and/or Professional liquidity in Penny Pilot Options.

The Exchange proposes to amend the Tier 8 Customer and Professional Penny Pilot Options Rebates to Add Liquidity to eliminate one of the two criteria which today qualifies a Participant to receive the Tier 8 rebate. Today, a Participant that has Total Volume of 200,000 or more contracts per day in a month, of which 70,000 or more contracts per day in a month must be Customer and/or Professional liquidity or (2) [sic] adds Customer and/or Professional liquidity of 1.00% or more of national customer volume in multiply-listed equity and ETF options classes in a month qualifies for the \$0.48 per contract rebate. The Exchange will eliminate the Total Volume criteria as a means to qualify for the Tier 8 rebate so that a Participant will no longer qualify for the Tier 8 rebate by transacting Total Volume of 200,000 or more contracts per day in a month, of which 70,000 or more contracts per day in a month must be Customer and/or Professional liquidity. In addition, the Exchange is amending the second criteria, which will be the only criteria with this proposal to qualify for a Tier 8 rebate, by lowering the Customer and/or Professional liquidity volume criteria from 1.00% to 0.75% or more of national customer volume in multiply-listed equity and ETF options classes in a month. With this proposal, a Participant may qualify for the \$0.48 per contract Tier 8 rebate by adding Customer and/or Professional liquidity of 0.75% or more of national customer volume in multiply-listed equity and ETF options classes in a month. The Exchange believes that despite the fact that the first criteria is being eliminated and Participants will no longer be able to add a certain amount of Total Volume to qualify for the Tier 8 rebate, Participants will continue to be incentivized to add Customer and/or Professional liquidity because the Exchange is lowering the amount of Customer and/or Professional volume necessary to qualify for the Tier 8 rebate. Additionally, the Exchange seeks to clarify the types of transactions which qualify a Participant for this rebate tier. This is not an amendment to the Tier 8 rebate but rather the addition

of rule text to clarify what types of transactions are applicable to qualify for the rebate. As noted in the rule text at Chapter XV, Section 2, with respect to the Customer and Professional Rebate to Add Liquidity in Penny Pilot Options, the applicable percentage of total industry customer equity and ETF option average daily volume includes the Participant's Penny Pilot and Non-Penny Pilot Customer and/or Professional volume that adds liquidity. The Exchange proposes to add rule text to clarify that with respect to this second prong, which will be the only prong, the Exchange proposes to state within the rule text that, as is the case today, the Exchange will pay a \$0.48 per contract rebate to Participants that adds Customer and/or Professional liquidity in *Penny Pilot Options and/or Non-Penny Pilot Options* of 0.75% or more of national customer volume in multiply-listed equity and ETF options classes in a month. The addition of this rule text to Tier 8 is not an amendment but rather a clarification of the rule text.

#### Penny Pilot Options Fees for Removing Liquidity

The Exchange proposes to increase the Professional, Firm, Non-NOM Market Maker and Broker-Dealer Fees for Removing Liquidity in Penny Pilot Options from \$0.48 to \$0.49 per contract. A Customer would continue to be assessed \$0.45 per contract. The Exchange believes that despite these increases the Exchange remains competitive with respect to these fees. Additionally, the Exchange proposes to offer Participants that qualify for Customer or Professional Rebate to Add Liquidity Tiers 7 or 8 in a given month the opportunity to lower the Penny Pilot Option Fee for Removing Liquidity from the proposed \$0.49 to \$0.48 per contract. The Exchange proposes to add the following language to the fee schedule, "Participants that qualify for Customer or Professional Rebate to Add Liquidity Tiers 7 or 8 in a given month will be assessed a Professional, Firm, Non-NOM Market Maker or Broker-Dealer Fee for Removing Liquidity in Penny Pilot Options of \$0.48 per contract." The Exchange believes that this added incentive will attract liquidity to NOM.

#### Customer and NOM Market Maker Fees for Removing Liquidity in Non-Penny Pilot Options (including NDX) and NDX Surcharge

The Exchange proposes to increase the Customer Fee for Removing Liquidity in Non-Penny Pilot Options (including NDX) from \$0.82 to \$0.85 per contract. The Exchange also proposes to

<sup>6</sup> "Total Volume" is defined as Customer, Professional, Firm, Broker-Dealer, Non-NOM Market Maker and NOM Market Maker volume in Penny Pilot Options and/or Non-Penny Pilot Options which either adds or removes liquidity on NOM.

increase the NOM Market Maker Fee for Removing Liquidity from \$0.86 to \$0.89 per contract in Non-Penny Pilot Options. Today Professionals, Firms, Non-NOM Market Makers and Broker-Dealers pay an \$0.89 per contract Fee for Removing Liquidity in Non-Penny Pilot Options. Despite the increase to the Customer and NOM Market Maker Fees for Removing Liquidity in Non-Penny Pilot Options the Exchange believes that the fees remain competitive.

