Filing by NASDAQ Stock Market

Pursuant to Rule 19b-4 under the Securities Exchange Act of 1934

Initial * Amendment * Withdrawal * Section 19(b)(2) * Section 19(b)(3)(A) * Section 19(b)(3)(B) *

☑ ☐ ☐ ☐ ☐ ☐

Notice of proposed change pursuant to the Payment, Clearing, and Settlement Act of 2010

Security-Based Swap Submission pursuant to the Securities Exchange Act of 1934

Section 806(e)(1) ☒ Section 806(e)(2) ☒

Exhibit 2 Sent As Paper Document ☒ Exhibit 3 Sent As Paper Document ☐

Description

Provide a brief description of the action (limit 250 characters, required when Initial is checked *).

Routing Fees

Contact Information

Provide the name, telephone number, and e-mail address of the person on the staff of the self-regulatory organization prepared to respond to questions and comments on the action.

First Name * Angela Last Name * Dunn
Title * Associate General Counsel
E-mail * angela.dunn@nasdaqomx.com
Telephone * (215) 496-5692 Fax

Signature

Pursuant to the requirements of the Securities Exchange Act of 1934,

has duly caused this filing to be signed on its behalf by the undersigned thereunto duly authorized.

(Date *)
01/15/2013

Executive Vice President and General Counsel
Edward S. Knight
(Note: Clicking the button at right will digitally sign and lock this form. A digital signature is as legally binding as a physical signature, and once signed, this form cannot be changed.)
<table>
<thead>
<tr>
<th>Form 19b-4 Information *</th>
<th>The self-regulatory organization must provide all required information, presented in a clear and comprehensible manner, to enable the public to provide meaningful comment on the proposal and for the Commission to determine whether the proposal is consistent with the Act and applicable rules and regulations under the Act.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Add</td>
<td>Remove</td>
</tr>
<tr>
<td>Exhibit 1 - Notice of Proposed Rule Change *</td>
<td>The Notice section of this Form 19b-4 must comply with the guidelines for publication in the Federal Register as well as any requirements for electronic filing as published by the Commission (if applicable). The Office of the Federal Register (OFR) offers guidance on Federal Register publication requirements in the Federal Register Document Drafting Handbook, October 1998 Revision. For example, all references to the federal securities laws must include the corresponding cite to the United States Code in a footnote. All references to SEC rules must include the corresponding cite to the Code of Federal Regulations in a footnote. All references to Securities Exchange Act Releases must include the release number, release date, Federal Register cite, Federal Register date, and corresponding file number (e.g., SR-[SRO]-xx-xx). A material failure to comply with these guidelines will result in the proposed rule change being deemed not properly filed. See also Rule 0-3 under the Act (17 CFR 240.0-3)</td>
</tr>
<tr>
<td>Add</td>
<td>Remove</td>
</tr>
<tr>
<td>Exhibit 1A - Notice of Proposed Rule Change, Security-Based Swap Submission, or Advance Notice by Clearing Agencies</td>
<td>The Notice section of this Form 19b-4 must comply with the guidelines for publication in the Federal Register as well as any requirements for electronic filing as published by the Commission (if applicable). The Office of the Federal Register (OFR) offers guidance on Federal Register publication requirements in the Federal Register Document Drafting Handbook, October 1998 Revision. For example, all references to the federal securities laws must include the corresponding cite to the United States Code in a footnote. All references to SEC rules must include the corresponding cite to the Code of Federal Regulations in a footnote. All references to Securities Exchange Act Releases must include the release number, release date, Federal Register cite, Federal Register date, and corresponding file number (e.g., SR-[SRO]-xx-xx). A material failure to comply with these guidelines will result in the proposed rule change being deemed not properly filed. See also Rule 0-3 under the Act (17 CFR 240.0-3)</td>
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<td>Add</td>
<td>Remove</td>
</tr>
<tr>
<td>Exhibit 2 - Notices, Written Comments, Transcripts, Other Communications</td>
<td>Copies of notices, written comments, transcripts, other communications. If such documents cannot be filed electronically in accordance with Instruction F, they shall be filed in accordance with Instruction G.</td>
</tr>
<tr>
<td>Add</td>
<td>Remove</td>
</tr>
<tr>
<td>Exhibit 3 - Form, Report, or Questionnaire</td>
<td>Copies of any form, report, or questionnaire that the self-regulatory organization proposes to use to help implement or operate the proposed rule change, or that is referred to by the proposed rule change.</td>
</tr>
<tr>
<td>Add</td>
<td>Remove</td>
</tr>
<tr>
<td>Exhibit 4 - Marked Copies</td>
<td>The full text shall be marked, in any convenient manner, to indicate additions to and deletions from the immediately preceding filing. The purpose of Exhibit 4 is to permit the staff to identify immediately the changes made from the text of the rule with which it has been working.</td>
</tr>
<tr>
<td>Add</td>
<td>Remove</td>
</tr>
<tr>
<td>Exhibit 5 - Proposed Rule Text</td>
<td>The self-regulatory organization may choose to attach as Exhibit 5 proposed changes to rule text in place of providing it in Item I and which may otherwise be more easily readable if provided separately from Form 19b-4. Exhibit 5 shall be considered part of the proposed rule change.</td>
</tr>
<tr>
<td>Add</td>
<td>Remove</td>
</tr>
<tr>
<td>Partial Amendment</td>
<td>If the self-regulatory organization is amending only part of the text of a lengthy proposed rule change, it may, with the Commission's permission, file only those portions of the text of the proposed rule change in which changes are being made if the filing (i.e., partial amendment) is clearly understandable on its face. Such partial amendment shall be clearly identified and marked to show deletions and additions.</td>
</tr>
<tr>
<td>Add</td>
<td>Remove</td>
</tr>
</tbody>
</table>
1. **Text of the Proposed Rule Change**

