

Required fields are shown with yellow backgrounds and asterisks.

Page 1 of * 26	SECURITIES AND EXCHANGE COMMISSION WASHINGTON, D.C. 20549 Form 19b-4		File No.* SR - 2014 - * 021	Amendment No. (req. for Amendments *)
Filing by NASDAQ Stock Market Pursuant to Rule 19b-4 under the Securities Exchange Act of 1934				
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"/>	
			Rule	
Pilot <input type="checkbox"/>	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)
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"/>			
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.				
(Title *)				
Date	03/02/2014	Executive Vice President and General Counsel		
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 *

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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 *

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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

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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

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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 its Customer Routing Fees.

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,

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

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 Chapter XV, Section 2(3) to recoup costs incurred by the Exchange to route orders to away markets.

Today, the Exchange assesses a Non-Customer a \$0.95 per contract Routing Fee to any options exchange. The Customer³ Routing Fee for option orders routed to NASDAQ OMX PHLX LLC ("PHLX") is a \$0.05 per contract Fixed Fee in addition to the actual transaction fee assessed. The Customer Routing Fee for option orders routed to NASDAQ OMX BX, Inc. ("BX Options") is \$0.00 per contract. The Customer Routing Fee for option orders routed to all other options exchanges⁴ (excluding PHLX and BX Options) is a fixed fee of \$0.20 per contract ("Fixed Fee") in addition to the actual transaction fee assessed. If the away market pays a rebate, the Routing Fee is \$0.00 per contract.

³ The term "Customer" or ("C") applies to any transaction that is identified by a Participant for clearing in the Customer range at The Options Clearing Corporation ("OCC") which is not for the account of broker or dealer or for the account of a "Professional" (as that term is defined in Chapter I, Section 1(a)(48)).

⁴ Including 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"), NYSE Arca, Inc. ("NYSE Arca"), NYSE MKT LLC ("NYSE Amex") and Topaz Exchange, LLC ("Gemini").

With respect to the fixed costs, the Exchange incurs a fee when it utilizes Nasdaq Options Services LLC (“NOS”),⁵ a member of the Exchange and the Exchange’s exclusive order router.⁶ Each time NOS routes an order to an away market, NOS is charged a clearing fee⁷ 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”), staffing and technical costs associated with routing options. The Exchange assesses the actual away market fee at the time that the order was entered into the Exchange’s trading system. This transaction fee is calculated on an order-by-order basis since different away markets charge different amounts.

The Exchange is proposing to assess market participants routing Customer orders to PHLX a \$0.10 per contract Fixed Fee in addition to the actual transaction fee assessed. Today the Exchange assesses a \$0.05 per contract Fixed Fee in addition to the actual

⁵ The Exchange filed a proposed rule change to utilize Nasdaq Execution Services, LLC (“NES”) for outbound order routing. See Securities Exchange Act Release No. 71419 (January 28, 2014), 79 FR 6253 (February 3, 2014) (SR-NASDAQ-2014-007). This filing has not yet been implemented. The Exchange intends to implement this filing in mid-March 2014.

⁶ In May 2009, the Exchange adopted Rule 1080(m)(iii)(A) to establish NOS, a member of the Exchange, as the Exchange’s exclusive order router. See Securities Exchange Act Release No. 59995 (May 28, 2009), 74 FR 26750 (June 3, 2009) (SR-Phlx-2009-32). NOS is utilized by the Exchange’s fully automated options trading system, PHLX XL[®].

⁷ The Options Clearing Corporation (“OCC”) assesses \$0.01 per contract side.

transaction fee assessed with respect to Customer orders routed to PHLX. The Exchange would increase the Fixed Fee for Customer orders routed to PHLX from \$0.05 to \$0.10 per contract to recoup an additional portion of the costs incurred by the Exchange for routing these orders.

Today the Exchange does not assess a fee with respect to Customer orders routed to BX Options. The Exchange noted in a previous rule change routing proposal that it would not assess a fee for Customer orders routed to BX Options because the Exchange retains the rebate that is paid by that market.⁸ In other words, the Exchange today does not assess a Routing Fee when routing Customer orders to BX Options because that exchange pays a rebate and instead of netting the customer rebate paid by BX Options against a fixed fee, the Exchange simply does not assess a fee. The Exchange is proposing to assess a \$0.10 per contract Fixed Fee when routing Customer orders to BX Options in order to recoup a portion of the costs incurred by the Exchange for routing these orders. The Exchange does not assess the actual transaction fee assessed by BX Options, rather the Exchange only assesses the Fixed Fee, because the Exchange would continue to retain the rebate to offset the cost to route orders to BX Options. This is not the case for all orders routed to BX Options because not all Customer orders receive a rebate.⁹

⁸ See Securities Exchange Act Release No. 69391 (April 18, 2013), 78 FR 24282 (April 24, 2013) (SR-NASDAQ-2013-064).