The Exchange currently assesses fees and pay rebates on NDX as a Non-Penny Pilot Option. The Exchange currently assesses a surcharge to all market participants, except Customers, for transactions in NDX of \$0.10 per contract. The surcharge is in addition to the Fees for Adding and Removing Liquidity in Non-Penny Pilot Options. The Exchange proposes to increase the NDX surcharge from \$0.10 to \$0.15 [sic] per contract.

#### Customer Rebate To Add Liquidity in Non-Penny Pilot Options

The Exchange currently pays a Customer an \$0.81 per contract Non-Penny Pilot Options Rebate to Add Liquidity. Further the Exchange currently offers Participants that qualify for Customer or Professional Rebate to Add Liquidity Tiers 7 or 8 in a given month an additional \$0.01 per contract Non-Penny Pilot Options Customer Rebate to Add Liquidity for each transaction which adds liquidity in Non-Penny Pilot Options in that month (“\$0.01 Incentive”). The Exchange is proposing to increase the current Customer Rebate to Add Liquidity in Non-Penny Pilot Options from \$0.81 to \$0.84 per contract and eliminate the offer of the \$0.01 Incentive. The Exchange believes that the increased Customer rebate will attract greater Customer liquidity to the Exchange to the benefit of all market participants.

#### SOX, HGX and OSX

The Exchange currently assesses Customers a Fee for Adding Liquidity and a Fee for Removing Liquidity in SOX, HGX and OSX of \$0.35 per contract. The Exchange proposes to increase the Customer Fees for Adding and Removing Liquidity in SOX, HGX and OSX to \$0.40 per contract. The Exchange assesses NOM Market Makers a Fee for Adding Liquidity and a Fee for Removing Liquidity in SOX, HGX and OSX of \$0.40 per contract. These fees will remain unchanged. The Exchange assesses Professionals, Firms, Non-NOM Market Makers and Broker-Dealers a Fee for Adding and a Fee for Removing Liquidity in SOX, HGX and OSX of

\$0.60 per contract. The Exchange is proposing to increase the Professional, Firm, Non-NOM Market Maker and Broker-Dealer Fees for Adding and Removing Liquidity in SOX, HGX and OSX to \$0.89 per contract. The Exchange believes that the proposed increased fees remain competitive with other options fees at other exchanges.

#### 2. Statutory Basis

NASDAQ believes that its proposal to amend its Pricing Schedule is consistent with Section 6(b) of the Act<sup>7</sup> in general, and furthers the objectives of Section 6(b)(4) and (b)(5) of the Act<sup>8</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.

#### Customer and Professional Penny Pilot Option Rebates To Add Liquidity

The Exchange’s proposal to clarify the rule text of the Customer and Professional Rebates to Add Liquidity tiers by adding the phrase “in Penny Pilot Options and/or Non-Penny Pilot Options” is reasonable because the Exchange currently determines the applicable percentage of total industry customer equity and ETF option average daily volume by including the Participant’s Penny Pilot and Non-Penny Pilot Customer and/or Professional volume that adds liquidity. The Exchange believes that adding this language in Tiers 1, 2, 3, 4 and 8 of the Customer and Professional Penny Pilot Options Rebate to Add Liquidity tiers will clarify the rule text. Similarly, the Exchange’s proposal to add the phrase “in Penny Pilot Options” in Tiers 5, 6 and 7 is reasonable because this language will also clarify the rule text and make clear which types of transactions qualify a Participant for a rebate. These amendments to the rule text are not substantive but rather serve to add specific terms which apply today.

The Exchange’s proposal to clarify the rule text of the Customer and Professional Rebates to Add Liquidity tiers by adding the phrase “in Penny Pilot Options and/or Non-Penny Pilot Options” in Tiers 1, 2, 3, 4 and 8 is equitable and not unfairly discriminatory because the Exchange will pay rebates to all Participants that transact the qualifying volume in a uniform manner. Similarly, the

Exchange’s proposal to add the phrase “in Penny Pilot Options” in Tiers 5, 6 and 7 is equitable and not unfairly discriminatory because the Exchange will pay rebates to all Participants that transact the qualifying volume in a uniform manner.

The Exchange’s proposal to increase the Tier 2 Customer and Professional Penny Pilot Options Rebate to Add Liquidity from \$0.40 to \$0.42 per contract is reasonable because the increased rebate will incentivize market participants to transact an even greater number of qualifying Customer and/or Professional volume.