   (a) Pursuant to the provisions of Section 19(b)(1) under the Securities Exchange Act of 1934 (“Act”)\(^1\) and Rule 19b-4 thereunder,\(^2\) The NASDAQ Stock Market LLC (“NASDAQ” or the “Exchange”) is filing with the Securities and Exchange Commission (“Commission”) a proposed rule change to modify Chapter XV, Section 2, entitled “NASDAQ Options Market – Fees and Rebates,” which governs pricing for NASDAQ members using the NASDAQ Options Market (“NOM”), NASDAQ’s facility for executing and routing standardized equity and index options, to amend Routing Fees.

   While these amendments are effective upon filing, the Exchange has designated the proposed amendments to be operative on February 1, 2013.

   A notice of the proposed rule change for publication in the Federal Register is attached hereto as Exhibit 1 and a copy of the applicable rule text is attached hereto as Exhibit 5.

   (b) Not applicable.

   (c) Not applicable.

2. **Procedures of the Self-Regulatory Organization**

   The proposed rule change was approved by senior management of NASDAQ pursuant to authority delegated by the Board of Directors of NASDAQ on July 10, 2012. NASDAQ staff will advise the Board of Directors of NASDAQ of any action taken pursuant to delegated authority. No other action by NASDAQ is necessary for the filing of the rule change.

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Questions regarding this rule filing may be directed to Angela Saccomandi Dunn, Associate General Counsel, at (215) 496-5692.

3. **Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change**

   a. **Purpose**

   The purpose of this filing is to amend the Routing Fees in Section 2(4) of Chapter XV in order to recoup costs the Exchange incurs for routing and executing certain orders in equity options to away markets.

   Currently, the fees for routing Customer, Firm, Market Maker and Professional orders are as follows:

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<tr>
<th>Exchange</th>
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<th>Firm</th>
<th>MM</th>
<th>Professional</th>
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<tbody>
<tr>
<td>BATS Penny Pilot</td>
<td>$0.55</td>
<td></td>
<td>$0.55</td>
<td>$0.55</td>
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<tr>
<td>BATS Non-Penny Pilot</td>
<td>$0.86</td>
<td>$0.94</td>
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<tr>
<td>BOX</td>
<td>$0.11</td>
<td>$0.55</td>
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<tr>
<td>BX Options Penny Pilot</td>
<td>$0.11</td>
<td>$0.54</td>
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<td>$0.54</td>
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</tr>
<tr>
<td>CBOE</td>
<td>$0.11</td>
<td>$0.55</td>
<td>$0.55</td>
<td>$0.41</td>
</tr>
<tr>
<td>CBOE orders greater than 99 contracts in NDX, MNX ETFs and ETNs</td>
<td>$0.29</td>
<td>$0.55</td>
<td>$0.55</td>
<td>N/A</td>
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<td>C2</td>
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<td>NYSE AMEX</td>
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<td>PHLX (for all options other than PHLX Select Symbols)</td>
<td>$0.11</td>
<td>$0.55</td>
<td>$0.55</td>
<td>$0.31</td>
</tr>
<tr>
<td>PHLX Select Symbols**</td>
<td>$0.11</td>
<td>$0.55</td>
<td>$0.55</td>
<td>$0.55</td>
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The Exchange proposes to adopt new Routing Fees when routing and executing orders in equity options to BATS Exchange, Inc. ("BATS"), BOX Options Exchange LLC ("BOX"), the Chicago Board Options Exchange, Incorporated ("CBOE"), C2 Options Exchange, Incorporated ("C2"), International Securities Exchange, LLC ("ISE"), the Miami International Securities Exchange, LLC ("MIA"), NASDAQ Options Market ("NOM"), NYSE Arca, Inc. ("NYSE Arca"), NYSE MKT LLC ("NYSE Amex") and NASDAQ OMX PHLX LLC ("Phlx"). The Exchange is proposing to eliminate the current Routing Fees located in Section 2(4) of Chapter XV and instead assess NOM Participants a fixed fee plus the away market transaction fee as noted below.

