

Required fields are shown with yellow backgrounds and asterisks.

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| Page 1 of * 24 | SECURITIES AND EXCHANGE COMMISSION WASHINGTON, D.C. 20549 Form 19b-4 | File No.* SR - 2014 - * 016 Amendment No. (req. for Amendments *) |
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Filing by NASDAQ Stock Market
Pursuant to Rule 19b-4 under the Securities Exchange Act of 1934

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|---|--------------------------------------|-------------------------------------|---|---|--|
| Initial * <input checked="" type="checkbox"/> | Amendment * <input type="checkbox"/> | Withdrawal <input type="checkbox"/> | Section 19(b)(2) * <input type="checkbox"/> | Section 19(b)(3)(A) * <input checked="" type="checkbox"/> | Section 19(b)(3)(B) * <input type="checkbox"/> |
| Pilot <input type="checkbox"/> | | | Rule | | |
| Extension of Time Period for Commission Action * <input type="checkbox"/> | | Date Expires * <input type="text"/> | <input type="checkbox"/> 19b-4(f)(1) | <input type="checkbox"/> 19b-4(f)(4) | |
| | | | <input checked="" type="checkbox"/> 19b-4(f)(2) | <input type="checkbox"/> 19b-4(f)(5) | |
| | | | <input type="checkbox"/> 19b-4(f)(3) | <input type="checkbox"/> 19b-4(f)(6) | |

| | |
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| 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) * <input type="checkbox"/> | Section 806(e)(2) * <input type="checkbox"/> |
| | Section 3C(b)(2) * <input type="checkbox"/> |

| | |
|---|---|
| Exhibit 2 Sent As Paper Document <input type="checkbox"/> | Exhibit 3 Sent As Paper Document <input type="checkbox"/> |
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Description

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

NOM Market Maker Rebates

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.

(Title *)
 Executive Vice President and General Counsel

Date 02/03/2014
 By Edward S. Knight
 (Name *)

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.

Persona Not Validated - 1383935917270,

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

For complete Form 19b-4 instructions please refer to the EFFF website.

Form 19b-4 Information *

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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.

Exhibit 1 - Notice of Proposed Rule Change *

Add Remove View

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)

Exhibit 1A- Notice of Proposed Rule Change, Security-Based Swap Submission, or Advance Notice by Clearing Agencies *

Add Remove View

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, security-based swap submission, or advance notice being deemed not properly filed. See also Rule 0-3 under the Act (17 CFR 240.0-3)

Exhibit 2 - Notices, Written Comments, Transcripts, Other Communications

Add Remove View

Exhibit Sent As Paper Document

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.

Exhibit 3 - Form, Report, or Questionnaire

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Exhibit Sent As Paper Document

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.

Exhibit 4 - Marked Copies

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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.

Exhibit 5 - Proposed Rule Text

Add Remove View

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.

Partial Amendment

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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.

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 “Exchange”) is filing with the Securities and Exchange Commission (“Commission”) a proposed rule change 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 amend the NOM Market Maker Rebate to Add Liquidity in Penny Pilot Options.³

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ 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 and 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 and extension and replacement of Penny Pilot through June 30, 2013); 69787 (June 18, 2013), 78 FR 37858 (June 24, 2013) (SR-NASDAQ-2013-082); 71105 (December 17, 2013), 78 FR 77530 (December

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 portion of the 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 17, 2013. 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.

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

NASDAQ proposes to modify Chapter XV, entitled "Options Pricing," at Section 2(1) governing the rebates and fees assessed for option orders entered into NOM. Specifically, the Exchange proposes to amend the NOM Market Maker Penny Pilot Options Rebate to Add Liquidity tiers. Today, the Exchange offers a five-tiered Rebate to Add Liquidity in Penny Pilot Options as noted below:

23, 2013) (SR-NASDAQ-2013-154). See also NOM Rules, Chapter VI, Section 5.

