SECURITIES AND EXCHANGE COMMISSION


Self-Regulatory Organizations; The NASDAQ Stock Market LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Amend Nasdaq Rules 7014 and 7018

June 22, 2015.

Pursuant to section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”),1 and Rule 19b–4 thereunder,2 notice is hereby given that on June 15, 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 the Substance of the Proposed Rule Change

NASDAQ proposes to amend Nasdaq Rules 7014 and 7018 by eliminating the fees and credits for execution of orders in select symbols (“Select Symbol Program”) under Nasdaq Rule 7018(a)(4). The Exchange proposes to make corresponding changes to remove references to the Select Symbol Program in Nasdaq Rule 7014(b) and (e). Additionally, NASDAQ proposes to clarify Nasdaq Rule 7014(b) by removing an outdated reference to subsection (f) and specifying the rebates and credits are from Nasdaq Rule 7018(a), as well as to clarify that the rebate in Nasdaq Rule 7018(e) will be in addition to any rebate payable under Nasdaq Rule 7018(a).

The Exchange also proposes to amend Nasdaq Rule 7014 by adding the NBBO Program to the rule as subsection (g). Under the NBBO Program, NASDAQ will provide a rebate per share executed with respect to all other displayed orders (other than Designated Retail Orders, as defined in Nasdaq Rule 7018) in securities priced at $1 or more per share that provide liquidity and establish the NBBO. The rebate will be in addition to any rebate or credit payable under Nasdaq Rule 7018(a) and the Investor Support Program (“ISP”) and Qualified Market Maker (“QMM”) Program under Nasdaq Rule 7014.

To qualify for the $0.0002 per share executed rebate under the NBBO Program, a member must either: (1) Execute shares of liquidity provided in all securities through one or more of its MPIDs that represents 0.475% or more of consolidated volume ("Consolidated Volume") during the month, or (2) add Nasdaq Options Market (“NOM”) market maker liquidity, as defined in chapter XV, section 2 of the NOM rules, in penny pilot options and/or non-penny pilot options above 0.90% of total industry customer equity and exchange-traded fund ("ETF") option average daily volume ("ADV") contracts per day in a month.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.3

Robert W. Errett,
Deputy Secretary.

[FR Doc. 2015–15687 Filed 6–25–15; 8:45 am]

BILLING CODE 8011–01–P


5 15 U.S.C. 78f(b)(4) and (5).

Contributor: Nasdaq includes 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 proposes to amend Nasdaq Rules 7014 and 7018 by eliminating the fees and credits for execution of orders in select symbols (“Select Symbol Program”) under Nasdaq Rule 7018(a)(4). The Exchange proposes to make corresponding changes to remove references to the Select Symbol Program in Nasdaq Rule 7014(b) and (e). Additionally, NASDAQ proposes to clarify Nasdaq Rule 7014(b) by removing an outdated reference to subsection (f) and specifying the rebates and credits are from Nasdaq Rule 7018(a), as well as to clarify that the rebate in Nasdaq Rule 7018(e) will be in addition to any rebate payable under Nasdaq Rule 7018(a).

The Exchange also proposes to amend Nasdaq Rule 7014 by adding the NBBO Program to the rule as subsection (g). Under the NBBO Program, NASDAQ will provide a rebate per share executed with respect to all other displayed orders (other than Designated Retail Orders, as defined in Nasdaq Rule 7018) in securities priced at $1 or more per share that provide liquidity and establish the NBBO. The rebate will be in addition to any rebate or credit payable under Nasdaq Rule 7018(a) and the Investor Support Program (“ISP”) and Qualified Market Maker (“QMM”) Program under Nasdaq Rule 7014.

To qualify for the $0.0002 per share executed rebate under the NBBO Program, a member must either: (1) Execute shares of liquidity provided in all securities through one or more of its MPIDs that represents 0.475% or more of consolidated volume (“Consolidated Volume”) during the month, or (2) add Nasdaq Options Market (“NOM”) market maker liquidity, as defined in chapter XV, section 2 of the NOM rules, in penny pilot options and/or non-penny pilot options above 0.90% of total industry customer equity and exchange-traded fund (“ETF”) option average daily volume (“ADV”) contracts per day in a month.

Next, Nasdaq proposes to amend midpoint pricing credit tiers in Nasdaq Rule 7018(a)(1), (2) and (3). Specifically, in Nasdaq Rule 7018(a)(1) currently there is a credit of $0.0017 per share executed for midpoint orders if the member provides an average daily volume of between 5 million and less than 6 million shares through midpoint orders during the month. The credit of $0.0017 per share executed for midpoint orders will now be available if the member provides an average daily volume of 3 million or more shares through midpoint orders during the month. The same change is being made in Nasdaq Rule 7018(b) and (c), but for the $0.0020 per share executed credit for midpoint orders tier. Additional language is being modified within each of these subsections solely for purposes of clarification.