The Exchange’s proposal to increase the Tier 2 Customer and Professional Penny Pilot Options Rebate to Add Liquidity from \$0.40 to \$0.42 per contract is equitable and not unfairly discriminatory because all eligible Participants that qualify for the Tier 2 Customer and Professional Penny Pilot Options Rebate to Add Liquidity will be uniformly paid the rebate.

The Exchange’s proposal to clarify the verbiage of the Tier 2 volume threshold by amending 0.21% to 0.30% of total customer equity and ETF options ADV contracts per day in a month to *above* 0.20% to 0.30% is reasonable because the new verbiage clarifies the volume to qualify for the Tier 2 rebate. The Exchange’s proposal to amend the Tier 2 volume threshold by amending 0.21% to 0.30% of total customer equity and ETF options ADV contracts per day in a month to *above* 0.20% to 0.30% is equitable and not unfairly discriminatory because all eligible Participants that qualify for the Tier 2 Customer and Professional Penny Pilot Options Rebate to Add Liquidity will continue to be uniformly paid the rebate as they are today.

The Exchange’s proposal to amend the Tier 3 volume threshold by lowering the 0.31% to 0.49% of total industry customer equity to *above* 0.30% to 0.40% of total customer equity and ETF options ADV contracts per day in a month is reasonable because the Exchange is lowering the tier which should permit those Participants that qualify for this rebate today to continue to qualify for this rebate and allow additional Participants to qualify for the Tier 4 rebate. The Exchange’s proposal to amend the Tier 3 volume threshold by lowering the 0.31% to 0.49% of total industry customer equity to *above* 0.30% to 0.40% of total customer equity and ETF options ADV contracts per day in a month is equitable and not unfairly discriminatory because all eligible Participants that qualify for the Tier 3 Customer and Professional Penny Pilot

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

<sup>8</sup> 15 U.S.C. 78f(b)(4), (5).

Options Rebate to Add Liquidity will be uniformly paid the rebate.

The Exchange's proposal to amend the Tier 4 volume threshold by lowering the current requirement of 0.5% or more of total industry customer equity and ETF options ADV contracts per day in a month to *above* 0.40% is reasonable because the Exchange is lowering the tier which may permit additional Participants to qualify for the Tier 4 rebate. Participants that currently qualify for the rebate should continue to qualify. The Exchange's proposal to amend the Tier 4 volume threshold by lowering the current requirement of 0.5% or more of total industry customer equity and ETF options ADV contracts per day in a month to *above* 0.40% is equitable and not unfairly discriminatory because all eligible Participants that qualify for the Tier 4 Customer and Professional Penny Pilot Options Rebate to Add Liquidity will be uniformly paid the rebate.

The Exchange believes that the use of the word "above" in the amended rebate tiers is reasonable, equitable and not unfairly discriminatory because it adds greater clarity to the rule text.

The Exchange's proposal to amend Tier 5 to include Non-Penny Pilot Options as of January 2, 2014 as Customer and/or Professional liquidity that will count toward achieving the 25,000 or more contracts per day in a month criteria in Tier 5 is reasonable because the Exchange believes that by adding Non-Penny Pilot Options volume additional Participants may qualify for a Tier 5 rebate. Today, only Penny Pilot Options count toward arriving at the 25,000 or more contracts per day in month threshold for the first of three criteria<sup>9</sup> toward qualifying for the Tier 5 rebate.<sup>10</sup> The Exchange's proposal to increase the rebate from \$0.42 to \$0.45 per contract is reasonable because offering a greater rebate will further incentivize Participants to add liquidity, certify for the Investor Support Program<sup>11</sup> and execute orders on NASDAQ's equity market to qualify for this rebate. The Exchange's proposal to amend the Tier 5 to include Non-

Penny Pilot Options toward achieving the 25,000 or more contracts per day in a month criteria in Tier 5 is equitable and not unfairly discriminatory because all Participants that add either Penny Pilot or Non-Penny Pilot volume will be able to qualify for the rebate.

Additionally, the Exchange's proposal to increase the rebate from \$0.42 to \$0.45 per contract is equitable and not unfairly discriminatory because all eligible Participants that qualify for the Tier 5 Customer and Professional Penny Pilot Options Rebate to Add Liquidity will be uniformly paid the increased rebate.

