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

Section 806(e)(1) *
Section 806(e)(2) *

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

Section 3C(b)(2) *

Exhibit 2 Sent As Paper Document
Exhibit 3 Sent As Paper Document

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

Executive Vice President and General Counsel

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.
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.

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).

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.

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.

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.

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.

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 Routing Fees.

   While the changes proposed herein are effective upon filing, the Exchange has designated that the amendments be operative on November 3, 2014.

   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 16, 2014. 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, The NASDAQ OMX Group 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 $0.97 per contract Routing Fee to any options exchange. The Customer Routing Fee for option orders routed to NASDAQ OMX PHLX LLC ("PHLX") is a $0.12 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 $0.12 per contract. The Customer Routing Fee for option orders routed to all other options exchanges (excluding PHLX and BX Options) is a fixed fee of $0.22 per contract ("Fixed Fee") in addition to the actual transaction fee assessed. If the away market pays a rebate, the Routing Fee is $0.12 per contract.

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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)).

With respect to the fixed costs, the Exchange incurs a fee when it utilizes Nasdaq Execution Services LLC (“NES”), a member of the Exchange and the Exchange’s affiliated broker-dealer exclusive order router.\(^5\) Each time NES routes an order to an away market, NES is charged a clearing fee\(^6\) 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 NES, 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 increase its Non-Customer Routing Fees from $0.97 to $0.99 per contract to any options exchange. The Exchange is proposing to increase its Customer Routing Fixed Fees to PHLX from $0.12 to $0.13 per contract, in addition to the actual transaction fee assessed to recoup an additional portion of the costs incurred by the Exchange for routing these orders. The Exchange is proposing to increase its Customer Routing Fixed Fees to BX Options from $0.12 to $0.13 per contract. The Exchange is proposing to increase its Customer Routing Fixed Fees to all

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\(^6\) The Options Clearing Corporation (“OCC”) assesses $0.01 per contract side.
other options exchanges (excluding PHLX and BX Options) from $0.22 to $0.23 per contract, in addition to actual transaction fees assessed. The Exchange would also increase the Customer Routing Fee to all other options exchanges if the away market pays a rebate from a fee of $0.12 to $0.13 per contract, because the Exchange would continue to retain the rebate to offset the cost to route orders to these away markets. 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 Act\(^7\) in general, and further the objectives of Section 6(b)(4) and (b)(5) of the Act\(^8\) 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 Non-Customer Routing Fee for orders routed to any options exchange from a fee of $0.97 to $0.99 per contract, is reasonable because the Exchange desires to recoup an additional portion of the cost it incurs when routing Non-Customer orders. 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.

\(^7\) 15 U.S.C. 78f(b).

The Exchange believes that amending the Customer Routing Fee for orders routed to PHLX from a Fixed Fee of $0.12 to $0.13 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 $0.12 to $0.13 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,\(^9\) 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.

\(^9\) BX Options pays a Customer Rebate to Remove Liquidity as follows: Customers are paid $0.35 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).
The Exchange believes that amending the Customer Routing Fee to other away markets, other than PHLX and BX Options, from a Fixed Fee of $0.22 to $0.23 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 orders to these away markets. The Fixed Fee for Customer orders is an approximation of the costs the Exchange will be charged for routing orders to away markets. 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 NES, 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 to other away markets, other than PHLX and BX Options, if the away market pays a rebate, from $0.12 to $0.13 per contract is reasonable because the Exchange desires to recoup an additional portion of the cost it incurs when routing Customer orders to away markets, similar to the amount of Fixed Fee it proposes to assess for orders routed to PHLX and BX Options. 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 away markets, the Exchange does not assess the actual transaction fee that is charged by away markets for Customer orders. As a general matter, the Exchange believes that the proposed fees for Customer orders routed to markets which pay a rebate 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.

The Exchange believes that amending the Non-Customer Routing Fee for orders routed to any options exchange from a fee of $0.97 to $0.99 per contract, is equitable and not unfairly discriminatory because the Exchange would assess the same $0.99 per contract fee to all market participants utilizing routing for Non-Customer orders.

The Exchange believes that amending the Customer Routing Fee for orders routed to PHLX from a Fixed Fee of $0.12 to $0.13 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.

