

Required fields are shown with yellow backgrounds and asterisks.

Page 1 of * <input type="text" value="22"/>	SECURITIES AND EXCHANGE COMMISSION WASHINGTON, D.C. 20549 Form 19b-4	File No.* SR - <input type="text" value="2015"/> - * <input type="text" value="029"/>	Amendment No. (req. for Amendments *) <input type="text"/>
---	--	---	--

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 \*).

A proposed rule change to amend Rule 7051 to increase installation and monthly fees assessed for Direct Circuit Connection to NASDAQ.

**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 * <input type="text" value="Sean"/>	Last Name * <input type="text" value="Bennett"/>
Title * <input type="text" value="Associate General Counsel"/>	
E-mail * <input type="text" value="sean.bennett@nasdaq.com"/>	
Telephone * <input type="text" value="(301) 978-8499"/>	Fax <input type="text" value="(301) 978-8472"/>

**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 <input type="text" value="03/26/2015"/>	<input type="text" value="Executive Vice President and General Counsel"/>
By <input type="text" value="Edward S. Knight"/>	<input type="text" value="edward.knight@nasdaq.com"/>

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.

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

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

**Form 19b-4 Information \***

Add Remove View

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**

Add Remove View

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**

Add Remove View

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**

Add Remove View

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 Proposed Rule Change

(a) Pursuant to the provisions of Section 19(b)(1) under the Securities Exchange Act of 1934 (“Act”)<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> The NASDAQ Stock Market LLC (“NASDAQ” or “Exchange”) is filing with the Securities and Exchange Commission (“Commission”) a proposed rule change to amend Rule 7051 to increase installation and monthly fees assessed for Direct Circuit Connection to NASDAQ, and to waive certain installation fees thereunder for a limited time.

A notice of the proposed rule change for publication in the Federal Register is attached hereto as Exhibit 1 and the text of the proposed rule change is attached 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. The Exchange will implement the fee effective April 1, 2015.

Questions regarding this rule filing may be directed to T. Sean Bennett, Associate General Counsel, The NASDAQ OMX Group at (301) 978-8499 (telephone).

---

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

<sup>2</sup> 17 CFR 240.19b-4.

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

a. Purpose

NASDAQ is proposing to amend Rule 7051 entitled "Direct Connectivity to Nasdaq" to increase the installation and monthly fees assessed for 1Gb and 10Gb connectivity to the Exchange. Direct connectivity offers market participants one of several means by which they may connect to NASDAQ.<sup>3</sup> Currently, the Exchange offers a 10Gb circuit connection, a 1Gb circuit connection, and a 1Gb Ultra connection, all of which provide connectivity to the NASDAQ System.<sup>4</sup> The offerings are differentiated by the total capacity of the fiber connection (represented in Gigabytes or "Gb") and the type of switch used. A switch is a type of network hardware that acts as the "gatekeeper" for all clients' orders sent to the System<sup>5</sup> and orders them in sequence for entry into the System for execution. The 1Gb "Ultra" fiber connection offering uses lower latency<sup>6</sup> switches than the 1Gb fiber connection offering.<sup>7</sup>

---

<sup>3</sup> Market participants may also connect to NASDAQ through the colocation facility or third parties. Direct connectivity is offered through data centers in Carteret, NJ, Secaucus, NJ, Ashburn, VA, and Chicago, IL.

<sup>4</sup> See Securities Exchange Act Release No. 62663 (August 9, 2010), 75 FR 49543 (August 13, 2010) (SR-NASDAQ-2010-077).

<sup>5</sup> As defined in Rule 4751(a).

<sup>6</sup> The term "latency" for the purposes of this rule filing means a measure of the time it takes for an order to enter into a switch and then exit for entry into the System.