The Exchange's proposal to lower the Total Volume Threshold in Tier 6 from 115,000 to 100,000 or more contracts per day in a month, of which 25,000 or more contracts per day in a month must be Customer and/or Professional liquidity is reasonable because the Exchange believes that by lowering the volume threshold, additional Participants may qualify for a Tier 6 rebate.<sup>12</sup> The Exchange's proposal to lower the Total Volume Threshold in Tier 6 from 115,000 to 100,000 or more contracts per day in a month, of which 25,000 or more contracts per day in a month must be Customer and/or Professional liquidity is equitable and not unfairly discriminatory because all Participants that transact 100,000 or more contracts per day in a month, of which 25,000 or more contracts per day in a month must be Customer and/or Professional liquidity will be eligible for the Tier 6 rebate. The Exchange will apply the rebate in a uniform manner.

The Exchange's proposal to amend the Tier 8 Customer and Professional Penny Pilot Options Rebate to Add Liquidity to eliminate one of the two criteria<sup>13</sup> which today qualifies a Participant to receive the Tier 8 rebate is reasonable because the Exchange believes that the remaining criteria will encourage Participants to add more Customer and Professional liquidity versus Total Volume<sup>14</sup> and Participants

benefit from Customer and Professional liquidity.<sup>15</sup> Customer volume is important because it continues to attract liquidity to the Exchange, which benefits all market participants. Further, with respect to Professional liquidity, the Exchange initially established Professional pricing in order to "... bring additional revenue to the Exchange."<sup>16</sup> The Exchange noted in the Professional Filing that it believes "... that the increased revenue from the proposal would assist the Exchange to recoup fixed costs."<sup>17</sup> Further, the Exchange noted in that filing that it believes that establishing separate pricing for a Professional, which ranges between that of a Customer and market maker, accomplishes this objective.<sup>18</sup> In addition, the Exchange's proposal amends the second criteria, which would be the only criteria with this proposal to qualify for a Tier 8 rebate, by lowering the Customer and/or Professional liquidity volume criteria from 1.00% to 0.75% or more of national customer volume in multiply-listed equity and ETF options classes in a month.<sup>19</sup> The Exchange believes that lowering this volume threshold from 1.00% to 0.75% or more of national customer volume in multiply-listed equity and ETF options classes in a month is reasonable because it will permit additional Participants to qualify for the Tier 8 rebate. The Exchange's

Penny Pilot Options and/or Non-Penny Pilot Options which either adds or removes liquidity on NOM.

<sup>15</sup> Today, a Participant that has Total Volume of 200,000 or more contracts per day in a month, of which 70,000 or more contracts per day in a month must be Customer and/or Professional liquidity or (2) [sic] adds Customer and/or Professional liquidity of 1.00% or more of national customer volume in multiply-listed equity and ETF options classes in a month qualifies for the \$0.48 per contract rebate.

<sup>16</sup> See Securities Exchange Act Release No. 64494 (May 13, 2011), 76 FR 29014 (May 19, 2011) (SR-NASDAQ-2011-066) ("Professional Filing"). In this filing, the Exchange addressed the perceived favorable pricing of Professionals who were assessed fees and paid rebates like a Customer prior to the filing. The Exchange noted in that filing that a Professional, unlike a retail Customer, has access to sophisticated trading systems that contain functionality not available to retail Customers.

<sup>17</sup> See Securities Exchange Act Release No. 64494 (May 13, 2011), 76 FR 29014 (May 19, 2011) (SR-NASDAQ-2011-066).

<sup>18</sup> See Securities Exchange Act Release No. 64494 (May 13, 2011), 76 FR 29014 (May 19, 2011) (SR-NASDAQ-2011-066) The Exchange also in the Professional Filing that it believes the role of the retail Customer in the marketplace is distinct from that of the Professional and the Exchange's fee proposal at that time accounted for this distinction by pricing each market participant according to their roles and obligations.

<sup>19</sup> With this proposal, a Participant may qualify for the \$0.48 per contract Tier 8 rebate by adding Customer and/or Professional liquidity of 0.75% or more of national customer volume in multiply-listed equity and ETF options classes in a month.

<sup>9</sup> As noted above, the Exchange is adding the words "in Penny Pilot Options" to clarify that today Penny Pilot Options to reflect that today only those types of transactions count toward arriving at the 25,000 or more threshold.

<sup>10</sup> With respect to Tier 5, the Exchange pays a \$0.42 per contract rebate to Participants that add (1) Customer and/or Professional liquidity of 25,000 or more contracts per day in a month, (2) the Participant has certified for the Investor Support Program set forth in Rule 7014, and (3) the Participant executed at least one order on NASDAQ's equity market.

<sup>11</sup> The Investor Support Program is set forth in NASDAQ Rule 7014.