⁹ BX Options pays a Customer Rebate to Remove Liquidity as follows: Customers are paid \$0.32 per contract in All Other Penny Pilot Options (excluding BAC, IWM, QQQ, SPY and VXX) and \$0.70 per contract in Non-Penny Pilot Options. See BX Options Rules at Chapter XV, Section 2(1).

Similarly, the Exchange is proposing to amend the Customer Routing Fee assessed when routing to all other options exchanges, if the away market pays a rebate, from a \$0.00 to a \$0.10 per contract Fixed Fee, in order to recoup an additional portion of the costs incurred by the Exchange for routing these orders. The Exchange does not assess the actual transaction fee assessed by the away market, rather the Exchange only assess the Fixed Fee, because the Exchange would continue to retain the rebate to offset the cost to route orders to these away markets. Today, the Exchange incurs certain costs when routing to away markets that pay rebates. The Exchange desires to recoup additional costs at this time.

b. Statutory Basis

NASDAQ believes that its proposal to amend its fees is consistent with Section 6(b) of the Act¹⁰ in general, and furthers the objectives of Section 6(b)(4) and (b)(5) of the Act¹¹ 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 believes that amending the Customer Routing Fee for orders routed to PHLX from a Fixed Fee of \$0.05 to \$0.10 per contract, in addition to the actual transaction fee, is reasonable because the Exchange desires to recoup an additional portion of the cost it incurs when routing Customer orders to PHLX. Today, the Exchange assesses orders routed to PHLX a lower Fixed Fee for routing Customer orders

¹⁰ 15 U.S.C. 78f(b).

¹¹ 15 U.S.C. 78f(b)(4), (5).

as compared to the Fixed Fee assessed to other options exchanges. The Exchange is proposing to increase the Fixed Fee to recoup additional costs that are incurred by the Exchange in connection with routing these orders on behalf of its members.

The Exchange believes that amending the Customer Routing Fee for orders routed to BX Options from a Fixed Fee of \$0.00 to \$0.10 per contract is reasonable because the Exchange desires to recoup an additional portion of the cost it incurs when routing Customer orders to BX Options, similar to the amount of Fixed Fee it proposes to assess for orders routed to PHLX. The Exchange is proposing to assess a Fixed Fee to recoup additional costs that are incurred by the Exchange in connection with routing these orders on behalf of its members. While the Exchange would continue to retain any rebate paid by BX Options, the Exchange does not assess the actual transaction fee that is charged by BX Options for Customer orders.

The Exchange believes that continuing to assess lower Fixed Fees to route Customer orders to PHLX and BX Options, as compared to other options exchanges, is reasonable as the Exchange is able to leverage certain infrastructure to offer those markets lower fees as explained further below. Similarly, the Exchange believes that amending the Customer Routing Fee to other away markets, other than PHLX and BX Options, in the instance the away market pays a rebate from a Fixed Fee of \$0.00 to \$0.10 per contract is reasonable because the Exchange desires to recoup an additional portion of the cost it incurs when routing orders to these away markets. While the Exchange would continue to retain any rebate paid by these away markets, the Exchange does not assess the actual transaction fee that is charged by the away market for Customer orders. The Fixed Fee for Customer orders is an approximation of the costs the Exchange will be

charged for routing orders to away markets. As a general matter, the Exchange believes that the proposed fees for Customer orders routed to markets which pay a rebate, such as BX Options and other away markets, would allow it to recoup and cover a portion of the costs of providing optional routing services for Customer orders because it better approximates the costs incurred by the Exchange for routing such orders. While each destination market's transaction charge varies and there is a cost incurred by the Exchange when routing orders to away markets, including, OCC 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 will enable it to recover the costs it incurs to route Customer orders to away markets.