| Monthly Volume | | Rebate to Add Liquidity |
|-----------------------|--|---|
| Tier 1 | Participant adds NOM Market Maker liquidity in Penny Pilot Options and/or Non-Penny Pilot Options of up to 29,999 contracts per day in a month | \$0.25 |
| Tier 2 | Participant adds NOM Market Maker liquidity in Penny Pilot Options and/or Non-Penny Pilot Options of 30,000 to 59,999 contracts per day in a month | \$0.30 |
| Tier 3 | Participant adds NOM Market Maker liquidity in Penny Pilot Options and/or Non-Penny Pilot Options of 60,000 to 79,999 contracts per day in a month | \$0.32 |
| Tier 4 | Participant adds NOM Market Maker liquidity in Penny Pilot Options and/or Non-Penny Pilot Options of 80,000 or more contracts per day in a month | \$0.32 or \$0.38 in the following symbols BAC, GLD, IWM, QQQ and VXX or \$0.40 in SPY |
| Tier 5 | Participant adds NOM Market Maker liquidity in Penny Pilot Options and/or Non-Penny Pilot Options of 40,000 or more contracts per day in a month and qualifies for the Tier 7 or Tier 8 Customer and/or Professional Rebate to Add Liquidity in Penny Pilot Options. | \$0.40 |

The Exchange is proposing to amend the qualifications for NOM Market Maker Penny Pilot rebate Tiers 3 and 4 by lowering the quantity of contracts per day in a month that Participants must add to obtain the rebate. Specifically, the Tier 3 rebate tier would be lowered from adding NOM Market Maker liquidity in Penny Pilot Options and/or Non-Penny Pilot Options of 60,000 to 79,999 contracts per day in month to adding

60,000 to 69,999 contracts per day in a month. The Tier 4 rebate tier would be lowered from adding NOM Market Maker liquidity in Penny Pilot Options and/or Non-Penny Pilot Options of 80,000 or more contracts per day in a month to adding 70,000 or more contracts per day in a month. The Exchange anticipates that this amendment would provide an opportunity for Participants to qualify for higher rebate tiers for their NOM Market Maker liquidity.

b. Statutory Basis

NASDAQ believes that its proposal to amend its Pricing Schedule is consistent with Section 6(b) of the Act⁴ in general, and furthers the objectives of Section 6(b)(4) and (b)(5) of the Act⁵ 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.

The Exchange's proposal to amend NOM Market Maker Rebate to Add Liquidity in Penny Pilot Options Tiers 3 and 4 volume requirements is reasonable because the Exchange is providing Participants with an opportunity to earn higher rebates in certain symbols. Today, a Participant that transacts 70,000 contracts per day in a month of NOM Market Maker liquidity in either Penny Pilot Options or Non-Penny Pilot Options would qualify for a Tier 3 rebate of \$0.32 per contract. With this proposal, a Participant that transacts 70,000 contracts per day in a month of NOM Market Maker liquidity in either Penny Pilot Options or Non-Penny Pilot Options would qualify for a Tier 4 rebate of

⁴ 15 U.S.C. 78f(b).

⁵ 15 U.S.C. 78f(b)(4), (5).

\$0.32 per contractor \$0.38 per contract in certain symbols.⁶ With this proposal, a Participant that transacts 70,000 contracts per day in a month of NOM Market Maker liquidity in either Penny Pilot Options or Non-Penny Pilot Options would earn a Tier 3 rebate. Incentivizing Participants to select the Exchange as a venue to post NOM Market Maker liquidity will benefit market participants through increased order interaction and additional liquidity.

The Exchange's proposal to amend NOM Market Maker Rebate to Add Liquidity in Penny Pilot Options Tiers 3 and 4 volume requirements is equitable and not unfairly discriminatory because this amendment will be applied to all Participants in a uniform manner. In addition, Participants should continue to qualify for the rebates that they currently receive and may earn increased rebates by qualifying for a higher volume tier and transacting certain symbols,⁷ as a result of lowering the volume requirements in Tiers 3 and 4.

The proposal does not misalign the current rebate structure. NOM Market Makers are valuable market participants that provide liquidity in the marketplace and incur costs unlike other market participants. The Exchange believes that NOM Market Makers should be offered the opportunity to earn higher rebates as compared to Non-NOM Market Makers, Firms and Broker Dealers because NOM Market Makers add value through continuous quoting⁸ and the commitment of capital. NOM Market Makers

⁶ Participants that qualify for a Tier 4 NOM Market Maker Rebate to Add Liquidity in Penny Pilot Options earn a rebate of \$0.38 in the following symbols: BAC, GLD, IWM, QQQ and VXX and \$0.40 for transacting SPY options. All other symbols qualify for a \$0.32 rebate.