Today, the Exchange calculates Routing Fees by assessing a fixed Routing Fee of $0.11 per contract, which is comprised of certain Exchange costs related to routing orders to away markets plus the away market’s transaction fee. With respect to the fixed costs, the Exchange incurs a fee when it utilizes Nasdaq Options Services LLC ("NOS"), a member of the Exchange and the Exchange’s exclusive order router. Each time NOS routes an order to an away market, NOS 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 NOS, membership fees at away markets, Options Regulatory Fees ("ORFs") and technical costs associated with routing options. With respect to away

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3 See NASDAQ Rules at Chapter VI, Section 11(e) (Order Routing).
4 The Options Clearing Corporation ("OCC") assesses $0.01 per contract side.
market transaction fees, the Exchange does not assess actual transaction fees in all cases today, but rather has limited fees in certain circumstances. In those cases the Exchange does not recover all of its costs for routing to the away market.\footnote{In some cases the Exchange filed a rule change which noted that the Exchange would not assess the actual transaction charge, but a lower amount where the transaction fees at an away market were higher than other markets.}

Today, the Exchange amends its Routing Fees to reflect amendments to away market transaction fees by filing proposed rule changes. The Exchange proposes to eliminate the current Routing Fees and instead assess the \textit{actual} away market fee assessed by the away exchange at the time that the order was entered into the Exchange’s trading system. This transaction fee would be calculated on an order-by-order basis since different away markets charge different amounts.\footnote{This is similar to the methodology utilized by ISE in assessing Routing Fees. \textcolor{blue}{See ISE’s Fee Schedule.}} The Exchange analyzed its clearing costs,\footnote{OCC recently amended its clearing fee from $0.03 per contract side to $0.01 per contract side. \textcolor{blue}{See Securities Exchange Act Release No. 68025 (October 10, 2012), 77 FR 63398 (October 16, 2012) (SR-OCC-2012-18).}} administrative and technical costs associated with operating NOS, membership fees at away markets and regulatory costs in determining the fixed fee for routing. With respect to BATS, BOX, C2, CBOE, ISE, MIAX, NYSE Amex and NYSE Arca the Exchange proposes to continue to assess $0.11 per contract in addition to the away market’s transaction fee.\footnote{The $0.11 per contract fixed fee would apply to all options exchanges other than Phlx and BX. The Exchange anticipates that if other options exchanges are approved by the Commission after the filing of this proposal, those exchanges would be assessed the $0.11 per contract fee applicable to “all other options exchanges.” The Exchange currently assesses $0.11 per contract for costs incurred by the Exchange.} While this proposal does not change the fixed cost assessed to
away markets other than Phlx and BX Options, the Exchange would assess the actual transaction fees that are in place at the various away markets and will no longer limit those transaction fees as it does today in certain circumstances. While clearing costs have recently decreased, the Exchange would continue to assess $0.11 per contract because of other increased costs. Specifically, several exchanges have increased ORFs or adopted ORFs and the Exchange proposes to assess the same fixed cost Routing Fee for non-NASDAQ OMX exchanges despite the lower clearing fee.

The Exchange also analyzed costs related to routing to Phlx and BX Options and determined to assess a lower fee of $0.05 per contract as compared to other away markets because NOS is utilized by all three exchanges to route orders. Phlx, BX Options and NOM all utilize NOS which lowers the cost of routing to those markets as compared to other away markets. In addition the fixed costs are reduced because NOS is owned and operated by NASDAQ OMX and the three exchanges and NOS share common

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9 Today, the Exchange caps certain Routing Fees at certain levels. For example, the Exchange caps BATS, NYSE Arca and BX Options Routing Fees at $0.94 per contract.

10 See note 7.


12 See Chapter VI, Section 11 of the NASDAQ and BX Options Rules and Phlx Rule 1080(m)(iii)(A).
technology and related operational functions. The Exchange proposes to assess a $0.05 per contract fixed fee in addition to the away market’s transaction fee to route to Phlx and BX Options. This proposal would reduce the fixed fees assessed today on average to route to Phlx and BX Options from $0.11 to $0.05 per contract.

For all Routing Fees, the transaction fee is based on the away market’s transaction fee or rebate for particular market participants and in the case that there is no transaction fee or rebate assessed by the away market, the only fee assessed would be the $0.05 or $0.11 per contract fixed fee assessed by the Exchange to recoup its costs. The Exchange proposes to pass along any rebate paid by the away market where there is such a rebate. Today, the Exchange does not pass along rebates. Any rebate available would be netted against a fee assessed by the Exchange. For example, if a Customer order is routed to BOX, and BOX offers a customer rebate of $0.20 per contract, the Exchange would assess a $0.11 per contract fixed fee which would net against the rebate ($0.20 per contract in this example). The market participant for whom the Customer contract was routed would receive a $0.09 per contract rebate. Today the market participant does not receive a rebate and only pays the current Routing Fees.