The Exchange believes that amending the Customer Routing Fee for orders routed to PHLX from a Fixed Fee of \$0.05 to \$0.10 per contract, in addition to the actual transaction fee, is equitable and not unfairly discriminatory because the Exchange would assess the same Fixed Fee to all orders routed to PHLX in addition to the transaction fee assessed by that market. With respect to BX Options, the Exchange would uniformly assess a \$0.10 per contract Fixed Fee for all orders routed to BX Options and would continue to uniformly not assess the actual transaction fee, as is the case today. The Exchange would uniformly assess a \$0.10 per contract Fixed Fee to orders routed to NASDAQ OMX exchanges because the Exchange is passing along the saving realized by leveraging NASDAQ OMX's infrastructure and scale to market participants when those orders are routed to PHLX or BX Options and is providing those saving to all market participants. Furthermore, it is important to note that when orders are routed to an away

market they are routed based on price first.¹² The Exchange believes that it is equitable and not unfairly discriminatory to assess a fixed cost of \$0.10 per contract to route orders to 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.¹³ 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 lower than the costs to route to a non-NASDAQ OMX exchange. When routing orders to non-NASDAQ OMX exchanges, the Exchange incurs costly connectivity charges related to telecommunication lines, membership and access fees, and other related costs when routing orders.

The Exchange believes that amending the Customer Routing Fee to other away markets, other than PHLX and BX Options, in the instance the away market pays a rebate from a Fixed Fee of \$0.00 to \$0.10 per contract is equitable and not unfairly discriminatory because the Exchange would assess a lower Routing Fee, as compared to away markets that do not pay a rebate, because the Exchange retains the rebate that is

¹² See NASDAQ Rules at Chapter VI, Section 11(e) (Order Routing).

¹³ See Chapter VI, Section 11 of the BX Options. See also PHLX Rule 1080(m)(iii)(A).

paid by that market. The Exchange would assess the same Fixed Fee when routing Customer orders to a NASDAQ OMX exchange that pays a rebate as it would to route an order to an away market (non-NASDAQ OMX exchange) that pays a rebate. These proposals would apply uniformly to all market participants when routing to an away market that pays a rebate, other than PHLX and BX Options. Market participants may submit orders to the Exchange as ineligible for routing or “DNR” to avoid Routing Fees.¹⁴ Also, orders are routed to an away market based on price first.¹⁵

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 does not believe that the proposal creates a burden on intra-market competition because the Exchange is applying the same Routing Fees to all market participants in the same manner dependent on the routing venue, with the exception of Customers. The Exchange will continue to assess separate Customer Routing Fees. Customers will continue to receive the lowest fees as compared to non-Customers when routing orders, as is the case today. Other options exchanges also assess lower Routing Fees for customer orders as compared to non-customer orders.¹⁶

¹⁴ See note 12.

¹⁵ See note 12.

¹⁶ BATS assesses lower customer routing fees as compared to non-customer routing fees per the away market. For example BATS assesses ISE customer routing fees of \$ 0.30 per contract and an ISE non-customer routing fee of \$ 0.57 per contract. See BATS BZX Exchange Fee Schedule.

The Exchange's proposal would allow the Exchange to continue to recoup its costs when routing Customer orders to PHLX or BX Options as well as away markets that pay a rebate when such orders are designated as available for routing by the market participant. The Exchange continues to pass along savings realized by leveraging NASDAQ OMX's infrastructure and scale to market participants when Customer orders are routed to PHLX and BX Options and is providing those savings to all market participants. Today, other options exchanges also assess fixed routing fees to recoup costs incurred by the exchange to route orders to away markets.¹⁷

Market participants may submit orders to the Exchange as ineligible for routing or “DNR” to avoid Routing Fees.¹⁸ It is important to note that when orders are routed to an away market they are routed based on price first.¹⁹

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

¹⁷ See CBOE's Fees Schedule and ISE's Fee Schedule.

¹⁸ See note 12.

¹⁹ See note 12.

person is a member of the self-regulatory organization pursuant to Section 19(b)(3)(A)(ii) of the Act.²⁰

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

This filing is based on a similar rule change filed by NASDAQ OMX PHLX LLC.²¹

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.

²⁰ 15 U.S.C. 78s(b)(3)(A)(ii).

²¹ See SR-Phlx-2014-13 (not yet published).

Exhibit 1

SECURITIES AND EXCHANGE COMMISSION
(Release No. _____ ; File No. SR-NASDAQ-2014-021)

March __, 2014

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 thereunder,² notice is hereby given that on March 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 its Customer Routing Fees.