<sup>12</sup> Today, the Exchange pays a \$0.45 per contract rebate to Participants that have a Total Volume of 115,000 or more contracts per day in a month, of which 25,000 or more contracts per day in a month must be Customer and/or Professional liquidity in Penny Pilot Options. Total Volume is defined as Customer, Professional, Firm, Broker-Dealer, Non-NOM Market Maker and NOM Market Maker volume in Penny Pilot Options and/or Non-Penny Pilot Options which either adds or removes liquidity on NOM.

<sup>13</sup> A Participant will no longer qualify for the Tier 8 rebate by transacting Total Volume of 200,000 or more contracts per day in a month, of which 70,000 or more contracts per day in a month must be Customer and/or Professional liquidity.

<sup>14</sup> Total Volume is defined as Customer, Professional, Firm, Broker-Dealer, Non-NOM Market Maker and NOM Market Maker volume in

proposal to amend the Tier 8 Customer and Professional Penny Pilot Options Rebate to Add Liquidity to eliminate one of the two criteria<sup>20</sup> which today qualifies a Participant to receive the Tier 8 rebate is equitable and not unfairly discriminatory because the Exchange will apply the criteria in a uniform manner. The Exchange believes that lowering this volume threshold from 1.00% to 0.75% or more of national customer volume in multiply-listed equity and ETF options classes in a month is equitable and not unfairly discriminatory because the amended remaining criteria will be applied to all Participants in a uniform manner.

#### Penny Pilot Options Fees for Removing Liquidity

The Exchange's proposal to increase the Professional, Firm, Non-NOM Market Maker and Broker-Dealer Fees for Removing Liquidity in Penny Pilot Options from \$0.48 to \$0.49 per contract is reasonable because the Exchange is seeking to increase certain Penny Pilot Options Rebates to Add Liquidity to attract additional order flow to NOM. The Exchange's ability to offer increased Customer and Professional Penny Pilot Options rebates is possible with a corresponding increase to the Professional, Firm, Non-NOM Market Maker and Broker-Dealer Fees for Removing Liquidity in Penny Pilot Options. The Exchange believes that this fees remain within the range of fees assessed by other options exchanges.<sup>21</sup>

The Exchange's proposal to increase the Professional, Firm, Non-NOM Market Maker and Broker-Dealer Fees for Removing Liquidity in Penny Pilot Options from \$0.48 to \$0.49 per contract is equitable and not unfairly discriminatory because the Exchange is uniformly increased non-Customer Fees for Removing Liquidity in Penny Pilot Options. Customers will continue to be assessed the lowest Fees for Removing Liquidity in Penny Pilot Options. In this case, a Customer would continue to be assessed \$0.45 per contract. Customer liquidity is unique because the liquidity it attracts benefits all market participants. Customer liquidity benefits all market participants by providing more trading opportunities, which attract Specialists and Market Makers. An increase in the activity of these market participants in turn facilitates tighter spreads, which may cause an

additional corresponding increase in order flow from other market participants.

The Exchange's proposal to offer non-Customer Participants the ability to lower the Fees for Removing Liquidity in Penny Pilot Options from \$0.49 to \$0.48 per contract by qualifying for Customer or Professional Rebate To Add Liquidity Tiers 7 or 8 in a given month<sup>22</sup> is reasonable because the Exchange is seeking to offer these non-Customer Participants to lower the increased Fees for Removing Liquidity in Penny Pilot Options by adding liquidity to the Exchange.<sup>23</sup>

The Exchange's proposal to offer non-Customer Participants the ability to lower the Fees for Removing Liquidity in Penny Pilot Options from \$0.49 to \$0.48 per contract by qualifying for Customer or Professional Rebate To Add Liquidity Tiers 7 or 8 in a given month<sup>24</sup> is equitable and not unfairly discriminatory because all non-Customer Participants would be provided the opportunity to lower Fees for Removing Liquidity in Penny Pilot Options. Customers are assessed a lower Fee for Removing Liquidity in Penny Pilot Options, \$0.45 per contract, and therefore the Exchange believes that offering all Participants that incur a higher Fee for Removing Liquidity in Penny Pilot Options, \$0.89 per contract, is equitable and not unfairly discriminatory.

Customer and NOM Market Maker Fees for Removing Liquidity in Non-Penny Pilot Options (including NDX) and NDX Surcharge

The Exchange's proposal to increase the Customer Fee for Removing Liquidity from \$0.82 to \$0.85 per contract in Non-Penny Pilot Options is reasonable because the Exchange is seeking to increase certain Penny Pilot Options Rebates to Add Liquidity to attract additional order flow to NOM.