<sup>7</sup> Each of NASDAQ's connection offerings use different switches, but the switches are of uniform type within each offering (i.e., all 1G connectivity options currently use the same switches). As a consequence, all client subscribers to a

The Exchange assesses separate installation and ongoing monthly fees for subscription to each option. For 1Gb connectivity, the Exchange assesses an installation fee of \$1,000 and ongoing monthly fees of \$1,000. For 10Gb connectivity, the Exchange charges an installation fee of \$1,000 and ongoing monthly fees of \$5,000. For 1Gb Ultra, the Exchange charges an installation fee of \$1,500 and ongoing monthly fees of \$1,500. The Exchange adopted 10Gb and 1Gb offering and related fees in August 2010, and has not increase fees for these offerings since.<sup>8</sup> The Exchange adopted 1Gb Ultra in August 2014, and has not increased fees for the offering since.<sup>9</sup>

In light of increased costs in offering these fiber connectivity options, and declining subscribership to 1Gb connectivity, the Exchange is proposing to increase the fees assessed for all three of the offerings. In terms of installation fees, the Exchange is proposing to harmonize the cost of installation by increasing the installation fees assessed for 10Gb and 1Gb connectivity from \$1,000 to \$1,500, which is the fee currently assessed for installation of 1Gb Ultra connectivity. The Exchange is proposing to waive the installation fees for the months of April through July, 2015, for all three connectivity options. As such, both new subscriptions and customers transferring from one connectivity option to another during that time will not be assessed the installation fee.

The Exchange notes that this will allow customers to move from one offering to another,

---

particular connectivity option receive the same latency in terms of the capabilities of their switches.

<sup>8</sup> Supra note 4.

<sup>9</sup> See Securities Exchange Act Release No. 72811 (August 11, 2014), 79 FR 48262 (August 15, 2014) (SR-NASDAQ-2014-079).

or to move the location of their connectivity from one direct connectivity access point to another, with no penalty in the form of an installation fee.

The Exchange is also proposing to increase the ongoing monthly fees for each connectivity option. Specifically, the Exchange is proposing to increase the ongoing monthly fees for 10Gb connectivity from \$5,000 to \$7,500. The Exchange is proposing to increase the ongoing monthly fee for 1Gb connectivity from \$1,000 to \$2,500. Lastly, the Exchange is proposing to increase the ongoing monthly fee for 1Gb Ultra from \$1,500 to \$2,500.

b. Statutory Basis

NASDAQ believes that the proposed rule change is consistent with the provisions of Section 6 of the Act,<sup>10</sup> in general, and with Sections 6(b)(4) and 6(b)(5) of the Act,<sup>11</sup> in particular, in that it provides for the equitable allocation of reasonable dues, fees and other charges among members and issuers and other persons using any facility or system which NASDAQ operates or controls, and is not designed to permit unfair discrimination between customers, issuers, brokers, or dealers.

The Exchange believes that the proposed increased fees are reasonable because they allow the Exchange to realign the fees assessed for the service with the costs incurred by NASDAQ in offering the service, which have increased since the offerings were first adopted. Specifically, NASDAQ has incurred increases in the cost of labor and networks in the installation and maintenance of equipment. The Exchange notes that the 1Gb and 10Gb infrastructures have been upgraded over the last 5 years with

---

<sup>10</sup> 15 U.S.C. 78f.

<sup>11</sup> 15 U.S.C. 78f(b)(4) and (5).

improvements in network performance along with a continued increase in bandwidth capacity constraints due to market data feeds growing. Consequently, this has resulted in higher networking costs that NASDAQ is now proposing to pass on through connectivity fees. In terms of labor, installation effort and costs have increased, which include NASDAQ data center operations and network engineering teams in multiple locations, data center vendor costs, and optical equipment that needs to be purchased, installed and maintained. The Exchange notes that it is not increasing the charge for installation of 1Gb Ultra connectivity because the fee implemented in 2014 already incorporated these elevated costs and continues to cover the installation costs.

The Exchange also believes that the proposed increases in the ongoing monthly fees for all three connectivity options are reasonable. The Exchange notes that it is increasing the ongoing monthly fees for each of the connectivity options in light of the higher networking and labor costs NASDAQ incurs in supporting the services. In addition, the Exchange has lost subscribers to the 1Gb connectivity option, which has resulted in fewer subscribers over which to spread the fixed costs of the service. As a consequence, the Exchange believes that it is reasonable to increase the monthly charge more than it is increasing the monthly charge for the 1Gb Ultra connectivity offering, which will result in the same monthly charge for both 1Gb and 1Gb Ultra connectivity offerings but will allow NASDAQ to compensate for the lower subscribership of the 1Gb connectivity option. The Exchange notes that the fees are similar to the fees NASDAQ charges member firms for co-location connectivity.<sup>12</sup> Lastly, the proposed fees are comparable to the fees charged for similar connectivity by other exchanges. For