As with all fees, the Exchange may adjust these Routing Fees in response to competitive conditions by filing a new proposed rule change.

b. Statutory Basis

NASDAQ believes that the proposed rule changes are consistent with the provisions of Section 6 of the Act, in general, and with Section 6(b)(4) of the Act, in

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particular, in that they provide for the equitable allocation of reasonable dues, fees and other charges among members and issuers and other persons using any facility or system which NOM operates or controls.

The Exchange believes that the proposed Routing Fees are reasonable because they seek to recoup costs that are incurred by the Exchange when routing Customer, Firm, Market Maker and Professional orders to away markets on behalf of members. Each destination market’s transaction charge varies and there is a cost incurred by the Exchange when routing orders to away markets. The costs to the Exchange include clearing costs, administrative and technical costs associated with operating NOS, membership fees at away markets, ORFs and technical costs associated with routing options. The Exchange believes that the proposed Routing Fees would enable the Exchange to recover the costs it incurs to route orders to away markets in addition to transaction fees assessed to market participants for the execution of Customer, Firm, Market Maker and Professional orders by the away market. Specifically, other options exchanges have increased ORFs that are assessed per transaction. The Exchange believes that it is reasonable to recoup these costs borne by the Exchange on each transaction.

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In addition, the Exchange notes that it would assess a fixed fee of $0.11 per contract, as it does today, for costs incurred by the Exchange with respect to non-NASDAQ OMX exchanges. The Exchange believes that the proposed fee is reasonable because while the clearing fee itself was lowered by OCC (from $0.03 to $0.01 per contract side), other fees, such as ORFs, have increased in recent months. The Exchange, in analyzing its actual costs, has determined to continue to assess a $0.11 per contract fee to represent the overall cost to the Exchange for technical, administrative, clearing, regulatory, compliance and other costs, in addition to the transaction fee assessed by the away market. Also, the Exchange will assess the actual transaction fees that are in place at the various away markets and will no longer limit those transaction fees as it does today in certain circumstances. The Exchange believes that it is reasonable for it to recoup its actual costs associated with routing orders to away markets. NOM Participants would be entitled to receive rebates offered by away markets with this proposal, which rebates would net against fees assessed by the Exchange for routing orders. The Exchange believes that the opportunity to collect a rebate will reduce Routing Fees.

In addition, the Exchange believes that it is equitable and not unfairly discriminatory to assess a fixed cost of $0.11 per contract, which is mostly comprised of technology, infrastructure and away market non-transaction fee costs, to route orders to non-NASDAQ OMX away markets because the Exchange would be assessing an overall lower fixed fee. While the clearing cost was reduced, other fees have increased and therefore the Exchange believes that a $0.11 per contract fee continues to be reasonable because it represents the cost to route to non-NASDAQ OMX away markets. The proposed $0.11 per contract fixed fee would be assessed uniformly on all market
participants in addition to the actual transaction fees on all orders routed to non-
NASDAQ OMX markets.

The Exchange believes that it is equitable and not unfairly discriminatory to
assess a fixed cost of $0.05 per contract to route orders to NASDAQ OMX away markets
(Phlx and BX Options) because the cost, in terms of actual cash outlays, to the Exchange
to route to those markets is lower. For example, costs related to routing to Phlx and BX
Options are lower as compared to other away markets because NOS is utilized by all
three exchanges to route orders.\footnote{See Chapter VI, Section 11 of the NASDAQ and BX Options Rules and Phlx
Rule 1080(m)(iii)(A).} NOS and the three NASDAQ OMX options markets
have a common data center and staff that are responsible for the day-to-day operations of
NOS. Because the three exchanges are in a common data center, Routing Fees are
reduced because costly expenses related to, for example, telecommunication lines to
obtain connectivity are avoided when routing orders in this instance. The costs related to
connectivity to route orders to other NASDAQ OMX exchanges are de minimis. When
routing orders to non-NASDAQ OMX exchanges, the Exchange incurs costly
connectivity charges related to telecommunication lines and other related costs. The
proposed fixed fee for routing orders to non-NASDAQ OMX exchanges is therefore
increased as compared to the fees for routing orders to NASDAQ OMX exchanges (Phlx
and BX Options), $0.11 per contract versus $0.05 per contract, respectively. The
proposed $0.05 per contract fixed fee would be assessed uniformly on all orders routed to
NASDAQ OMX markets in addition to the actual away market transaction fee assessed
by the destination market. The Exchange also believes that it is equitable and not
unfairly discriminatory for market participants to receive rebates on orders routed to
away markets that pay rebates. Today, the Exchange does not pay such rebates when routing orders. The Exchange would pay rebates offered by away markets uniformly to market participants when their orders are routed to a destination market that offers a rebate.