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.

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

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 Chapter XV, Section 2(3) to recoup costs incurred by the Exchange to route orders to away markets.

Today, the Exchange assesses a Non-Customer a \$0.95 per contract Routing Fee to any options exchange. The Customer³ Routing Fee for option orders routed to NASDAQ OMX PHLX LLC (“PHLX”) is a \$0.05 per contract Fixed Fee in addition to the actual transaction fee assessed. The Customer Routing Fee for option orders routed to NASDAQ OMX BX, Inc. (“BX Options”) is \$0.00 per contract. The Customer Routing Fee for option orders routed to all other options exchanges⁴ (excluding PHLX

³ The term “Customer” or (“C”) applies to any transaction that is identified by a Participant for clearing in the Customer range at The Options Clearing Corporation (“OCC”) which is not for the account of broker or dealer or for the account of a “Professional” (as that term is defined in Chapter I, Section 1(a)(48)).

⁴ Including 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”), NYSE Arca, Inc. (“NYSE Arca”), NYSE MKT LLC (“NYSE Amex”) and Topaz Exchange, LLC (“Gemini”).

and BX Options) is a fixed fee of \$0.20 per contract (“Fixed Fee”) in addition to the actual transaction fee assessed. If the away market pays a rebate, the Routing Fee is \$0.00 per contract.

With respect to the fixed costs, the Exchange incurs a fee when it utilizes Nasdaq Options Services LLC (“NOS”),⁵ a member of the Exchange and the Exchange’s exclusive order router.⁶ Each time NOS routes an order to an away market, NOS is charged a clearing fee⁷ 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”), staffing and technical costs associated with routing options. The Exchange assesses the actual away market fee at the time that the order was entered into the Exchange’s trading system. This transaction fee is calculated on an order-by-order basis since different away markets charge different amounts.

⁵ The Exchange filed a proposed rule change to utilize Nasdaq Execution Services, LLC (“NES”) for outbound order routing. See Securities Exchange Act Release No. 71419 (January 28, 2014), 79 FR 6253 (February 3, 2014) (SR-NASDAQ-2014-007). This filing has not yet been implemented. The Exchange intends to implement this filing in mid-March 2014.

⁶ In May 2009, the Exchange adopted Rule 1080(m)(iii)(A) to establish NOS, a member of the Exchange, as the Exchange’s exclusive order router. See Securities Exchange Act Release No. 59995 (May 28, 2009), 74 FR 26750 (June 3, 2009) (SR-Phlx-2009-32). NOS is utilized by the Exchange’s fully automated options trading system, PHLX XL[®].

⁷ The Options Clearing Corporation (“OCC”) assesses \$0.01 per contract side.

The Exchange is proposing to assess market participants routing Customer orders to PHLX a \$0.10 per contract Fixed Fee in addition to the actual transaction fee assessed. Today the Exchange assesses a \$0.05 per contract Fixed Fee in addition to the actual transaction fee assessed with respect to Customer orders routed to PHLX. The Exchange would increase the Fixed Fee for Customer orders routed to PHLX from \$0.05 to \$0.10 per contract to recoup an additional portion of the costs incurred by the Exchange for routing these orders.

Today the Exchange does not assess a fee with respect to Customer orders routed to BX Options. The Exchange noted in a previous rule change routing proposal that it would not assess a fee for Customer orders routed to BX Options because the Exchange retains the rebate that is paid by that market.⁸ In other words, the Exchange today does not assess a Routing Fee when routing Customer orders to BX Options because that exchange pays a rebate and instead of netting the customer rebate paid by BX Options against a fixed fee, the Exchange simply does not assess a fee. The Exchange is proposing to assess a \$0.10 per contract Fixed Fee when routing Customer orders to BX Options in order to recoup a portion of the costs incurred by the Exchange for routing these orders. The Exchange does not assess the actual transaction fee assessed by BX Options, rather the Exchange only assesses the Fixed Fee, because the Exchange would continue to retain the rebate to offset the cost to route orders to BX Options. This is not

⁸ See Securities Exchange Act Release No. 69391 (April 18, 2013), 78 FR 24282 (April 24, 2013) (SR-NASDAQ-2013-064).

the case for all orders routed to BX Options because not all Customer orders receive a rebate.⁹

Similarly, the Exchange is proposing to amend the Customer Routing Fee assessed when routing to all other options exchanges, if the away market pays a rebate, from a \$0.00 to a \$0.10 per contract Fixed Fee, in order to recoup an additional portion of the costs incurred by the Exchange for routing these orders. The Exchange does not assess the actual transaction fee assessed by the away market, rather the Exchange only assess the Fixed Fee, because the Exchange would continue to retain the rebate to offset the cost to route orders to these away markets. Today, the Exchange incurs certain costs when routing to away markets that pay rebates. The Exchange desires to recoup additional costs at this time.