The Exchange believes that increasing the Customer Routing Fee for orders routed to BX Options from a Fixed Fee from $0.12 to $0.13 per contract is equitable and not unfairly discriminatory because the Exchange would uniformly increase the Fixed Fee, similar to PHLX, 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 $0.13 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. The Exchange believes that it is equitable and not unfairly discriminatory to assess a fixed cost of $0.13 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 NES is utilized by all three exchanges to route orders. NES and the three NASDAQ OMX options markets have a common data center and staff that are responsible for the day-to-day operations of NES. 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, from a Fixed Fee of $0.22 to $0.23 per contract is equitable and not unfairly discriminatory because the Exchange would assess the same Fixed Fee to all orders routed to away markets other than PHLX and BX

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

11 See Chapter VI, Section 11 of the BX Options. See also PHLX Rule 1080(m)(iii)(A).
Options in addition to the transaction fee, provided the away market does not pay a rebate.

The Exchange’s proposal to increase the Customer Routing Fee to all other options exchanges that pay a rebate, other than PHLX and BX Options, from $0.12 to $0.13 per contract is equitable and not unfairly discriminatory because the Exchange would assess the same Fixed Fee that is proposed when routing Customer orders to a NASDAQ OMX exchange. All market participants that route an order to an away market, other than PHLX or BX Options, would be assessed a uniform fee of $0.13 per contract if the away market (non-NASDAQ OMX exchange) 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.

Finally, market participants may submit orders to the Exchange as ineligible for routing or “DNR” to avoid Routing Fees. Also, orders are routed to an away market based on price first.

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.

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

13 See Chapter VI, Section 11 of the BX Options and NOM Rules.
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.\textsuperscript{14}

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.\textsuperscript{15}

Market participants may submit orders to the Exchange as ineligible for routing or “DNR” to avoid Routing Fees.\textsuperscript{16} It is important to note that when orders are routed to an away market they are routed based on price first.\textsuperscript{17}

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.

\textsuperscript{14} 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 $0.52 per contract and an ISE non-customer routing fee of $0.65 per contract. See BATS BZX Exchange Fee Schedule.

\textsuperscript{15} See CBOE’s Fees Schedule and ISE’s Fee Schedule.

\textsuperscript{16} See note 12.

\textsuperscript{17} See note 13.
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.\(^{18}\)

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.

Exhibit 1

SECURITIES AND EXCHANGE COMMISSION

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

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”), and Rule 19b-4 thereunder, notice is hereby given that on October 31, 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 Routing Fees.

While the changes proposed herein are effective upon filing, the Exchange has designated that the amendments be operative on November 3, 2014.

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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 and discussed any comments it received on 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 $0.97 per contract Routing Fee to any options exchange. The Customer\(^3\) Routing Fee for option orders routed to NASDAQ OMX PHLX LLC (“PHLX”) is a $0.12 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 $0.12 per contract. The Customer

\(^3\) 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)).
Routing Fee for option orders routed to all other options exchanges\(^4\) (excluding PHLX and BX Options) is a fixed fee of $0.22 per contract (“Fixed Fee”) in addition to the actual transaction fee assessed. If the away market pays a rebate, the Routing Fee is $0.12 per contract.

With respect to the fixed costs, the Exchange incurs a fee when it utilizes Nasdaq Execution Services LLC (“NES”), a member of the Exchange and the Exchange’s affiliated broker-dealer exclusive order router.\(^5\) Each time NES routes an order to an away market, NES is charged a clearing fee\(^6\) 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 NES, 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.

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\(^6\) The Options Clearing Corporation (“OCC”) assesses $0.01 per contract side.
The Exchange is proposing to increase its Non-Customer Routing Fees from $0.97 to $0.99 per contract to any options exchange. The Exchange is proposing to increase its Customer Routing Fixed Fees to PHLX from $0.12 to $0.13 per contract, in addition to the actual transaction fee assessed to recoup an additional portion of the costs incurred by the Exchange for routing these orders. The Exchange is proposing to increase its Customer Routing Fixed Fees to BX Options from $0.12 to $0.13 per contract. The Exchange is proposing to increase its Customer Routing Fixed Fees to all other options exchanges (excluding PHLX and BX Options) from $0.22 to $0.23 per contract, in addition to actual transaction fees assessed. The Exchange would also increase the Customer Routing Fee to all other options exchanges if the away market pays a rebate from a fee of $0.12 to $0.13 per contract, because the Exchange would continue to retain the rebate to offset the cost to route orders to offset the cost to route orders to these away markets. 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 Act\(^7\) in general, and furthers the objectives of Section 6(b)(4) and (b)(5) of the Act\(^8\) 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.

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\(^7\) 15 U.S.C. 78f(b).

The Exchange believes that amending the Non-Customer Routing Fee for orders routed to any options exchange from a fee of $0.97 to $0.99 per contract, is reasonable because the Exchange desires to recoup an additional portion of the cost it incurs when routing Non-Customer orders. 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 PHLX from a Fixed Fee of $0.12 to $0.13 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 $0.12 to $0.13 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.