Finally, the Exchange proposes to amend Nasdaq Rule 7018(e) by increasing the monthly maximum amount that firms are subject to for executing orders in the Nasdaq Opening Cross from $20,000 to $30,000 (provided that such firms add at least one million shares of liquidity, on average, per month). The change is intended to keep the charges incurred by members to participate in the Nasdaq Opening Cross comparable to the charges incurred by the New York Stock Exchange (“NYSE”) members to participate in its opening process.

2. Statutory Basis

NASDAQ believes that the proposed rule change is consistent with the provisions of section 6 of the Act,4 in general, and with sections 6(b)(4) and 6(b)(5) of the Act,5 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 designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in securities, 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; and are not designed to permit unfair discrimination between customers, issuers, brokers, or dealers.

NASDAQ believes that the proposed changes to Nasdaq Rule 7018 to eliminate the Select Symbol Program

6(b)(4) and (5).
under Nasdaq Rule 7018(a)(4), as well as the removal of corresponding references in Nasdaq Rule 7014(b) and (e), are reasonable because the Exchange has fulfilled its commitment in its continuing efforts to improve market quality to consider the impact the pricing has had on market quality and off-exchange volume of existing Select Symbols and has now gathered sufficient meaningful data to determine to eliminate the program. Nasdaq believes that the data generated by this experimental approach contributed to the ongoing debate on the structure of U.S. markets. The Exchange believes this proposed rule change is equitable and not unfairly discriminatory because its liquidity provider rebates continue to be set at reasonable levels and apply uniformly to all members that qualify. The Exchange also believes that these proposed rule changes are also equitable and not unfairly discriminatory because the elimination of this program applies uniformly to all members.

The Exchange believes that the clarifying change to Nasdaq Rule 7014(b) of removing an outdated reference to subsection (f) and specifying the rebates and credits are from Nasdaq Rule 7018(a), as well as stipulating that the rebate in Nasdaq Rule 7018(e) will be in addition to any rebate payable under Nasdaq Rule 7018(a), are reasonable because these modifications will enhance the clarity and reduce possible confusion among members, which serves to benefit the marketplace. The Exchange also believes that these proposed rule changes are equitable and not unfairly discriminatory because they apply uniformly to all members who qualify for the programs.

The Exchange believes that the proposed rule change to amend Nasdaq Rule 7014 by adding the NBBO Program to the rule as subsection (g) is reasonable because it provides an opportunity for members that qualify to receive a rebate of $0.0002 per share executed for all other displayed orders (other than Designated Retail Orders, as defined in Rule 7018) in securities priced at $5 or more per share that provide liquidity and establish the NBBO. The rebate will be in addition to any rebate or credit payable under Rule 7018(a) and the ISP and QMM Program under Rule 7014. To qualify to receive this rebate, members must either (1) execute shares of liquidity provided in all securities through one or more of its [sic] Nasdaq Market Center MPIDs that represents 0.475% or more of Consolidated Volume during the month, or (2) add NOM market maker liquidity, as defined in Chapter XV, Section 2 of the NOM rules, in penny pilot options and/or non-penny pilot options above 0.90% of total industry customer equity and ETF option ADV contracts per day in a month.

Additionally, Nasdaq believes this rule change is equitable and not unfairly discriminatory because the $0.0002 per share executed rebate under the NBBO Program is open to all members on an equal basis and provides a rebate for activity that improves the exchange’s market quality through increased activity and by encouraging the setting of the NBBO. The NBBO Program encourages higher levels of liquidity provision into the price discovery process and is consistent with the overall goals of enhancing market quality. Also, the Exchange believes that the two specific conditions (either of which a member can meet to qualify for this rebate) are equitable and not unfairly discriminatory because each represents an attainable level for members to achieve and to qualify for this rebate. In addition, requiring a member to execute shares of liquidity provided in all securities through one or more of its Nasdaq Market Center MPIDs that represents 0.475% or more of Consolidated Volume during the month represents a lower Consolidated Volume requirement than the QMM Program, but the NBBO Program rebates do not apply to all shares of liquidity provided, and thus the Consolidated Volume threshold is lower.

The proposed NBBO Program is intended to encourage members to add liquidity at prices that benefit all Nasdaq market participants and the Nasdaq market itself, and enhance price discovery. Nasdaq believes that the level of the rebate available through the NBBO Program ($0.0002 per share executed) is reasonable in that it does not reflect a disproportionate increase above the rebates provided to all members with respect to the provision of displayed liquidity under Rule 7018(a). The QMM and ISP Programs both provide members with the opportunity to receive additional rebates of $0.0002 per share executed. Nasdaq further notes that the NBBO Program is consistent with the Act’s requirement for an equitable allocation of fees because members that provide liquidity and establish the NBBO benefit all investors by promoting price discovery and increasing the depth of liquidity available. Such members also benefit Nasdaq itself by enhancing its competitiveness as a market that attracts actionable orders. Accordingly, Nasdaq believes that it is consistent with an equitable allocation of fees to pay an enhanced rebate in recognition of these benefits to Nasdaq and its market participants.