<sup>22</sup> The Exchange proposes to add the following language to the fee schedule, "Participants that qualify for Customer or Professional Rebate to Add Liquidity Tiers 7 or 8 in a given month will be assessed a Professional, Firm, Non-NOM Market Maker or Broker-Dealer Fee for Removing Liquidity in Penny Pilot Options of \$0.48 per contract."

<sup>23</sup> For purposes of Tier 7, Participants may add Customer, Professional, Firm, Broker-Dealer, Non-NOM Market Maker and NOM Market Maker volume in Penny Pilot Options and/or Non-Penny Pilot Options and for purposes of Tier 8, Participants may add Customer or Professional liquidity in Penny Pilot or Non-Penny Pilot Options.

<sup>24</sup> The Exchange proposes to add the following language to the fee schedule, "Participants that qualify for Customer or Professional Rebate to Add Liquidity Tiers 7 or 8 in a given month will be assessed a Professional, Firm, Non-NOM Market Maker or Broker-Dealer Fee for Removing Liquidity in Penny Pilot Options of \$0.48 per contract."

The Exchange is permitting both Penny Pilot and Non-Penny Pilot Options to count toward qualifying for various Customer and Professional Penny Pilot Options Rebates to Add Liquidity. Today, Customers are assessed the lowest Fee for Removing Liquidity in Non-Penny Pilot Options of \$0.82 per contract. Other market participants, Professionals, Firms, Non-NOM Market Makers, NOM Market Makers (as proposed herein) and Broker-Dealers, are assessed \$0.89 per contract. Customers would continue to be assessed the lowest fees.

The Exchange's proposal to increase the Customer Fee for Removing Liquidity from \$0.82 to \$0.85 per contract in Non-Penny Pilot Options is equitable and not unfairly discriminatory because the Exchange would continue to assess Customers the lowest Fee for Removing Liquidity in Non-Penny Pilot Options because Customer liquidity brings unique benefits to the market. Customer liquidity benefits all market participants by providing more trading opportunities, which attract Specialists and Market Makers. An increase in the activity of these market participants in turn facilitates tighter spreads, which may cause an additional corresponding increase in order flow from other market participants.

The Exchange's proposal to increase the NOM Market Maker Fee for Removing Liquidity from \$0.86 to \$0.89 per contract in Non-Penny Pilot Options is reasonable because the Exchange is seeking to increase certain Penny Pilot Options Rebates to Add Liquidity to attract additional order flow to NOM. The Exchange is permitting both Penny Pilot and Non-Penny Pilot Options to count toward qualifying for various Customer and Professional Penny Pilot Options Rebates to Add Liquidity.

The Exchange's proposal to increase the NOM Market Maker Fee for Removing Liquidity from \$0.86 to \$0.89 per contract in Non-Penny Pilot Options is equitable and not unfairly discriminatory because the Exchange would uniformly assess all non-Customers a Non-Penny Pilot Options Fee for Removing Liquidity of \$0.89 per contract. Customers would be assessed the lowest Non-Penny Pilot Options Fee for Removing Liquidity of \$0.85 per contract with this proposal. Customer order flow is unique because it attracts liquidity which in turn benefits all market participants.

The Exchange's proposal to increase the NDX surcharge applicable to all market participants, except Customers, is reasonable because the Exchange

<sup>20</sup> A Participant will no longer qualify for the Tier 8 rebate by transacting Total Volume of 200,000 or more contracts per day in a month, of which 70,000 or more contracts per day in a month must be Customer and/or Professional liquidity.

<sup>21</sup> BATS Exchange, Inc., Topaz Exchange, LLC or "Gemini" and NYSE Arca, Inc. has comparable fees.

currently pays a license fee<sup>25</sup> to list NDX on NOM and is seeking to recoup a larger portion of that fee.<sup>26</sup>

The Exchange's proposal to increase the NDX surcharge applicable to all market participants, except Customers, is equitable and not unfairly discriminatory because all market participants, except Customers, will uniformly be assessed the NDX surcharge in addition to the Non-Penny Pilot Options Fees for Adding and Removing Liquidity. Customers are typically not assessed surcharge fees related to licenses. The Exchange has not assessed such fees to Customers because Customer liquidity brings unique benefits to the market in terms of liquidity which in turn benefits other market participants.

#### Customer Rebate To Add Liquidity in Non-Penny Pilot Options

The Exchange's proposal to increase the Customer Non-Penny Pilot Options Rebate to Add Liquidity from \$0.81 to \$0.84 per contract and eliminate the offer of the \$0.01 Incentive<sup>27</sup> is reasonable because the Exchange believes that offering Customers the opportunity to earn the higher rebate will attract more liquidity to the Exchange. Further, even assuming Customers received the \$0.01 Incentive, the increased rebate would be higher going forward and thereby providing a greater incentive to these Participants.