---

<sup>12</sup> See Rule 7034(b).

example, the International Securities Exchange LLC (“ISE”) offers four connectivity options that provide access to its two markets. ISE charges the following monthly fees for connectivity: \$750 for its 1Gb option, \$4,000 for its 10Gb option, \$7,000 for its 10Gb low latency option, and \$12,500 for its 40Gb low latency option. The Exchange notes that its connectivity options provide access to three exchanges (NASDAQ, NASDAQ OMX BX and NASDAQ OMX PHLX), which is reflected in the premium above the comparable ISE connectivity.<sup>13</sup>

The Exchange believes that the fees for these services are equitably allocated consistent with Section 6(b)(4) of the Act and are non-discriminatory consistent with Section 6(b)(5) of the Act in that all direct connect clients are offered the same service and there is no differentiation among them with regard to the fees charged for such services. In particular, the proposed fees are equitably allocated because all member firms that subscribe to a particular connectivity option under the rule will be assessed the same fee. The proposed installation fees are and are not unfairly discriminatory because the Exchange is increasing the fees for each service in amounts that are reflective of the increased costs associated with offering each of the connectivity options, and are in amounts representative of the value provided to their subscribers. The proposed waiver of the installation fees is both equitable and not unfairly discriminatory because it will allow all subscribers the option to subscribe to another connectivity offering, to the extent the proposed connectivity fees of their existing connections are deemed too high in relationship to the benefit received. With regard to the ongoing monthly fee increases, the 10Gb connectivity option provides the fastest connectivity option with the greatest

---

<sup>13</sup> See ISE Fee Schedule, Section IV.B. available at <http://www.ise.com/fees>.

capacity and also represents the greatest cost to NASDAQ in offering it among the three options. Accordingly, NASDAQ is increasing the fee the most to users that receive the greatest benefit. As noted above, NASDAQ is increasing the 1Gb ongoing monthly fees more than the 1Gb Ultra connectivity option, which provides the same capacity but lower latency than the 1Gb option. The Exchange believes that the proposed increase in the 1Gb connectivity option monthly fee is both an equitable allocation of a fee and not unfairly discriminatory because lower subscribership to the option has resulted in fewer subscribers to bear the increased costs of offering the service.

The Exchange notes that should a particular exchange charges excessive fees for direct connectivity services affected members will opt to terminate their direct connectivity arrangements with that exchange, and pursue a range of alternative trading strategies not dependent upon the exchange's direct connectivity services. Accordingly, the exchange charging excessive fees would stand to lose not only direct connectivity revenues, but also any other revenues associated with the customer's operations.

Moreover, all of the Exchange's fees for these services are equitably allocated consistent with Section 6(b)(4) of the Act and consistent with Section 6(b)(5) of the Act are non-discriminatory in that all direct connect clients are offered the same service and there is no differentiation among them with regard to the fees charged for such services.

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

The Exchange does not believe that the proposed rule change will result in any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act, as amended.<sup>14</sup> As discussed above, the Exchange believes that the proposed

---

<sup>14</sup> 15 U.S.C. 78f(b)(8).

fees for direct connectivity services are comparable to the fees charged for the same service provided to other exchanges' customers. Additionally, such costs are constrained by the robust competition for order flow among exchanges and non-exchange markets, because direct connectivity exists to advance that competition, and excessive fees for direct connectivity services would serve to impair an exchange's ability to compete for order flow. Therefore, the Exchange believes that the proposed rule change enhances, rather than burdens, competition.

5. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received from Members, Participants, or Others

Written comments were neither solicited nor received.

6. Extension of Time Period for Commission Action

Not applicable.

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

Pursuant to Section 19(b)(3)(A)(ii) of the Act,<sup>15</sup> the Exchange has designated this proposal as establishing or changing 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, which renders the proposed rule change effective upon filing.

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.

---

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

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

Not applicable.

