I. Self-Regulatory Organization’s Statement of the Terms of Substance of the Proposed Rule Change

NASDAQ proposes to amend Chapter VII, Section 6, entitled “Market Maker Quotations,” of the rules governing the NASDAQ Options Market (“NOM” or “Exchange”). The Exchange proposes to adopt two new NOM Market Maker 3 optional risk protections, a volume-based threshold and a multi-trigger threshold.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 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 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 the filing is to adopt two new risk protections for NOM Market Maker’s to monitor marketplace risk. These protections are intended to assist NOM Market Makers to control their trading risks.5 Quoting across many series in an option creates the possibility of “rapid fire” executions that can create large, unintended principal positions that expose NOM Market Makers, who are required to continuously quote in assigned options, to potentially significant market risk. Today, the Exchange’s rules permit NOM Market Makers to monitor risk arising from multiple executions across multiple options series of a single underlying security.6

The Exchange is proposing to offer a new volume-based and multi-trigger threshold protection to NOM Market Makers. The Exchange proposes to amend NOM’s Rules at Chapter VII, Section 6(f) to establish: (1) A threshold used to calculate each NOM Market Maker’s total volume executed in all series of a given underlying security within a specified time period and compares that to a pre-determined threshold (“Volume-Based Threshold”), and (2) a threshold which measures the number of times the System has triggered7 based on the Risk Monitor Mechanism (“Percentage-Based Threshold”) pursuant to Chapter VI, Section 19 and Volume-Based Thresholds within a specified time period and compares that total to a pre-determined threshold (“Multi-Trigger Threshold”).

Volume-Based Threshold

In connection with offering these two new threshold protections, a NOM Market Maker would provide a specified time period and volume threshold by which the Exchange’s System would automatically remove the NOM Market Maker’s quotes and orders in an options class, depending on the threshold utilized, submitted through designated NOM protocols, as specified by the Exchange. The Exchange counts Specialized Quote Feed (“SQF”)8 quotes and OTTO9 orders only in determining the number of contracts traded and removed by the System.10

The Volume-Based Threshold will determine, during a specified time period established by the NOM Market

Notes:

1 The term “NOM Market Maker” means a Participant that has registered as a Market Maker on NOM pursuant to Chapter VII, Section 2, and must also remain in good standing pursuant to Chapter VII, Section 4.

2 Market Makers will be required to continue to utilize the Risk Monitor Mechanism in Chapter VI, Section 19, as is the case today.

3 Pursuant to NOM Rules at Chapter VII, Section 5, entitled “Obligations of Market Makers”, in registering as a market maker, an Options Participant commits himself to various obligations. Transactions of a NOM Market Maker must constitute a course of dealings reasonably calculated to contribute to the maintenance of a fair and orderly market, and Market Makers should not make bids or offers or enter into transactions that are inconsistent with such course of dealings.

4 Further, all Market Makers are designated as specialists on NOM for all purposes under the Act or rules thereunder. See Chapter VII, Section 2.

5 Pursuant to NOM Chapter VI, Section 19, “Risk Monitor Mechanism.”

6 A trigger is defined as the event which causes the System to automatically remove all quotes and orders in all options series in an underlying issue.

7 SQF permits the receipt of quotes. SQF Auction Responses and market sweeps are also not included.

8 OTTO immediate or cancel orders will not be included. OTTO provides a method for subscribers to send orders and receive status updates on those orders. OTTO accepts limit orders from System subscribers, and if there is a matching order, the orders will execute. Non-matching orders are added to the limit order book, a database of available limit orders, where they are matched.

9 Financial Information Exchange (“FIX”) Orders are not counted in determining the number of contracts traded and removed by the System.
Maker not to exceed 15 seconds ("Volume-Based Specified Time Period"), whether a NOM Market Maker executed a number of contracts which equals or exceeds the designated number of contracts specified by the NOM Market Maker in all series of an underlying security to determine whether to remove the NOM Market Maker’s quotes and orders in all series of the underlying security. The Volume-Based Threshold will be based on the total number of contracts executed in the market in the same options series in an underlying security and will not offset the number of contracts executed on the opposite side of the market. Once the System determines that the number of contracts executed equals or exceeds a number established by the NOM Market Maker during the Volume-Based Specified Time Period, the System will remove the NOM Market Maker’s quotes and orders. The Volume-Based Specified Time Period designated by the NOM Market Maker must be the same length of time as designated for purposes of the Percentage-Based Threshold in Rule 1093 [sic].

A Volume-Based Specified Time Period will commence for an option every time an execution occurs in any series in such option and will continue until the System automatically removes quotes and orders as described in newly proposed sections (f)(iv) or (f)(v) or the Volume-Based Specified Time Period expires. The Volume-Based Specified Time Period operates on a rolling basis among all series in an option in that there may be multiple Volume-Based Specified Time Periods occurring simultaneously and such Volume-Based Specified Time Periods may overlap.