The Exchange's proposal to increase the Customer Non-Penny Pilot Options Rebate to Add Liquidity from \$0.81 to \$0.84 per contract and eliminate the offer of the \$0.01 Incentive<sup>28</sup> is equitable and not unfairly discriminatory because the Exchange will offer all Customers the opportunity to receive the higher rebate. Customers are the only market participants eligible to receive a Rebate to Add Liquidity in Non-Penny Pilot Options. The Exchange believes that offering this rebate only to Customers is equitable and not unfairly discriminatory because unlike other market participants, Customer liquidity

brings unique benefits to the market in terms of liquidity which in turn benefits other market participants.

#### SOX, HGX and OSX

The Exchange's proposal to increase the Customer Fees for Adding and Removing Liquidity in SOX, HGX and OSX from \$0.35 to \$0.40 per contract is reasonable because although the fee is being increased, Customers will continue to be assessed lower fees as compared to other market participants, except NOM Market Makers, which should continue to incentivize Customers to transact options in SOX, HGX and OSX. The Exchange's proposal to increase Professional, Firm, Non-NOM Market Maker and Broker-Dealer Fees for Adding and Removing Liquidity in SOX, HGX and OSX from \$0.60 to \$0.89 per contract is reasonable because the Exchange will assess these market participants, other than Customers and NOM Market Makers, fees similar to those assessed for Non-Penny Pilot Fees for Removing Liquidity. The Exchange believes that the proposed increased fees remain competitive with other options fees at other exchanges.

The Exchange's proposal to increase the Customer Fees for Adding and Removing Liquidity in SOX, HGX and OSX from \$0.35 to \$0.40 per contract is equitable and not unfairly discriminatory because Customers and NOM Market Makers each bring benefits to the market. The Exchange believes that Customer order flow brings unique benefits to the market which benefits all market participants through increased liquidity. NOM Market Makers have obligations to the market and regulatory requirements,<sup>29</sup> which normally do not apply to other market participants. A NOM Market Maker has the obligation to make continuous markets, engage in a course of dealings reasonably calculated to contribute to the maintenance of a fair and orderly market, and not make bids or offers or enter into transactions that are inconsistent with a course of dealings. The proposed differentiation as between Customers and NOM Market Makers

and other market participants recognizes the differing contributions made to the liquidity and trading environment on the Exchange by Customers and NOM Market Makers, as well as the differing mix of orders entered.

The Exchange's proposal to increase Professional, Firm, Non-NOM Market Maker and Broker-Dealer Fees for Adding and Removing Liquidity in SOX, HGX and OSX from \$0.60 to \$0.89 per contract is equitable and not unfairly discriminatory because the Exchange is proposing to uniformly assess all market participants, other than Customers and NOM Market Makers, uniform Fees for Adding and Removing Liquidity in SOX, HGX and OSX.

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

NASDAQ does not believe that the proposed rule change will impose any burden on competition not necessary or appropriate in furtherance of the purposes of the Act. The Exchange believes that increasing the Tier 2 Customer and Professional Rebates to Add Liquidity in Penny Pilot Options will incentivize market participants to send additional Customer and/or Professional order flow to the Exchange. The Exchange also believes that lowering certain volume thresholds in Tiers 3, 4, 6 and 8 will also incentivize market participants to send additional Customer and/or Professional order flow to the Exchange. The Exchange's increase of the Tiers 2 and 5 rebates should also attract additional order flow to the Exchange and in turn promote competition. Finally, the Exchange's elimination of certain criteria to the Tier 8 rebate should encourage additional Customer and/or Professional order flow to the Exchange. Customer liquidity offers unique benefits to the market which benefits all market participants. Customer liquidity benefits all market participants by providing more trading opportunities, which attract Specialists and Market Makers. An increase in the activity of these market participants in turn facilitates tighter spreads, which may cause an additional corresponding increase in order flow from other market participants. The Exchange believes that encouraging Participants to add Professional liquidity creates competition among options exchanges because the Exchange believes that the rebates may cause market participants to select NOM as a venue to send Professional order flow. The Exchange is offering to pay increased rebates in exchange for additional Professional order flow being executed at the

<sup>25</sup> NOM is assessed a license fee of \$0.22 per contract to list NDX.

<sup>26</sup> Non-Penny Pilot Options, other than NDX, are not subject to a license fee.