⁷ See note 6.

⁸ Pursuant to Chapter VII (Market Participants), Section 5 (Obligations of Market

provide a critical liquidity function across thousands of individual option puts and option calls, a function no other market participants are obligated to perform. The Exchange believes that encouraging NOM Market Makers to be more aggressive when posting liquidity benefits all market participants through increased liquidity and execution quality. The Exchange believes that continuing to offer NOM Market Makers the opportunity to receive higher rebates as compared to Firms, Non-NOM Market Makers and Broker-Dealers is equitable and not unfairly discriminatory because all Participants may qualify for the NOM Market Maker rebate tiers and every Participant is entitled to a rebate solely by adding one contract of NOM Market Maker liquidity on NOM. Also, NOM Market Makers would receive the same rebate in Tier 1 as compared to Customers and Professionals and a higher rebate in all other tiers as compared to a Firm, Non-NOM Market Maker or Broker-Dealer because of the obligations⁹ borne by NOM Market Makers as compared to other market participants. Encouraging NOM Market Makers to add greater liquidity benefits all Participants in the quality of order interaction and enhanced execution quality.

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

NASDAQ does not believe that the proposed rule change will impose any burden

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.

⁹ See note 8.

on competition not necessary or appropriate in furtherance of the purposes of the Act. The Exchange believes that incentivizing NOM Market Makers to post liquidity on NOM benefits market participants through increased order interaction. Also, NOM Market Makers have obligations¹⁰ to the market which are not borne by other market participants and therefore the Exchange believes that NOM Market Makers are entitled to such higher rebates.

The proposed amendments do not misalign the current rebate structure because NOM Market Makers will continue to earn higher rebates as compared to Firms, Non-NOM Market Makers and Broker-Dealers and will earn the same or lower rebates as compared to Customers and Professionals. The Exchange believes the differing outcomes, rebates and fees created by the Exchange's proposed pricing incentives contributes to the overall health of the market place for the benefit of all Participants that willingly choose to transact options on NOM. In addition, NOM Market Makers will have the opportunity to earn even higher rebates. For the reasons specified herein, the Exchange does not believe this proposal creates an undue burden on competition.

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's belief that the proposed rebate structure and tiers proposed herein are competitive with rebates and tiers in place on other exchanges. The Exchange

¹⁰ See note 8.

believes that this competitive marketplace continues to impact the rebates present on the Exchange today and substantially influences the proposals set forth above.

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)

The foregoing proposed rule change establishes or changes a due, fee, or other charge imposed by the self-regulatory organization on any person, whether or not the person is a member of the self-regulatory organization pursuant to Section 19(b)(3)(A)(ii) of the Act.¹¹

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

Not applicable.

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.

¹¹ 15 U.S.C. 78s(b)(3)(A)(ii).

Exhibit 1

SECURITIES AND EXCHANGE COMMISSION
(Release No. _____ ; File No. SR-NASDAQ-2014-016)

February __, 2014

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

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”),¹ and Rule 19b-4 thereunder,² notice is hereby given that on February 3, 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 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 amend the NOM Market Maker Rebate to Add Liquidity in Penny Pilot Options.³

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ 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-

The text of the proposed rule change is available on the Exchange's Website at <http://www.nasdaq.cchwallstreet.com>, at the principal office of the Exchange, and at the Commission's Public Reference Room.

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

In its filing with the Commission, the Exchange included statements concerning the purpose of and basis for the proposed rule change. 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.

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 and 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 and extension and replacement of Penny Pilot through June 30, 2013); 69787 (June 18, 2013), 78 FR 37858 (June 24, 2013) (SR-NASDAQ-2013-082); 71105 (December 17, 2013), 78 FR 77530 (December 23, 2013) (SR-NASDAQ-2013-154). See also NOM Rules, Chapter VI, Section 5.