Multi-Trigger Threshold
A NOM Market Maker or NOM Market Maker Group, which is defined as multiple affiliated NOM Market Makers, may provide the specified time period and number of allowable triggers by which the Exchange will automatically remove quotes and orders in all options series in all underlying securities issues submitted through designated NOM protocols, as specified by the Exchange ("Multi-Trigger Threshold"). During a specified time period established by the NOM Market Maker not to exceed 15 seconds ("Multi-Trigger Specified Time Period"), the number of times the System automatically removes the NOM Market Maker’s or Group’s quotes and orders in all options series will be based on the number of triggers of the Percentage-Based Threshold, described in proposed (f)(ii), as well as the Volume-Based Threshold described in proposed (f)(iii). For purposes of this rule, a trigger shall be defined as the event which causes the System to automatically remove quotes and orders in all options series in an underlying issue. Once the System determines that the number of triggers equals or exceeds a number established by either the NOM Market Maker or Group, during a Multi-Trigger Specified Time Period, the System will automatically remove all quotes and orders in all options series in all underlying issues for that NOM Market Maker or Group. A Multi-Trigger Specified Time Period will commence after every trigger of either the Percentage-Based Threshold or the Volume-Based Threshold and will continue until the System removes quotes and orders as described in section (f)(iv) of the proposed rule or the Multi-Trigger Specified Time Period expires. Participants may configure the Multi-Trigger Threshold at the badge level (by NOM Market Maker) or by Group (multiple affiliated NOM Market Makers), but not both. This is different as compared to the Percentage-Based Threshold in Chapter VI, Section 19 or the newly proposed Volume-Based Thresholds that are configured only on the badge level (by NOM Market Maker). The System counts triggers within a Multi-Trigger Specified Time Period across all options for the NOM Market Maker or Group. A Multi-Trigger Specified Time Period operates in that there may be multiple Multi-Trigger Specified Time Periods occurring simultaneously and such Multi-Trigger Specified Time Periods may overlap.

13 Today, ISE’s functionality permits market maker quotes to be removed from the ISE trading system if a specified number of curtailment events occur across both ISE and ISE Gemini, LLC ("ISE Gemini"). ISE and ISE Gemini’s trading systems will count the number of times a market maker’s pre-set curtailment events occur on each exchange and aggregate across a market maker’s specified number of curtailment events across both markets is reached, the trading systems will remove the market maker’s quotes in all classes on both ISE and ISE Gemini. ISE will then reject any quotes sent by the market maker after the parameters across both exchanges have been triggered until the market maker notifies the operations staff of ISE that it is ready to come out of curtailment. See Securities Exchange Release No. 73147 (September 19, 2014), 79 FR 57639 (September 25, 2014) (SR–ISE–2014–09) (Order approving proposed rule change related to market maker risk parameters).

14 This was more than one NOM Market Maker, but does not require the aggregation of all of the Participant’s Market Makers. A Group would be comprised of NOM Market Makers affiliated with one Participant. The Participant would be required to define a Group by providing a list of such affiliated NOM Market Makers to the Exchange.
The NOM Market Maker’s Clearing Firm will be notified regarding the trigger and re-entry into the System after quotes and orders are removed as a result of the Multi-Trigger Threshold, provided the NOM Market Maker’s Clearing Firm has requested to receive such notification. The System will then reset all counters to zero and re-entry and continued trading will be permitted. A NOM Market Maker is subject to continuous quoting obligations despite the removal of quotes and orders from the System and approval process for re-entry.

Today, the Exchange provides NOM Market Makers with the Percentage-Based Threshold in Rule 1093 to monitor risk. The Exchange will continue to require NOM Market Makers to utilize the Percentage-Based Threshold and the Multi-Trigger Threshold will be optional. The Exchange reserved subsection (b)(i) for future modifications to this rule.

The Exchange proposes to implement these rule changes within 30 days of the operative day of this rule change.

Example #1 of the Volume-Based Threshold is displayed below. Assume the following Order Book:

<table>
<thead>
<tr>
<th>Series of underlying XYZ</th>
<th>Size on bid x offer for MM1</th>
</tr>
</thead>
<tbody>
<tr>
<td>100 Strike Call ..........</td>
<td>300 x 300</td>
</tr>
<tr>
<td>100 Strike Put ..........</td>
<td>50 x 50</td>
</tr>
<tr>
<td>110 Strike Call ..........</td>
<td>200 x 200</td>
</tr>
<tr>
<td>110 Strike Put ..........</td>
<td>150 x 150</td>
</tr>
</tbody>
</table>