11. Exhibits

1. Completed notice of proposed rule change for publication in the Federal Register.

5. Text of the proposed rule change.

**EXHIBIT 1**SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34- ; File No. SR-NASDAQ-2015-029)

Self-Regulatory Organizations; The NASDAQ Stock Market LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Modify NASDAQ Rule 7051 Fees Relating to Pricing for Direct Circuit Connections

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”),<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on March 26, 2015, The NASDAQ Stock Market LLC (“NASDAQ” or the “Exchange”) filed with the Securities and Exchange Commission (“Commission”) a proposed rule change as described in Items I, II and III below, which Items have been prepared by the Exchange. 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 is proposing to amend Rule 7051 to increase installation and monthly fees assessed for Direct Circuit Connection to NASDAQ, and to waive certain installation fees thereunder for a limited time. The exchange will implement the proposed changes on April 1, 2015.

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

---

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

<sup>2</sup> 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, NASDAQ 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 those 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 parts of such statements.

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

1. Purpose

NASDAQ is proposing to amend Rule 7051 entitled "Direct Connectivity to Nasdaq" to increase the installation and monthly fees assessed for 1Gb and 10Gb connectivity to the Exchange. Direct connectivity offers market participants one of several means by which they may connect to NASDAQ.<sup>3</sup> Currently, the Exchange offers a 10Gb circuit connection, a 1Gb circuit connection, and a 1Gb Ultra connection, all of which provide connectivity to the NASDAQ System.<sup>4</sup> The offerings are differentiated by the total capacity of the fiber connection (represented in Gigabytes or "Gb") and the type of switch used. A switch is a type of network hardware that acts as the "gatekeeper" for all clients' orders sent to the System<sup>5</sup> and orders them in sequence for entry into the

---

<sup>3</sup> Market participants may also connect to NASDAQ through the colocation facility or third parties. Direct connectivity is offered through data centers in Carteret, NJ, Secaucus, NJ, Ashburn, VA, and Chicago, IL.

<sup>4</sup> See Securities Exchange Act Release No. 62663 (August 9, 2010), 75 FR 49543 (August 13, 2010) (SR-NASDAQ-2010-077).

<sup>5</sup> As defined in Rule 4751(a).

System for execution. The 1Gb “Ultra” fiber connection offering uses lower latency<sup>6</sup> switches than the 1Gb fiber connection offering.<sup>7</sup>

The Exchange assesses separate installation and ongoing monthly fees for subscription to each option. For 1Gb connectivity, the Exchange assesses an installation fee of \$1,000 and ongoing monthly fees of \$1,000. For 10Gb connectivity, the Exchange charges an installation fee of \$1,000 and ongoing monthly fees of \$5,000. For 1Gb Ultra, the Exchange charges an installation fee of \$1,500 and ongoing monthly fees of \$1,500. The Exchange adopted 10Gb and 1Gb offering and related fees in August 2010, and has not increase fees for these offerings since.<sup>8</sup> The Exchange adopted 1Gb Ultra in August 2014, and has not increased fees for the offering since.<sup>9</sup>

In light of increased costs in offering these fiber connectivity options, and declining subscribership to 1Gb connectivity, the Exchange is proposing to increase the fees assessed for all three of the offerings. In terms of installation fees, the Exchange is proposing to harmonize the cost of installation by increasing the installation fees assessed for 10Gb and 1Gb connectivity from \$1,000 to \$1,500, which is the fee currently assessed for installation of 1Gb Ultra connectivity. The Exchange is proposing to waive

---

<sup>6</sup> The term “latency” for the purposes of this rule filing means a measure of the time it takes for an order to enter into a switch and then exit for entry into the System.

<sup>7</sup> Each of NASDAQ’s connection offerings use different switches, but the switches are of uniform type within each offering (i.e., all 1G connectivity options currently use the same switches). As a consequence, all client subscribers to a particular connectivity option receive the same latency in terms of the capabilities of their switches.

<sup>8</sup> Supra note 4.

<sup>9</sup> See Securities Exchange Act Release No. 72811 (August 11, 2014), 79 FR 48262 (August 15, 2014) (SR-NASDAQ-2014-079).

the installation fees for the months of April through July, 2015, for all three connectivity options. As such, both new subscriptions and customers transferring from one connectivity option to another during that time will not be assessed the installation fee. The Exchange notes that this will allow customers to move from one offering to another, or to move the location of their connectivity from one direct connectivity access point to another, with no penalty in the form of an installation fee.