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

1. Purpose

NASDAQ proposes to modify Chapter XV, entitled “Options Pricing,” at Section 2(1) governing the rebates and fees assessed for option orders entered into NOM. Specifically, the Exchange proposes to amend the NOM Market Maker Penny Pilot Options Rebate to Add Liquidity tiers. Today, the Exchange offers a five-tiered Rebate to Add Liquidity in Penny Pilot Options as noted below:

| Monthly Volume | | Rebate to Add Liquidity |
|-----------------------|--|---|
| Tier 1 | Participant adds NOM Market Maker liquidity in Penny Pilot Options and/or Non-Penny Pilot Options of up to 29,999 contracts per day in a month | \$0.25 |
| Tier 2 | Participant adds NOM Market Maker liquidity in Penny Pilot Options and/or Non-Penny Pilot Options of 30,000 to 59,999 contracts per day in a month | \$0.30 |
| Tier 3 | Participant adds NOM Market Maker liquidity in Penny Pilot Options and/or Non-Penny Pilot Options of 60,000 to 79,999 contracts per day in a month | \$0.32 |
| Tier 4 | Participant adds NOM Market Maker liquidity in Penny Pilot Options and/or Non-Penny Pilot Options of 80,000 or more contracts per day in a month | \$0.32 or \$0.38 in the following symbols BAC, GLD, IWM, QQQ and VXX or \$0.40 in SPY |
| Tier 5 | Participant adds NOM Market Maker liquidity in Penny Pilot Options and/or | \$0.40 |

Non-Penny Pilot Options of 40,000 or more contracts per day in a month and qualifies for the Tier 7 or Tier 8 Customer and/or Professional Rebate to Add Liquidity in Penny Pilot Options.

The Exchange is proposing to amend the qualifications for NOM Market Maker Penny Pilot rebate Tiers 3 and 4 by lowering the quantity of contracts per day in a month that Participants must add to obtain the rebate. Specifically, the Tier 3 rebate tier would be lowered from adding NOM Market Maker liquidity in Penny Pilot Options and/or Non-Penny Pilot Options of 60,000 to 79,999 contracts per day in month to adding 60,000 to 69,999 contracts per day in a month. The Tier 4 rebate tier would be lowered from adding NOM Market Maker liquidity in Penny Pilot Options and/or Non-Penny Pilot Options of 80,000 or more contracts per day in a month to adding 70,000 or more contracts per day in a month. The Exchange anticipates that this amendment would provide an opportunity for Participants to qualify for higher rebate tiers for their NOM Market Maker liquidity.

2. Statutory Basis

NASDAQ believes that its proposal to amend its Pricing Schedule is consistent with Section 6(b) of the Act⁴ in general, and furthers the objectives of Section 6(b)(4) and (b)(5) of the Act⁵ 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

⁴ 15 U.S.C. 78f(b).

⁵ 15 U.S.C. 78f(b)(4), (5).

permit unfair discrimination between customers, issuers, brokers, or dealers.

The Exchange's proposal to amend NOM Market Maker Rebate to Add Liquidity in Penny Pilot Options Tiers 3 and 4 volume requirements is reasonable because the Exchange is providing Participants with an opportunity to earn higher rebates in certain symbols. Today, a Participant that transacts 70,000 contracts per day in a month of NOM Market Maker liquidity in either Penny Pilot Options or Non-Penny Pilot Options would qualify for a Tier 3 rebate of \$0.32 per contract. With this proposal, a Participant that transacts 70,000 contracts per day in a month of NOM Market Maker liquidity in either Penny Pilot Options or Non-Penny Pilot Options would qualify for a Tier 4 rebate of \$0.32 per contractor \$0.38 per contract in certain symbols.⁶ With this proposal, a Participant that transacts 70,000 contracts per day in a month of NOM Market Maker liquidity in either Penny Pilot Options or Non-Penny Pilot Options would earn a Tier 3 rebate. Incentivizing Participants to select the Exchange as a venue to post NOM Market Maker liquidity will benefit market participants through increased order interaction and additional liquidity.

The Exchange's proposal to amend NOM Market Maker Rebate to Add Liquidity in Penny Pilot Options Tiers 3 and 4 volume requirements is equitable and not unfairly discriminatory because this amendment will be applied to all Participants in a uniform manner. In addition, Participants should continue to qualify for the rebates that they currently receive and may earn increased rebates by qualifying for a higher volume tier

⁶ Participants that qualify for a Tier 4 NOM Market Maker Rebate to Add Liquidity in Penny Pilot Options earn a rebate of \$0.38 in the following symbols: BAC, GLD, IWM, QQQ and VXX and \$0.40 for transacting SPY options. All other symbols qualify for a \$0.32 rebate.

and transacting certain symbols,⁷ as a result of lowering the volume requirements in Tiers 3 and 4.