In this example, assume the Specified Time Period designated by the Market Maker #1 is 10 seconds and the designated number of contracts permitted for the Volume-Based Threshold is 250 contracts. Assume at 12:00:00, the Market Maker #1 executes all of his offer size, 200 contracts, in the 110 Strike Calls. The System will initiate the Specified Time Period and for 10 seconds the System will count all volume executed in series of underlying XYZ. If at any point during that 10 second period, Market Maker #1 executes additional contracts in any series of underlying XYZ, those contracts will be added to the initial execution of 200 contracts. Then assume at 12:00:05 Market Maker #1 executes 20 contracts of his offer in the 100 Strike Calls. The total volume executed is now 260 contracts. Since that volume exceeds the Market Maker #1’s designated number of contracts for the Volume-Based Threshold (250 contracts), all of his quotes in all series of underlying XYZ over the designated protocols will be removed from the System; no further quotes or orders will be executed until re-entry. The Volume-Based Specified Time Period will be reset for Market Maker #1 in underlying XYZ and Market Maker #1 will need to send a re-entry indicator in order to re-enter quotes in options series for underlying XYZ into the System.

Example #2 of the Volume-Based Threshold: Similar to the example above, assume the Specified Time Period is 10 seconds and the designated number of contracts permitted for the Volume-Based Threshold is 250 contracts. Assume at 12:00:00, Market Maker #1 executes all of his offer size, 200 contracts, in the 110 Strike Calls. The System will initiate the Specified Time Period and for 10 seconds the System will count all volume executed in series of underlying XYZ. If at any point during that 10 second period, Market Maker #1 executes additional contracts in any series of underlying XYZ, those contracts will be added to the initial execution of 200 contracts. Then assume at 12:00:05 Market Maker #1 executes 20 contracts of his offer in the 100 Strike Calls. The total volume executed is now 220 contracts which does not exceed the Volume-Based Threshold. This second execution triggers a Multi-Trigger Specified Time Period of the first trigger. Since the member organization designated two triggers for the number of allowable triggers, the Group, both MM #1 and MM #2, quotes in all option series in all underlying issues for the Group are automatically removed from the System and Purge Notification Messages are sent to the Group; no further quotes or orders will be executed until re-entry. The member organization will need to contact the Exchange to request an Options Trader Alert in advance to inform market participants of such date.

2. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act in general, and furthers the objectives of Section 6(b)(5) of the Act in particular, in that it is designed to promote just and equitable principles of...
trade, to remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general to protect investors and the public interest, by enhancing the risk protections available to Exchange members. The proposal promotes policy goals of the Commission which has encouraged execution venues, exchange and non-exchange alike, to enhance risk protection tools and other mechanisms to decrease risk and increase stability.

The individual firm benefits of enhanced risk protections flow downstream to counter-parties both within and without the Exchange, thereby increasing systemic protections as well. Additionally, because the Exchange offers these risk tools to NOM Market Makers, in order to encourage them to provide as much liquidity as possible and encourage market making generally, the proposal removes impediments to and perfects the mechanism of a free and open market and a national market system and protect investors and the public interest.

With respect to permitting the Multi-Trigger Threshold to be set either to one NOM Market Maker or to a number of specified NOM Market Makers affiliated with a member, it is important to note that the risk to NOM Market Makers is not limited to a single series in an option but to all series in an option. NOM Market Makers that quote in multiple series of multiple options have significant exposure, requiring them to offset or hedge their overall positions. The proposed functionality will be useful for NOM Market Makers, who are required to continuously quote in assigned options classes on the Exchange. Quoting across many series in an option or multiple options creates the possibility of executions that can create large, unintended principal positions that could expose market makers to unnecessary risk. The Multi-Trigger Threshold functionality is intended to assist NOM Market Makers manage that risk at the Group level so that NOM Market Makers may provide deep and liquid markets to the benefit of all investors.

The Exchange further represents that its proposal will operate consistently with the firm quote obligations of a broker-dealer pursuant to Rule 602 of Regulation NMS and that the functionality is not mandatory. Specifically, any interest that is executable against a NOM Market Maker’s quotes that are received by the Exchange prior to the time either of these functionalities are engaged will be automatically executed at the price up to the NOM Market Maker’s size, regardless of whether such execution results in executions in excess of the NOM Market Maker’s pre-set parameters.

With respect to providing risk settings to the NOM Market Maker’s Clearing Member, each Member that transacts through a Clearing Member on the Exchange executes a Letter of Guarantee wherein the Clearing Member accepts financial responsibility for all Exchange transactions made by the Participant on whose behalf the Clearing Member submits the letter of guarantee. The Exchange believes that because Clearing Members guarantee all transactions on behalf of a Participant, and therefore, bear the risk associated with those transactions, it is appropriate for Clearing Members to have knowledge of what risk settings a NOM Market Maker may utilize within the System and receive and receive notice of re-entry into the System after triggering the Multi-Trigger Threshold.