The Exchange believes it is reasonable, equitable and not unfairly discriminatory to pass along savings realized by leveraging NASDAQ OMX’s infrastructure and scale to market participants when those orders are routed to Phlx and BX Options.\textsuperscript{17} Orders are routed to away markets in accordance with Exchange rules based on price.\textsuperscript{18} Market participants may submit orders to the Exchange as ineligible for routing or “DNR” to avoid incurring the Routing Fees proposed herein.\textsuperscript{19}

4. **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 the rule change would allow the Exchange to recoup its costs when routing orders designated as available for routing by the market participant. NOM Participants may choose to mark the order as ineligible for routing to avoid incurring these fees.\textsuperscript{20} Today, other options exchanges also assess similar fees to recoup costs

\textsuperscript{17} Today, the Exchange assesses a $0.11 per contract fixed fee for routing orders to Phlx and BX Options. That fee is proposed to be reduced to a $0.05 per contract fixed fee, which would be in addition to the actual transaction fee assessed by the away market.

\textsuperscript{18} See NASDAQ Rules at Chapter XII (Options Order Protection and Locked and Crossed Market Rules).

\textsuperscript{19} See NASDAQ Rules at Chapter VI, Section 11(e) (Order Routing).

\textsuperscript{20} See NASDAQ Rules at Chapter VI, Section 11(e) (Order Routing).
incurred when routing orders to away markets. With respect to routing to Phlx and BX Options at a lower cost as compared to other away markets, the Exchange does not believe that the proposed amendments to increase those fees, while maintaining the same fee differential imposes a burden because all market participants would be assessed the same fees depending on the away market. Also, the Exchange is proposing to recoup costs incurred only when members request the Exchange route their orders to an away market. The Exchange is passing along savings realized by leveraging NASDAQ OMX’s infrastructure and scale to market participants when those orders are routed to Phlx and BX Options and is providing those saving to all market participants. Finally, the Exchange routes orders to away markets where the Exchange’s disseminated bid or offer is inferior to the national best bid (best offer) price and based on price first.21

5. 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.

6. Extension of Time Period for Commission Action

Not applicable.

7. Basis for Summary Effectiveness Pursuant to Section 19(b)(3) or for Accelerated Effectiveness Pursuant to Section 19(b)(2)

Pursuant to Section 19(b)(3)(A)(ii) of the Act,22 NASDAQ has designated this proposal as establishing or changing a due, fee, or other charge imposed on any person, whether or not the person is a member of the self-regulatory organization, which renders

21 See NASDAQ Rules at Chapter XII (Options Order Protection and Locked and Crossed Market Rules).

the proposed rule change effective upon filing.

8. Proposed Rule Change Based on Rules of Another Self-Regulatory Organization or of the Commission

The proposed rule change is based on similar Routing Fees in place on Phlx.\textsuperscript{23}

9. Security-Based Swap Submissions Filed Pursuant to Section 3C of the Act

Not applicable.

10. Advance Notices Filed Pursuant to Section 806(e) of the Payment, Clearing and Settlement Supervision Act

Not applicable.

11. Exhibits

1. Notice of proposed rule for publication in the Federal Register.

5. Applicable portion of the Exchange’s rule text.

\textsuperscript{23} See Securities Exchange Act Release No. 68213 (November 13, 2012), 77 FR 69530 (November 19, 2012) (SR-Phlx-2012-129). This rule change eliminated the Routing Fees that were in place on Phlx and replaced them with Routing Fees comprised of a fixed cost fee of $0.04 per contract to route orders to BX Options and NOM and $0.10 per contract to route orders to all other away markets plus the away market’s transaction fee. The Exchange subsequently amended these fees to increase them to $0.05 per contract to route orders to BX Options and NOM and $0.11 per contract to route orders to all other away markets plus the away market’s transaction fee. See SR-Phlx-2013-04 (not yet published). The Exchange proposes to adopt the same Routing Fees that would be in place on Phlx as of February 1, 2013.
Self-Regulatory Organizations: The NASDAQ Stock Market LLC Notice of Filing and Immediate Effectiveness of Proposed Rule Change Relating to Routing Fees

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act")\(^1\), and Rule 19b-4\(^2\) thereunder, notice is hereby given that on January 16, 2013, 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 Substance of the Proposed Rule Change

NASDAQ proposes to modify Chapter XV, Section 2, entitled "NASDAQ Options Market – Fees and Rebates," which governs pricing for NASDAQ members using the NASDAQ Options Market ("NOM"), NASDAQ’s facility for executing and routing standardized equity and index options, to amend Routing Fees.

While these amendments are effective upon filing, the Exchange has designated the proposed amendments to be operative on February 1, 2013.

The text of the proposed rule change is provided in Exhibit 5. The text of the proposed rule change is also available on the Exchange’s Website at

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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

The purpose of this filing is to amend the Routing Fees in Section 2(4) of Chapter XV in order to recoup costs the Exchange incurs for routing and executing certain orders in equity options to away markets.