The Exchange further notes that the proposed rule change to amend midpoint pricing credit tiers in Nasdaq Rule 7018(a)(1), (2) and (3) is reasonable because it creates a more attainable credit tier (3 million or more rather than between 5 million and 6 million) for members that execute midpoint orders. Also, Nasdaq believes this rule change is equitable and not unfairly discriminatory because all members that qualify are eligible to receive the corresponding rebate under Tapes A, B or C. The proposed rule change is intended to encourage members to execute midpoint orders and to further enhance liquidity. The Exchange also believes that the above described being modified within each of these subsections solely for purposes of clarification will enhance the clarity and reduce possible confusion among members, which serves to benefit the marketplace.

Nasdaq believes that the proposed change to the monthly cap on fees charged for participation in the Nasdaq Opening Cross (provided that such firms add at least one million shares of liquidity, on average, per month) from $20,000 to $30,000 in Nasdaq Rule 7018(e) is reasonable because it ensures that total monthly costs of members to participate in the Nasdaq Opening Cross are comparable to the monthly costs of members to participate in the opening process of Nasdaq’s primary competitor. As is currently the case, once a member reaches the cap, its marginal rate thereafter will be zero and its blended rate will decrease with each additional transaction. Nasdaq believes that the proposed change reflects an equitable allocation of fees because it believes that the Nasdaq Opening Cross provides an extremely robust price discovery.
process for its members, and that accordingly, it is equitable to increase
the maximum fees payable by members that participate in the process.
Additionally, Nasdaq believes that the change is not unfairly discriminatory
because it applies solely to members that opt to participate in the Nasdaq
Opening Cross.
Finally, Nasdaq notes that it operates in a highly competitive market in which
market participants can readily favor competing venues if they deem fee
levels at a particular venue to be excessive. In such an environment,
Nasdaq must continually adjust its fees to remain competitive with other
exchanges and with alternative trading systems that have been exempted from
compliance with the statutory standards applicable to exchanges. Nasdaq
believes that the proposed rule change reflects this competitive environment
because it is designed to reduce fees for members that enhance the quality of
Nasdaq’s market.
B. Self-Regulatory Organization’s
Statement on Burden on Competition
Nasdaq does not believe that the
proposed rule changes will result in any
burden on competition that is not
necessary or appropriate in furtherance
of the purposes of the Act, as amended.9
Nasdaq notes that it operates in a highly
competitive market in which market
participants can readily favor competing
venues if they deem fee levels at a
particular venue to be excessive, or
rebaté opportunities available at other
venues to be more favorable. In such an
environment, Nasdaq must continually
adjust its fees to remain competitive with other exchanges and with
alternative trading systems that have been exempted from compliance with
the statutory standards applicable to exchanges. Because competitors are free
to modify their own fees in response, and because market participants may
readily adjust their order routing
practices, the Exchange believes that the
degree to which fee changes may
impose any burden on competition is
extremely limited.
Nasdaq believes that the degree to
which fee changes in this market may
impose any burden on competition is
extremely limited or even non-existent.
In this instance, the changes to Nasdaq
Rules 7014 and 7018 do not impose a
burden on competition because these
Nasdaq incentive programs (other than the
program for select symbols in
Nasdaq Rule 7018), remain in place and
now also include the NBBO Program;
still offer economically advantageous
credits, and are reflective of the need for
exchanges to offer and to let the
financial incentives to attract order flow
evolve. While the Exchange does not
believe that the proposed changes will
result in any burden on competition, if
the changes proposed herein are
unattractive to market participants, it is
likely that Nasdaq will lose market
share as a result.

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)(ii) of the Act.10 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.

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–2015–062 on the subject line.

Paper Comments
• Send paper comments in triplicate
to Secretary, Securities and Exchange
Commission, 100 F Street NE.,
Washington, DC 20549–1090.
All submissions should refer to File
Number SR–NASDAQ–2015–062. This
file number should be included on the
subject line if email 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 Web site 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 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–2015–062, and should be
submitted on or before July 17, 2015.

For the Commission, by the Division of
Trading and Markets, pursuant to delegated
authority.11

Robert W. Errett,
Deputy Secretary.

SECURITIES AND EXCHANGE
COMMISSION

[Release No. 34–75258; File No. SR–FICC–
2015–002]

Self-Regulatory Organizations; Fixed
Income Clearing Corporation; Order
Approving Proposed Rule Change to the
Government Securities Division
Rules in Connection With the
Extension of the GCF Repo Service
Pilot Program

June 22, 2015.

On May 7, 2015, the Fixed Income
Clearing Corporation (“FICC”) filed
with the Securities and Exchange
Commission (“Commission”) proposed
rule change SR–FICC–2015–002
pursuant to section 19(b)(1) of the
Securities Exchange Act of 1934
(“Act”)1 and Rule 19b–4 thereunder.2
The proposed rule change was
published for comment in the Federal