The Exchange believes that amending the Customer Routing Fee to other away markets, other than PHLX and BX Options, from a Fixed Fee of $0.22 to $0.23 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 orders to these away markets. The Fixed Fee for Customer orders is an approximation of the costs the Exchange will be charged for routing orders to away markets. 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 NES, 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 to other away markets, other than PHLX and BX Options, if the away market pays a rebate, from $0.12 to $0.13 per contract is reasonable because the Exchange desires to recoup an additional

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9 BX Options pays a Customer Rebate to Remove Liquidity as follows: Customers are paid $0.35 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).
portion of the cost it incurs when routing Customer orders to away markets, similar to the amount of Fixed Fee it proposes to assess for orders routed to PHLX and BX Options. 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 away markets, the Exchange does not assess the actual transaction fee that is charged by away markets for Customer orders. As a general matter, the Exchange believes that the proposed fees for Customer orders routed to markets which pay a rebate 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.

The Exchange believes that amending the Non-Customer Routing Fee for orders routed to any options exchange from a fee of $0.97 to $0.99 per contract, is equitable and not unfairly discriminatory because the Exchange would assess the same $0.99 per contract fee to all market participants utilizing routing for Non-Customer orders.

The Exchange believes that amending the Customer Routing Fee for orders routed to PHLX from a Fixed Fee of $0.12 to $0.13 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.

The Exchange believes that increasing the Customer Routing Fee for orders routed to BX Options from a Fixed Fee from $0.12 to $0.13 per contract is equitable and not unfairly discriminatory because the Exchange would uniformly increase the Fixed
Fee, similar to PHLX, 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 $0.13 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.\textsuperscript{10} The Exchange believes that it is equitable and not unfairly discriminatory to assess a fixed cost of $0.13 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 NES is utilized by all three exchanges to route orders.\textsuperscript{11} NES and the three NASDAQ OMX options markets have a common data center and staff that are responsible for the day-to-day operations of NES. 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

\textsuperscript{10} See NASDAQ Rules at Chapter VI, Section 11(e) (Order Routing).

\textsuperscript{11} See Chapter VI, Section 11 of the BX Options. See also PHLX Rule 1080(m)(iii)(A).
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, from a Fixed Fee of $0.22 to $0.23 per contract is equitable and not unfairly discriminatory because the Exchange would assess the same Fixed Fee to all orders routed to away markets other than PHLX and BX Options in addition to the transaction fee, provided the away market does not pay a rebate.

The Exchange’s proposal to increase the Customer Routing Fee to all other options exchanges that pay a rebate, other than PHLX and BX Options, from $0.12 to $0.13 per contract is equitable and not unfairly discriminatory because the Exchange would assess the same Fixed Fee that is proposed when routing Customer orders to a NASDAQ OMX exchange. All market participants that route an order to an away market, other than PHLX or BX Options, would be assessed a uniform fee of $0.13 per contract if the away market (non-NASDAQ OMX exchange) 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.

Finally, market participants may submit orders to the Exchange as ineligible for routing or “DNR” to avoid Routing Fees. Also, orders are routed to an away market based on price first.

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

13 See Chapter VI, Section 11 of the BX Options and NOM Rules.
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 routing orders, as is the case today. Other options exchanges also assess lower Routing Fees for customer orders as compared to non-customer orders.14

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.15

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14 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 $0.52 per contract and an ISE non-customer routing fee of $0.65 per contract. See BATS BZX Exchange Fee Schedule.

15 See CBOE’s Fees Schedule and ISE’s Fee Schedule.
Market participants may submit orders to the Exchange as ineligible for routing or “DNR” to avoid Routing Fees.\textsuperscript{16} It is important to note that when orders are routed to an away market they are routed based on price first.\textsuperscript{17}

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.\textsuperscript{18} 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 ordisapproved.

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:

\textsuperscript{16} See note 12.

\textsuperscript{17} See note 13.

• 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-2014-098 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-2014-098. 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-2014-098 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.\textsuperscript{19}

Brent J. Fields  
Deputy Secretary

\textsuperscript{19} 17 CFR 200.30-3(a)(12).
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

- $0.9[7]9 per contract to any options exchange.

Customer

- Routing Fees to PHLX: $0.1[2]3 per contract fee ("Fixed Fee") in addition to the actual transaction fee assessed.

- Routing Fees to BX Options: $0.1[2]3.

- Routing Fees to all other options exchanges: $0.2[2]3 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 $0.1[2]3.

(4) – (5) No Change

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