Currently, the fees for routing Customer, Firm, Market Maker and Professional orders are as follows:

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<td>$0.29</td>
<td>$0.55</td>
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The Exchange proposes to adopt new Routing Fees when routing and executing orders in equity options to BATS Exchange, Inc. (“BATS”), BOX Options Exchange LLC (“BOX”), the Chicago Board Options Exchange, Incorporated (“CBOE”), C2 Options Exchange, Incorporated (“C2”), International Securities Exchange, LLC (“ISE”), the Miami International Securities Exchange, LLC (“MIAX”), NASDAQ Options Market (“NOM”), NYSE Arca, Inc. (“NYSE Arca”), NYSE MKT LLC (“NYSE Amex”) and NASDAQ OMX PHLX LLC (“Phlx”). The Exchange is proposing to eliminate the current Routing Fees located in Section 2(4) of Chapter XV and instead assess NOM Participants a fixed fee plus the away market transaction fee as noted below.

Today, the Exchange calculates Routing Fees by assessing a fixed Routing Fee of $0.11 per contract, which is comprised of certain Exchange costs related to routing orders to away markets plus the away market’s transaction fee. With respect to the fixed costs, the Exchange incurs a fee when it utilizes Nasdaq Options Services LLC (“NOS”), a member of the Exchange and the Exchange’s exclusive order router. Each time NOS routes an order to an away market, NOS is charged a clearing fee and, in the case of certain exchanges, a transaction fee is also charged in certain symbols, which fees are

3 See NASDAQ Rules at Chapter VI, Section 11(e) (Order Routing).

4 The Options Clearing Corporation (“OCC”) assesses $0.01 per contract side.
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 NOS, membership fees at away markets, Options Regulatory Fees (“ORFs”) and technical costs associated with routing options. With respect to away market transaction fees, the Exchange does not assess actual transaction fees in all cases today, but rather has limited fees in certain circumstances. In those cases the Exchange does not recover all of its costs for routing to the away market.\(^5\)

Today, the Exchange amends its Routing Fees to reflect amendments to away market transaction fees by filing proposed rule changes. The Exchange proposes to eliminate the current Routing Fees and instead assess the \textit{actual} away market fee assessed by the away exchange at the time that the order was entered into the Exchange’s trading system. This transaction fee would be calculated on an order-by-order basis since different away markets charge different amounts.\(^6\) The Exchange analyzed its clearing costs,\(^7\) administrative and technical costs associated with operating NOS, membership fees at away markets and regulatory costs in determining the fixed fee for routing. With respect to BATS, BOX, C2, CBOE, ISE, MIAX, NYSE Amex and NYSE Arca the

\(^5\) In some cases the Exchange filed a rule change which noted that the Exchange would not assess the actual transaction charge, but a lower amount where the transaction fees at an away market were higher than other markets.

\(^6\) This is similar to the methodology utilized by ISE in assessing Routing Fees. See ISE’s Fee Schedule.

\(^7\) OCC recently amended its clearing fee from $0.03 per contract side to $0.01 per contract side. See Securities Exchange Act Release No. 68025 (October 10, 2012), 77 FR 63398 (October 16, 2012) (SR-OCC-2012-18).
Exchange proposes to continue to assess $0.11 per contract in addition to the away market’s transaction fee. While this proposal does not change the fixed cost assessed to away markets other than Phlx and BX Options, the Exchange would assess the actual transaction fees that are in place at the various away markets and will no longer limit those transaction fees as it does today in certain circumstances. While clearing costs have recently decreased, the Exchange would continue to assess $0.11 per contract because of other increased costs. Specifically, several exchanges have increased ORFs or adopted ORFs and the Exchange proposes to assess the same fixed cost Routing Fee for non-NASDAQ OMX exchanges despite the lower clearing fee.

8 The $0.11 per contract fixed fee would apply to all options exchanges other than Phlx and BX. The Exchange anticipates that if other options exchanges are approved by the Commission after the filing of this proposal, those exchanges would be assessed the $0.11 per contract fee applicable to “all other options exchanges.” The Exchange currently assesses $0.11 per contract for costs incurred by the Exchange.

9 Today, the Exchange caps certain Routing Fees at certain levels. For example, the Exchange caps BATS, NYSE Arca and BX Options Routing Fees at $0.94 per contract.

10 See note 7.

The Exchange also analyzed costs related to routing to Phlx and BX Options and determined to assess a lower fee of $0.05 per contract as compared to other away markets because NOS is utilized by all three exchanges to route orders.\(^\text{12}\) Phlx, BX Options and NOM all utilize NOS which lowers the cost of routing to those markets as compared to other away markets. In addition the fixed costs are reduced because NOS is owned and operated by NASDAQ OMX and the three exchanges and NOS share common technology and related operational functions. The Exchange proposes to assess a $0.05 per contract fixed fee in addition to the away market’s transaction fee to route to Phlx and BX Options. This proposal would reduce the fixed fees assessed today on average to route to Phlx and BX Options from $0.11 to $0.05 per contract.