<sup>27</sup> The Exchange currently offers Participants that qualify for Customer or Professional Rebate to Add Liquidity Tiers 7 or 8 in a given month an additional \$0.01 per contract Non-Penny Pilot Options Customer Rebate to Add Liquidity for each transaction which adds liquidity in Non-Penny Pilot Options in that month.

<sup>28</sup> The Exchange currently offers Participants that qualify for Customer or Professional Rebate to Add Liquidity Tiers 7 or 8 in a given month an additional \$0.01 per contract Non-Penny Pilot Options Customer Rebate to Add Liquidity for each transaction which adds liquidity in Non-Penny Pilot Options in that month.

<sup>29</sup> Pursuant to Chapter VII (Market Participants), Section 5 (Obligations of Market Makers), in registering as a market maker, an Options Participant commits himself to various obligations. Transactions of a Market Maker in its market making capacity must constitute a course of dealings reasonably calculated to contribute to the maintenance of a fair and orderly market, and Market Makers should not make bids or offers or enter into transactions that are inconsistent with such course of dealings. Further, all Market Makers are designated as specialists on NOM for all purposes under the Act or rules thereunder. See Chapter VII, Section 5.



Exchange, which additional order flow should benefit other market participants.

The Exchange believes that the increases to the non-Customer Penny Pilot Options Fees for Removing Liquidity do not create an undue burden on competition as the Exchange will uniformly assess non-Customers the same Fees for Removing Liquidity in Penny Pilot Options and offer these Participants the opportunity to reduce these fees by adding liquidity to the Exchange and qualifying for certain Customer and/or Professional rebates.

The increases to the Customer and NOM Market Maker Non-Penny Pilot Fees for Removing Liquidity should not create an undue burden on competition. Non-Customer Participants will be assessed a uniform fee and Customers will continue to earn a lower fee because Customer liquidity offers unique benefits to the market which benefits all market participants. Also, the increased NDX surcharge applicable to all non-Customer market participants will be applied in a uniform manner. Customers will continue to not pay the surcharge.

The increase to the Customer Rebate to Add Liquidity in Non-Penny Pilot Options and elimination of the \$0.01 Incentive does not create an undue burden on competition because market participants will be offered a higher Customer rebate with the increase as compared to the \$0.81 per contract rebate plus the \$0.01 Incentive.

Finally, the Exchange's proposal to increase the Fees for Adding and Removing Liquidity in SOX, HGX and OSX for all market participants, except NOM Market Makers, does not create an undue burden on competition. The Exchange is assessing the lowest fees to Customers and NOM Market Makers because Customer order flow brings unique benefits to the market which benefits all market participants through increased liquidity and NOM Market Makers have obligations to the market and regulatory requirements,<sup>30</sup> which normally do not apply to other market participants. The proposed amendments do not misalign the current rebate

structure because Customers and NOM Market Makers will continue to be assessed lower fees as compared to Professionals, Firms, Non-NOM Market Makers and Broker-Dealers who will be assessed a uniform fee.

The Exchange operates in a highly competitive market comprised of twelve U.S. options exchanges in which many sophisticated and knowledgeable market participants can readily and do send order flow to competing exchanges if they deem fee levels or rebate incentives at a particular exchange to be excessive or inadequate. These market forces support the Exchange belief that the proposed rebate structure and tiers proposed herein are competitive with rebates and tiers in place on other exchanges. The Exchange believes that this competitive marketplace continues to impact the rebates present on the Exchange today and substantially influences the proposals set forth above.

#### *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**

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A)(ii) of the Act.<sup>31</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. 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 email to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include File Number SR-NASDAQ-2014-002 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.

All submissions should refer to File Number SR-NASDAQ-2014-002. This file number should be included on the subject line if email 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 Web site (<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 Web site 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 NASDAQ. 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-2014-002 and should be submitted on or before February 11, 2014.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>32</sup>

**Kevin M. O'Neill,**  
Deputy Secretary.

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<sup>30</sup> Pursuant to Chapter VII (Market Participants), Section 5 (Obligations of Market Makers), in registering as a market maker, an Options Participant commits himself to various obligations. Transactions of a Market Maker in its market making capacity must constitute a course of dealings reasonably calculated to contribute to the maintenance of a fair and orderly market, and Market Makers should not make bids or offers or enter into transactions that are inconsistent with such course of dealings. Further, all Market Makers are designated as specialists on NOM for all purposes under the Act or rules thereunder. See Chapter VII, Section 5.

<sup>31</sup> 15 U.S.C. 78s(b)(3)(A)(ii).

<sup>32</sup> 17 CFR 200.30-3(a)(12).