The Exchange is also proposing to increase the ongoing monthly fees for each connectivity option. Specifically, the Exchange is proposing to increase the ongoing monthly fees for 10Gb connectivity from \$5,000 to \$7,500. The Exchange is proposing to increase the ongoing monthly fee for 1Gb connectivity from \$1,000 to \$2,500. Lastly, the Exchange is proposing to increase the ongoing monthly fee for 1Gb Ultra from \$1,500 to \$2,500.

## 2. Statutory Basis

NASDAQ believes that the proposed rule change is consistent with the provisions of Section 6 of the Act,<sup>10</sup> in general, and with Sections 6(b)(4) and 6(b)(5) of the Act,<sup>11</sup> in particular, in that it provides for the equitable allocation of reasonable dues, fees and other charges among members and issuers and other persons using any facility or system which NASDAQ operates or controls, and is not designed to permit unfair discrimination between customers, issuers, brokers, or dealers.

The Exchange believes that the proposed increased fees are reasonable because they allow the Exchange to realign the fees assessed for the service with the costs

---

<sup>10</sup> 15 U.S.C. 78f.

<sup>11</sup> 15 U.S.C. 78f(b)(4) and (5).

incurred by NASDAQ in offering the service, which have increased since the offerings were first adopted. Specifically, NASDAQ has incurred increases in the cost of labor and networks in the installation and maintenance of equipment. The Exchange notes that the 1Gb and 10Gb infrastructures have been upgraded over the last 5 years with improvements in network performance along with a continued increase in bandwidth capacity constraints due to market data feeds growing. Consequently, this has resulted in higher networking costs that NASDAQ is now proposing to pass on through connectivity fees. In terms of labor, installation effort and costs have increased, which include NASDAQ data center operations and network engineering teams in multiple locations, data center vendor costs, and optical equipment that needs to be purchased, installed and maintained. The Exchange notes that it is not increasing the charge for installation of 1Gb Ultra connectivity because the fee implemented in 2014 already incorporated these elevated costs and continues to cover the installation costs.

The Exchange also believes that the proposed increases in the ongoing monthly fees for all three connectivity options are reasonable. The Exchange notes that it is increasing the ongoing monthly fees for each of the connectivity options in light of the higher networking and labor costs NASDAQ incurs in supporting the services. In addition, the Exchange has lost subscribers to the 1Gb connectivity option, which has resulted in fewer subscribers over which to spread the fixed costs of the service. As a consequence, the Exchange believes that it is reasonable to increase the monthly charge more than it is increasing the monthly charge for the 1Gb Ultra connectivity offering, which will result in the same monthly charge for both 1Gb and 1Gb Ultra connectivity offerings but will allow NASDAQ to compensate for the lower subscribership of the 1Gb

connectivity option. The Exchange notes that the fees are similar to the fees NASDAQ charges member firms for co-location connectivity.<sup>12</sup> Lastly, the proposed fees are comparable to the fees charged for similar connectivity by other exchanges. For example, the International Securities Exchange LLC (“ISE”) offers four connectivity options that provide access to its two markets. ISE charges the following monthly fees for connectivity: \$750 for its 1Gb option, \$4,000 for its 10Gb option, \$7,000 for its 10Gb low latency option, and \$12,500 for its 40Gb low latency option. The Exchange notes that its connectivity options provide access to three exchanges (NASDAQ, NASDAQ OMX BX and NASDAQ OMX PHLX), which is reflected in the premium above the comparable ISE connectivity.<sup>13</sup>

The Exchange believes that the fees for these services are equitably allocated consistent with Section 6(b)(4) of the Act and are non-discriminatory consistent with Section 6(b)(5) of the Act in that all direct connect clients are offered the same service and there is no differentiation among them with regard to the fees charged for such services. In particular, the proposed fees are equitably allocated because all member firms that subscribe to a particular connectivity option under the rule will be assessed the same fee. The proposed installation fees are and are not unfairly discriminatory because the Exchange is increasing the fees for each service in amounts that are reflective of the increased costs associated with offering each of the connectivity options, and are in amounts representative of the value provided to their subscribers. The proposed waiver of the installation fees is both equitable and not unfairly discriminatory because it will

---

<sup>12</sup> See Rule 7034(b).