2. Statutory Basis

NASDAQ believes that its proposal to amend its fees is consistent with Section 6(b) of the Act¹⁰ in general, and furthers the objectives of Section 6(b)(4) and (b)(5) of the Act¹¹ 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.

⁹ BX Options pays a Customer Rebate to Remove Liquidity as follows: Customers are paid \$0.32 per contract in All Other Penny Pilot Options (excluding BAC, IWM, QQQ, SPY and VXX) and \$0.70 per contract in Non-Penny Pilot Options. See BX Options Rules at Chapter XV, Section 2(1).

¹⁰ 15 U.S.C. 78f(b).

¹¹ 15 U.S.C. 78f(b)(4), (5).

The Exchange believes that amending the Customer Routing Fee for orders routed to PHLX from a Fixed Fee of \$0.05 to \$0.10 per contract, in addition to the actual transaction fee, is reasonable because the Exchange desires to recoup an additional portion of the cost it incurs when routing Customer orders to PHLX. Today, the Exchange assesses orders routed to PHLX a lower Fixed Fee for routing Customer orders as compared to the Fixed Fee assessed to other options exchanges. The Exchange is proposing to increase the Fixed Fee to recoup additional costs that are incurred by the Exchange in connection with routing these orders on behalf of its members.

The Exchange believes that amending the Customer Routing Fee for orders routed to BX Options from a Fixed Fee of \$0.00 to \$0.10 per contract is reasonable because the Exchange desires to recoup an additional portion of the cost it incurs when routing Customer orders to BX Options, similar to the amount of Fixed Fee it proposes to assess for orders routed to PHLX. The Exchange is proposing to assess a Fixed Fee to recoup additional costs that are incurred by the Exchange in connection with routing these orders on behalf of its members. While the Exchange would continue to retain any rebate paid by BX Options, the Exchange does not assess the actual transaction fee that is charged by BX Options for Customer orders.

The Exchange believes that continuing to assess lower Fixed Fees to route Customer orders to PHLX and BX Options, as compared to other options exchanges, is reasonable as the Exchange is able to leverage certain infrastructure to offer those markets lower fees as explained further below. Similarly, the Exchange believes that amending the Customer Routing Fee to other away markets, other than PHLX and BX Options, in the instance the away market pays a rebate from a Fixed Fee of \$0.00 to \$0.10

per contract is reasonable because the Exchange desires to recoup an additional portion of the cost it incurs when routing orders to these away markets. While the Exchange would continue to retain any rebate paid by these away markets, the Exchange does not assess the actual transaction fee that is charged by the away market for Customer orders. The Fixed Fee for Customer orders is an approximation of the costs the Exchange will be charged for routing orders to away markets. As a general matter, the Exchange believes that the proposed fees for Customer orders routed to markets which pay a rebate, such as BX Options and other away markets, would allow it to recoup and cover a portion of the costs of providing optional routing services for Customer orders because it better approximates the costs incurred by the Exchange for routing such orders. While each destination market's transaction charge varies and there is a cost incurred by the Exchange when routing orders to away markets, including, OCC 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 will enable it to recover the costs it incurs to route Customer orders to away markets.

The Exchange believes that amending the Customer Routing Fee for orders routed to PHLX from a Fixed Fee of \$0.05 to \$0.10 per contract, in addition to the actual transaction fee, is equitable and not unfairly discriminatory because the Exchange would assess the same Fixed Fee to all orders routed to PHLX in addition to the transaction fee assessed by that market. With respect to BX Options, the Exchange would uniformly assess a \$0.10 per contract Fixed Fee for all orders routed to BX Options and would continue to uniformly not assess the actual transaction fee, as is the case today. The

Exchange would uniformly assess a \$0.10 per contract Fixed Fee to orders routed to NASDAQ OMX exchanges because the Exchange is passing along the saving realized by leveraging NASDAQ OMX's infrastructure and scale to market participants when those orders are routed to PHLX or BX Options and is providing those saving to all market participants. Furthermore, it is important to note that when orders are routed to an away market they are routed based on price first.¹² The Exchange believes that it is equitable and not unfairly discriminatory to assess a fixed cost of \$0.10 per contract to route orders to 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.¹³ 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 lower than the costs to route to a non-NASDAQ OMX exchange. When routing orders to non-NASDAQ OMX exchanges, the Exchange incurs costly connectivity charges related to telecommunication lines, membership and access fees, and other related costs when routing orders.