For all Routing Fees, the transaction fee is based on the away market’s transaction fee or rebate for particular market participants and in the case that there is no transaction fee or rebate assessed by the away market, the only fee assessed would be the $0.05 or $0.11 per contract fixed fee assessed by the Exchange to recoup its costs. The Exchange proposes to pass along any rebate paid by the away market where there is such a rebate. Today, the Exchange does not pass along rebates. Any rebate available would be netted against a fee assessed by the Exchange. For example, if a Customer order is routed to BOX, and BOX offers a customer rebate of $0.20 per contract, the Exchange would assess a $0.11 per contract fixed fee which would net against the rebate ($0.20 per contract in this example). The market participant for whom the Customer contract was routed would receive a $0.09 per contract rebate. Today the market participant does not receive a rebate and only pays the current Routing Fees.

\(^{12}\) See Chapter VI, Section 11 of the NASDAQ and BX Options Rules and Phlx Rule 1080(m)(iii)(A).
As with all fees, the Exchange may adjust these Routing Fees in response to competitive conditions by filing a new proposed rule change.

2. Statutory Basis

NASDAQ believes that the proposed rule changes are consistent with the provisions of Section 6 of the Act,\(^{13}\) in general, and with Section 6(b)(4) of the Act,\(^{14}\) in particular, in that they provide for the equitable allocation of reasonable dues, fees and other charges among members and issuers and other persons using any facility or system which NOM operates or controls.

The Exchange believes that the proposed Routing Fees are reasonable because they seek to recoup costs that are incurred by the Exchange when routing Customer, Firm, Market Maker and Professional orders to away markets on behalf of members. Each destination market’s transaction charge varies and there is a cost incurred by the Exchange when routing orders to away markets. The costs to the Exchange include clearing costs, administrative and technical costs associated with operating NOS, membership fees at away markets, ORFs and technical costs associated with routing options. The Exchange believes that the proposed Routing Fees would enable the Exchange to recover the costs it incurs to route orders to away markets in addition to transaction fees assessed to market participants for the execution of Customer, Firm, Market Maker and Professional orders by the away market. Specifically, other options exchanges have increased ORFs that are assessed per transaction.\(^{15}\) The Exchange


\(^{15}\) CBOE recently increased its ORF from $.0065 to $.0085 per contract. See
believes that it is reasonable to recoup these costs borne by the Exchange on each transaction.

In addition, the Exchange notes that it would assess a fixed fee of $0.11 per contract, as it does today, for costs incurred by the Exchange with respect to non-NASDAQ OMX exchanges. The Exchange believes that the proposed fee is reasonable because while the clearing fee itself was lowered by OCC (from $0.03 to $0.01 per contract side), other fees, such as ORFs, have increased in recent months. The Exchange, in analyzing its actual costs, has determined to continue to assess a $0.11 per contract fee to represent the overall cost to the Exchange for technical, administrative, clearing, regulatory, compliance and other costs, in addition to the transaction fee assessed by the away market. Also, the Exchange will assess the actual transaction fees that are in place at the various away markets and will no longer limit those transaction fees as it does today in certain circumstances. The Exchange believes that it is reasonable for it to recoup its actual costs associated with routing orders to away markets. NOM Participants would be entitled to receive rebates offered by away markets with this proposal, which rebates would net against fees assessed by the Exchange for routing orders. The Exchange believes that the opportunity to collect a rebate will reduce Routing Fees.

In addition, the Exchange believes that it is equitable and not unfairly discriminatory to assess a fixed cost of $0.11 per contract, which is mostly comprised of technology, infrastructure and away market non-transaction fee costs, to route orders to non-NASDAQ OMX away markets because the Exchange would be assessing an overall lower fixed fee. While the clearing cost was reduced, other fees have increased and therefore the Exchange believes that a $0.11 per contract fee continues to be reasonable because it represents the cost to route to non-NASDAQ OMX away markets. The proposed $0.11 per contract fixed fee would be assessed uniformly on all market participants in addition to the actual transaction fees on all orders routed to non-NASDAQ OMX markets.