The proposal does not misalign the current rebate structure. NOM Market Makers are valuable market participants that provide liquidity in the marketplace and incur costs unlike other market participants. The Exchange believes that NOM Market Makers should be offered the opportunity to earn higher rebates as compared to Non-NOM Market Makers, Firms and Broker Dealers because NOM Market Makers add value through continuous quoting⁸ and the commitment of capital. NOM Market Makers provide a critical liquidity function across thousands of individual option puts and option calls, a function no other market participants are obligated to perform. The Exchange believes that encouraging NOM Market Makers to be more aggressive when posting liquidity benefits all market participants through increased liquidity and execution quality. The Exchange believes that continuing to offer NOM Market Makers the opportunity to receive higher rebates as compared to Firms, Non-NOM Market Makers and Broker-Dealers is equitable and not unfairly discriminatory because all Participants may qualify for the NOM Market Maker rebate tiers and every Participant is entitled to a rebate solely by adding one contract of NOM Market Maker liquidity on NOM. Also,

⁷ See note 6.

⁸ 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.

NOM Market Makers would receive the same rebate in Tier 1 as compared to Customers and Professionals and a higher rebate in all other tiers as compared to a Firm, Non-NOM Market Maker or Broker-Dealer because of the obligations⁹ borne by NOM Market Makers as compared to other market participants. Encouraging NOM Market Makers to add greater liquidity benefits all Participants in the quality of order interaction and enhanced execution quality.

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 incentivizing NOM Market Makers to post liquidity on NOM benefits market participants through increased order interaction. Also, NOM Market Makers have obligations¹⁰ to the market which are not borne by other market participants and therefore the Exchange believes that NOM Market Makers are entitled to such higher rebates.

The proposed amendments do not misalign the current rebate structure because NOM Market Makers will continue to earn higher rebates as compared to Firms, Non-NOM Market Makers and Broker-Dealers and will earn the same or lower rebates as compared to Customers and Professionals. The Exchange believes the differing outcomes, rebates and fees created by the Exchange's proposed pricing incentives contributes to the overall health of the market place for the benefit of all Participants that willingly choose to transact options on NOM. In addition, NOM Market Makers will

⁹ See note 8.

¹⁰ See note 8.

have the opportunity to earn even higher rebates. For the reasons specified herein, the Exchange does not believe this proposal creates an undue burden on competition.

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's 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.¹¹ 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.

¹¹ 15 U.S.C. 78s(b)(3)(A)(ii).

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-2014-016 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-2014-016. 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-2014-016 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.¹²

Kevin M. O'Neill
Deputy Secretary

¹² 17 CFR 200.30-3(a)(12).

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. For purposes of assessing fees and paying rebates, the following references should serve as guidance.

* * * * *

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) Fees for Execution of Contracts on the NASDAQ Options Market

| | Fees and Rebates (per executed contract) | | | | | |
|---|--|---------------------|---------------------|----------------------------|------------------------|---------------------|
| | Customer | Professional | Firm | Non-NOM Market Maker | NOM Market Maker | Broker- Dealer |
| Penny Pilot Options: | | | | | | |
| Rebate to Add Liquidity | *** | *** | \$0.10 ² | \$0.10 ² | # | \$0.10 ² |
| Fee for Removing Liquidity | \$0.47 | \$0.49 ^d | \$0.49 ^d | \$0.49 ^d | \$0.48 | \$0.49 ^d |
| Non-Penny Pilot Options (including NDX¹): | | | | | | |
| Fee for Adding Liquidity | N/A | \$0.45 | \$0.45 ² | \$0.45 ² | \$0.35 | \$0.45 ² |
| Fee for Removing Liquidity | \$0.85 | \$0.89 | \$0.89 | \$0.89 | \$0.89 | \$0.89 |
| Rebate to Add Liquidity | \$0.84 ³ | N/A | N/A | N/A | N/A | |
| SOX, HGX and OSX: | | | | | | |
| Fee for Adding Liquidity | \$0.40 | \$0.89 | \$0.89 | \$0.89 | \$0.40 | \$0.89 |
| Fee for Removing Liquidity | \$0.40 | \$0.89 | \$0.89 | \$0.89 | \$0.40 | \$0.89 |

¹For transactions in NDX, a surcharge of \$0.15 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.