¹² See NASDAQ Rules at Chapter VI, Section 11(e) (Order Routing).

¹³ See Chapter VI, Section 11 of the BX Options. See also PHLX Rule 1080(m)(iii)(A).

The Exchange believes that amending the Customer Routing Fee to other away markets, other than PHLX and BX Options, in the instance the away market pays a rebate from a Fixed Fee of \$0.00 to \$0.10 per contract is equitable and not unfairly discriminatory because the Exchange would assess a lower Routing Fee, as compared to away markets that do not pay a rebate, because the Exchange retains the rebate that is paid by that market. The Exchange would assess the same Fixed Fee when routing Customer orders to a NASDAQ OMX exchange that pays a rebate as it would to route an order to an away market (non-NASDAQ OMX exchange) that pays a rebate. These proposals would apply uniformly to all market participants when routing to an away market that pays a rebate, other than PHLX and BX Options. Market participants may submit orders to the Exchange as ineligible for routing or “DNR” to avoid Routing Fees.¹⁴ Also, orders are routed to an away market based on price first.¹⁵

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 does not believe that the proposal creates a burden on intra-market competition because the Exchange is applying the same Routing Fees to all market participants in the same manner dependent on the routing venue, with the exception of Customers. The Exchange will continue to assess separate Customer Routing Fees. Customers will continue to receive the lowest fees as compared to non-Customers when

¹⁴ See note 12.

¹⁵ See note 12.

routing orders, as is the case today. Other options exchanges also assess lower Routing Fees for customer orders as compared to non-customer orders.¹⁶

The Exchange's proposal would allow the Exchange to continue to recoup its costs when routing Customer orders to PHLX or BX Options as well as away markets that pay a rebate when such orders are designated as available for routing by the market participant. The Exchange continues to pass along savings realized by leveraging NASDAQ OMX's infrastructure and scale to market participants when Customer orders are routed to PHLX and BX Options and is providing those savings to all market participants. Today, other options exchanges also assess fixed routing fees to recoup costs incurred by the exchange to route orders to away markets.¹⁷

Market participants may submit orders to the Exchange as ineligible for routing or "DNR" to avoid Routing Fees.¹⁸ It is important to note that when orders are routed to an away market they are routed based on price first.¹⁹

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.

¹⁶ BATS assesses lower customer routing fees as compared to non-customer routing fees per the away market. For example BATS assesses ISE customer routing fees of \$ 0.30 per contract and an ISE non-customer routing fee of \$ 0.57 per contract. See BATS BZX Exchange Fee Schedule.

¹⁷ See CBOE's Fees Schedule and ISE's Fee Schedule.

¹⁸ See note 12.

¹⁹ See note 12.

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.²⁰ 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-2014-021 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-2014-021. This file number should be included on the subject line if e-mail is used. To help the Commission

²⁰ 15 U.S.C. 78s(b)(3)(A)(ii).

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-2014-021 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.²¹

Kevin M. O'Neill
Deputy Secretary

²¹ 17 CFR 200.30-3(a)(12).

Exhibit 5

New text is underlined; deleted text is in brackets.

Chapter XV Options Pricing

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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) – (2) No Change

(3) Fees for routing contracts to markets other than the NASDAQ Options Market shall be assessed as follows:

Non-Customer • \$0.95 per contract to any options exchange.

Customer • Routing Fees to PHLX: \$0.[05]10 per contract fee ("Fixed Fee") in addition to the actual transaction fee assessed.

• Routing Fees to BX Options: \$0.[00]10.

• Routing Fees to all other options exchanges: \$0.20 per contract fee ("Fixed Fee") in addition to the actual transaction fee assessed. If the away market pays a rebate, the Routing Fee will be \$0.[00]10.

(4) –(5) No Change

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