<sup>13</sup> See ISE Fee Schedule, Section IV.B. available at <http://www.ise.com/fees>.

allow all subscribers the option to subscribe to another connectivity offering, to the extent the proposed connectivity fees of their existing connections are deemed too high in relationship to the benefit received. With regard to the ongoing monthly fee increases, the 10Gb connectivity option provides the fastest connectivity option with the greatest capacity and also represents the greatest cost to NASDAQ in offering it among the three options. Accordingly, NASDAQ is increasing the fee the most to users that receive the greatest benefit. As noted above, NASDAQ is increasing the 1Gb ongoing monthly fees more than the 1Gb Ultra connectivity option, which provides the same capacity but lower latency than the 1Gb option. The Exchange believes that the proposed increase in the 1Gb connectivity option monthly fee is both an equitable allocation of a fee and not unfairly discriminatory because lower subscribership to the option has resulted in fewer subscribers to bear the increased costs of offering the service.

The Exchange notes that should a particular exchange charges excessive fees for direct connectivity services affected members will opt to terminate their direct connectivity arrangements with that exchange, and pursue a range of alternative trading strategies not dependent upon the exchange's direct connectivity services. Accordingly, the exchange charging excessive fees would stand to lose not only direct connectivity revenues, but also any other revenues associated with the customer's operations. Moreover, all of the Exchange's fees for these services are equitably allocated consistent with Section 6(b)(4) of the Act and consistent with Section 6(b)(5) of the Act are non-discriminatory in that all direct connect clients are offered the same service and there is no differentiation among them with regard to the fees charged for such services.

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

The Exchange does not believe that the proposed rule change will result in any

burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act, as amended.<sup>14</sup> As discussed above, the Exchange believes that the proposed fees for direct connectivity services are comparable to the fees charged for the same service provided to other exchanges' customers. Additionally, such costs are constrained by the robust competition for order flow among exchanges and non-exchange markets, because direct connectivity exists to advance that competition, and excessive fees for direct connectivity services would serve to impair an exchange's ability to compete for order flow. Therefore, the Exchange believes that the proposed rule change enhances, rather than burdens, competition.

C. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received From Members, Participants or Others

Written comments were neither solicited nor received.

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

The foregoing change has become effective pursuant to Section 19(b)(3)(A) of the Act<sup>15</sup> and paragraph (f) of Rule 19b-4<sup>16</sup> thereunder. 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: (i) necessary or appropriate in the public interest; (ii) for the protection of investors; or (iii) 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

---

<sup>14</sup> 15 U.S.C. 78f(b)(8).

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

<sup>16</sup> 17 CFR 240.19b-4(f).

approved or disapproved. The Exchange has provided the Commission written notice of its intent to file the proposed rule change, along with a brief description and text of the proposed rule change, at least five business days prior to the date of filing of the proposed rule change

#### 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](mailto:rule-comments@sec.gov). Please include File Number SR-NASDAQ-2015-029 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-2015-029. 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 on official business days between the hours of 10:00 a.m. and 3:00 p.m. Copies of such filing also will be available for inspection and copying at the principal offices 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-2015-029, 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.<sup>17</sup>

Kevin M. O'Neill  
Deputy Secretary

---

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

**EXHIBIT 5**

The text of the proposed rule change is below. Proposed new language is underlined; proposed deletions are bracketed.

**7051. Direct Connectivity to Nasdaq**

Direct Connectivity services are provided by NASDAQ Technology Services, LLC.

<b>Description</b>	<b>Installation Fee</b>	<b>Ongoing Monthly Fee</b>
Direct Circuit Connection to Nasdaq (10Gb)	<u>\$1,500*</u> [1,000]	<u>\$7,500</u> [5,000]
Direct Circuit Connection to Nasdaq (supports up to 1Gb)	<u>\$1,500*</u> [1,000]	<u>\$2,500</u> [1,000]
Direct Circuit Connection to Nasdaq (1Gb Ultra)	\$1,500*	<u>\$2,500</u> [1,500]
Optional Cable Router	\$925	
Per U of Cabinet Space**		\$150

\* Waived for all installation requests received from April 1, 2015 through July 31, 2015.

\*\* Fees are based on a height unit of approximately 1.75 inches high, commonly called a "U" space and a maximum power of 125 Watts per U space.

\* \* \* \* \*