The Exchange believes that it is equitable and not unfairly discriminatory to assess a fixed cost of $0.05 per contract to route orders to NASDAQ OMX away markets (Phlx and BX Options) because the cost, in terms of actual cash outlays, to the Exchange to route to those markets is lower. For example, costs related to routing to Phlx and BX Options are lower as compared to other away markets because NOS is utilized by all three exchanges to route orders.\textsuperscript{16} NOS and the three NASDAQ OMX options markets have a common data center and staff that are responsible for the day-to-day operations of NOS. Because the three exchanges are in a common data center, Routing Fees are reduced because costly expenses related to, for example, telecommunication lines to obtain connectivity are avoided when routing orders in this instance. The costs related to connectivity to route orders to other NASDAQ OMX exchanges are de minimis. When routing orders to non-NASDAQ OMX exchanges, the Exchange incurs costly

\textsuperscript{16} See Chapter VI, Section 11 of the NASDAQ and BX Options Rules and Phlx Rule 1080(m)(iii)(A).
connectivity charges related to telecommunication lines and other related costs. The proposed fixed fee for routing orders to non-NASDAQ OMX exchanges is therefore increased as compared to the fees for routing orders to NASDAQ OMX exchanges (Phlx and BX Options), $0.11 per contract versus $0.05 per contract, respectively. The proposed $0.05 per contract fixed fee would be assessed uniformly on all orders routed to NASDAQ OMX markets in addition to the actual away market transaction fee assessed by the destination market. The Exchange also believes that it is equitable and not unfairly discriminatory for market participants to receive rebates on orders routed to away markets that pay rebates. Today, the Exchange does not pay such rebates when routing orders. The Exchange would pay rebates offered by away markets uniformly to market participants when their orders are routed to a destination market that offers a rebate.

The Exchange believes it is reasonable, equitable and not unfairly discriminatory to pass along savings realized by leveraging NASDAQ OMX’s infrastructure and scale to market participants when those orders are routed to Phlx and BX Options.\(^\text{17}\) Orders are routed to away markets in accordance with Exchange rules based on price.\(^\text{18}\) Market participants may submit orders to the Exchange as ineligible for routing or “DNR” to avoid incurring the Routing Fees proposed herein.\(^\text{19}\)

\(^{17}\) Today, the Exchange assesses a $0.11 per contract fixed fee for routing orders to Phlx and BX Options. That fee is proposed to be reduced to a $0.05 per contract fixed fee, which would be in addition to the actual transaction fee assessed by the away market.

\(^{18}\) See NASDAQ Rules at Chapter XII (Options Order Protection and Locked and Crossed Market Rules).

\(^{19}\) See NASDAQ Rules at Chapter VI, Section 11(e) (Order Routing).
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 the rule change would allow the Exchange to recoup its costs when routing orders designated as available for routing by the market participant. NOM Participants may choose to mark the order as ineligible for routing to avoid incurring these fees.20 Today, other options exchanges also assess similar fees to recoup costs incurred when routing orders to away markets. With respect to routing to Phlx and BX Options at a lower cost as compared to other away markets, the Exchange does not believe that the proposed amendments to increase those fees, while maintaining the same fee differential imposes a burden because all market participants would be assessed the same fees depending on the away market. Also, the Exchange is proposing to recoup costs incurred only when members request the Exchange route their orders to an away market. The Exchange is passing along savings realized by leveraging NASDAQ OMX’s infrastructure and scale to market participants when those orders are routed to Phlx and BX Options and is providing those saving to all market participants. Finally, the Exchange routes orders to away markets where the Exchange’s disseminated bid or offer is inferior to the national best bid (best offer) price and based on price first.21

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.

20 See NASDAQ Rules at Chapter VI, Section 11(e) (Order Routing).

21 See NASDAQ Rules at Chapter XII (Options Order Protection and Locked and Crossed Market Rules).
III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

Because the foregoing proposed rule change does not significantly affect the protection of investors or the public interest; does not impose any significant burden on competition; and by its terms does not 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)\(^{22}\) of the Act and Rule 19b-4(f)(6)(iii) thereunder.\(^ {23}\)

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-2013-010 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-2013-010. 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 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 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-2013-010 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.24

Kevin M. O’Neill
Deputy Secretary

Chapter XV Options Pricing

NASDAQ Options Market Participants may be subject to the Charges for Membership, Services and Equipment in the Rule 7000 Series as well as the fees in this Chapter XV.

* * * * *

Sec. 2 NASDAQ Options Market—Fees and Rebates

The following charges shall apply to the use of the order execution and routing services of the NASDAQ Options Market for all securities.

(1) – (3) No Change

(4) Fees for routing contracts to markets other than the NASDAQ Options Market shall be assessed as [provided below] follows:

- Routing Fees to PHLX and BX Options: $0.05 per contract fee in addition to the actual transaction fee assessed or rebate paid by these exchanges.

- Routing Fees to all other options exchanges: $0.11 per contract fee in addition to the actual transaction fee assessed or rebate paid by the away market.

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[PHLX (for all options other than PHLX Select Symbols)]

[PHLX Select Symbols**]  

[* These fees are applicable to orders routed to ISE that are subject to Rebates and Fees for Adding and Removing Liquidity in Select Symbols. See ISE's Schedule of Fees for the complete list of symbols that are subject to these fees.]

[** These fees are applicable to orders routed to PHLX that are subject to Rebates and Fees for Adding and Removing Liquidity in Select Symbols. See PHLX's Pricing Schedule for the complete list of symbols that are subject to these fees.]

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