²A Participant that adds Firm, Non-NOM Market Maker or Broker-Dealer liquidity in Penny

Pilot Options and/or Non-Penny Pilot Options of 15,000 contracts per day or more in a given month will receive a Rebate to Add Liquidity in Penny Pilot Options of \$0.20 per contract and will pay a Fee for Adding Liquidity in Non-Penny Pilot Options of \$0.36 per contract.

³ A Participant that qualifies for Penny Pilot Options Customer or Professional Rebate to Add Liquidity Tiers 7 or 8 in a given month will receive 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.

*** The Customer and Professional Rebate to Add Liquidity in Penny Pilot Options will be paid as noted below. To determine the applicable percentage of total industry customer equity and ETF option average daily volume, the Participant's Penny Pilot and Non-Penny Pilot Customer and/or Professional volume that adds liquidity will be included.

| Monthly Volume | Rebate to Add Liquidity |
|--|--------------------------------|
| Tier 1 Participant adds 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 | \$0.25 |
| Tier 2 Participant adds 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 | \$0.42 |
| Tier 3 Participant adds 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 | \$0.43 |
| Tier 4 Participant adds 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 | \$0.45 |
| Tier 5^a Participant adds (1) Customer and/or Professional liquidity in Penny Pilot Options and/or Non-Penny Pilot Options 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 | \$0.45 |
| Tier 6^{b,c} Participant has Total Volume of 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 in Penny Pilot Options | \$0.45 |

| | | |
|--------------------------------|--|---|
| Tier 7 ^{b,c,d} | 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 in Penny Pilot Options | \$0.47 |
| Tier 8 ^{b,c,d} | Participant 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. | \$0.48 (Customer) and \$0.47 (Professional) |

^aFor purposes of Tier 5, the Exchange will allow a NOM Participant to qualify for the rebate if a NASDAQ member under Common Ownership with the NOM Participant has certified for the Investor Support Program and executed at least one order on NASDAQ's equity market.

^bFor purposes of Tiers 6, 7 and 8, "Total Volume" shall be 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.

^cFor purposes of Tiers 6, 7 and 8, the Exchange will allow NOM Participants under Common Ownership to aggregate their volume to qualify for the rebate.

^dParticipants 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 NOM Market Maker Rebate to Add Liquidity in Penny Pilot Options will be paid as noted below.

| Monthly Volume | Rebate to Add Liquidity |
|--|--------------------------------|
| Tier 1 Participant adds NOM Market Maker liquidity in Penny Pilot Options and/or Non-Penny Pilot Options of up to 29,999 contracts per day in a month | \$0.25 |
| Tier 2 Participant adds NOM Market Maker liquidity in Penny Pilot Options and/or Non-Penny Pilot Options of 30,000 to 59,999 contracts per day in a month | \$0.30 |
| Tier 3 Participant adds NOM Market Maker liquidity in Penny Pilot Options and/or Non-Penny Pilot Options of 60,000 to [7]69,999 contracts per day | \$0.32 |

in a month

| | | |
|---------------|---|---|
| Tier 4 | Participant adds NOM Market Maker liquidity in Penny Pilot Options and/or Non-Penny Pilot Options of [8]70,000 or more contracts per day in a month | \$0.32 or \$0.38 in the following symbols BAC, GLD, IWM, QQQ and VXX or \$0.40 in SPY |
|---------------|---|---|

| | | |
|---------------|--|--------|
| Tier 5 | Participant adds NOM Market Maker liquidity in Penny Pilot Options and/or Non-Penny Pilot Options of 40,000 or more contracts per day in a month and qualifies for the Tier 7 or Tier 8 Customer and/or Professional Rebate to Add Liquidity in Penny Pilot Options. | \$0.40 |
|---------------|--|--------|

(2) – (4) No Change

* * * * *