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

The Exchange 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. Specifically, the proposal will not impose a burden on intra-market or inter-market competition, rather it provides NOM Market Makers with the opportunity to avail themselves of similar risk tools which are currently available on other exchanges. The proposal does not impose a burden on inter-market competition, because Participants may choose to become market makers on a number of other options exchanges, which may have similar but not identical features. The proposed rule change is meant to protect NOM Market Makers from inadvertent exposure to excessive risk. Accordingly, the proposed rule change will have no impact on competition.

Further, the Exchange is proposing this rule change at the request of its NOM Market Makers to further reduce their risk in the event the NOM Market Maker is suffering from a systems issue or due to the occurrence of unusual or unexpected market activity. The proposed Group parameter for the Multi-Trigger threshold will protect NOM Market Makers from inadvertent exposure to excessive risk at the Group level. Reducing such risk will enable NOM Market Makers to enter quotations without any fear of inadvertent exposure to excessive risk, which in turn will benefit investors through increased liquidity for the execution of their orders. Such increased liquidity benefits investors because they receive better prices and because it lowers volatility in the options market.

The Exchange believes that requiring NOM Market Makers to enter values for the Percentage-Based Threshold is not unreasonably burdensome because NOM Market Makers can enter an out-of-range values so that the Exchange-provided risk protections will not be triggered. Reducing risk by utilizing the proposed risk protections will enable NOM Market Makers to enter quotations with larger size, which in turn will benefit investors through increased liquidity for the execution of their orders. Such increased liquidity benefits investors because they receive better prices and because it lowers volatility in the options market.

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

Because the foregoing proposed rule change does not: (i) Significantly affect the protection of investors or the public interest; (ii) impose any significant burden on competition; and (iii) become operative for 30 days from the date on which it was filed, or such shorter time as the Commission may designate, it has become effective pursuant to Section 19(b)(3)(A)(ii) of the Act and subparagraph (f)(6) of Rule 19b–4 thereunder. The Exchange has requested that the Commission waive the thirty-day operative delay so that the proposal may become operative immediately. The Exchange states that waiving the thirty-day operative delay will enable Market Makers to enhance their risk controls and risk management processes without additional delay. The Commission believes that waiving the thirty day delay is consistent with the protection of investors and the public interest. Therefore, the Commission hereby waives the thirty-day operative delay.

28 The time of receipt for an order or quote is the time such message is processed by the Exchange book.
29 See Section 8 of the 19b4.
delay and designates the proposal effective upon filing. 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 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 email to rule-comments@sec.gov. Please include File Number SR–NASDAQ–2015–061 on the subject line.

Paper Comments
- Send paper comments in triplicate to Brent J. Fields, Secretary, Securities and Exchange Commission, 100 F Street NE., Washington, DC 20549–1090. All submissions should refer to File Number SR–NASDAQ–2015–061 on the subject line.

The Exchange filed a proposal to amend the Market Data section of its fee schedule to: (i) Adopt User fees, an Enterprise fee, and a Digital Media Enterprise fee for the EDGX Top and EDGX Last Sale feeds; and (ii) make a non-substantive change to the description of the BATS One Feed Enterprise Fee as well as correct a cross-reference within the definition of “Non-Professional User”.

The text of the proposed rule change is available at the Exchange’s Web site at www.batstrading.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 parts of such statements.

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

1. Purpose

The Exchange proposes to amend the Market Data section of its fee schedule to: (i) Adopt User fees, an Enterprise fee, and a Digital Media Enterprise fee for the EDGX Top and EDGX Last Sale feeds; and (ii) make a non-substantive change to the description of the BATS One Feed Enterprise Fee as well as correct a cross-reference within the definition of “Non-Professional User”.

EDGX Top and Last Sale Fees

EDGX Top is a market data feed that includes top of book quotations and execution information for all equity securities traded on the Exchange. EDGX Last Sale is a market data feed that includes last sale information for all equity securities traded on Exchange.

B. Self-Regulatory Organization’s Statement of the Financial Impact of, and Statutory Basis for, the Proposed Rule Change

The Exchange proposes to amend the Market Data section of its fee schedule to: (i) Adopt User fees, an Enterprise fee, and a Digital Media Enterprise fee for the EDGX Top and EDGX Last Sale feeds; and (ii) make a non-substantive change to the description of the BATS One Feed Enterprise Fee as well as correct a cross-reference within the definition of “Non-Professional User”.

EDGX Top and Last Sale Fees

EDGX Top is a market data feed that includes top of book quotations and execution information for all equity securities traded on the Exchange. EDGX Last Sale is a market data feed that includes last sale information for all equity securities traded on Exchange.