Filing by NASDAQ Stock Market

Pursuant to Rule 19b-4 under the Securities Exchange Act of 1934

Initial * Amendment * Withdrawal

Section 19(b)(2) * Section 19(b)(3)(A) * Section 19(b)(3)(B) *

Pilot

Extension of Time Period for Commission Action *

Date Expires *

Rule

19b-4(f)(1) 19b-4(f)(4)

19b-4(f)(2) 19b-4(f)(5)

19b-4(f)(3) 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) * Section 806(e)(2) *

Exhibit 2 Sent As Paper Document

Exhibit 3 Sent As Paper Document

Description

Provide a brief description of the action (limit 250 characters, required when Initial is checked *).

A proposed rule change to the Designated Liquidity Provider program under Rule 7018(i).

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 * Sean Last Name * Bennett

Title * Associate General Counsel

E-mail * sean.bennett@nasdaq.com

Telephone * (301) 978-8499 Fax (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.

(Date *)

Executive Vice President and General Counsel

By Edward S. Knight

(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 EFFS website.

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The self-regulatory organization must provide all required information, presented in a clear and comprehensible manner, to enable the public to provide meaningful comment on the proposal and for the Commission to determine whether the proposal is consistent with the Act and applicable rules and regulations under the Act.

<table>
<thead>
<tr>
<th>Exhibit 1 - Notice of Proposed Rule Change *</th>
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The Notice section of this Form 19b-4 must comply with the guidelines for publication in the Federal Register as well as any requirements for electronic filing as published by the Commission (if applicable). The Office of the Federal Register (OFR) offers guidance on Federal Register publication requirements in the Federal Register Document Drafting Handbook, October 1998 Revision. For example, all references to the federal securities laws must include the corresponding cite to the United States Code in a footnote. All references to SEC rules must include the corresponding cite to the Code of Federal Regulations in a footnote. All references to Securities Exchange Act Releases must include the release number, release date, Federal Register cite, Federal Register date, and corresponding file number (e.g., SR-[SRO]-xx-xx). A material failure to comply with these guidelines will result in the proposed rule change being deemed not properly filed. See also Rule 0-3 under the Act (17 CFR 240.0-3).

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<tr>
<th>Exhibit 2A - Notice of Proposed Rule Change, Security-Based Swap Submission, or Advance Notice by Clearing Agencies *</th>
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<table>
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<tr>
<th>Exhibit 2 - Notices, Written Comments, Transcripts, Other Communications</th>
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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.

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<tr>
<th>Exhibit 3 - Form, Report, or Questionnaire</th>
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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.

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<th>Exhibit 4 - Marked Copies</th>
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The full text shall be marked, in any convenient manner, to indicate additions to and deletions from the immediately preceding filing. The purpose of Exhibit 4 is to permit the staff to identify immediately the changes made from the text of the rule with which it has been working.

<table>
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<th>Exhibit 5 - Proposed Rule Text</th>
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The self-regulatory organization may choose to attach as Exhibit 5 proposed changes to rule text in place of providing it in Item I and which may otherwise be more easily readable if provided separately from Form 19b-4. Exhibit 5 shall be considered part of the proposed rule change.

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<th>Partial Amendment</th>
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If the self-regulatory organization is amending only part of the text of a lengthy proposed rule change, it may, with the Commission’s permission, file only those portions of the text of the proposed rule change in which changes are being made if the filing (i.e. partial amendment) is clearly understandable on its face. Such partial amendment shall be clearly identified and marked to show deletions and additions.
1. **Text of the Proposed Rule Change**

   (a) Pursuant to the provisions of Section 19(b)(1) under the Securities Exchange Act of 1934 ("Act")\(^1\) and Rule 19b-4 thereunder,\(^2\) The NASDAQ Stock Market LLC ("NASDAQ" or "Exchange") is filing with the Securities and Exchange Commission ("Commission") a proposed rule change to the Designated Liquidity Provider ("DLP") program under Rule 7018(i).

   A notice of the proposed rule change for publication in the **Federal Register** is attached hereto as Exhibit 1. The text of the proposed rule change is set forth in 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 the Exchange pursuant to authority delegated by the Board of Directors of the Exchange on July 16, 2014. Exchange staff will advise the Board of Directors of any action taken pursuant to delegated authority. No other action by the Exchange is necessary for the filing of the rule change.

   Questions and comments on the proposed rule change may be directed to Jeffrey S. Davis, Deputy General Counsel at (301) 978-8484, or to T. Sean Bennett, Associate General Counsel, at (301) 978-8499 (telephone) or (301) 978-8472 (fax).

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

   a. **Purpose**

      The Exchange is proposing to make the following changes to the DLP program under Rule 7018(i): (1) move the program rules from Rule 7018 to Rule 7014; (2) change the name of the program to the Lead Market Maker program; (3) add clarifying rule text; (4) shorten the notice period required before a market maker may withdraw as a DLP; and (5) provide additional flexibility to NASDAQ on the application of the minimum performance measurements under subparagraph (2) of the rule. The DLP program provides fees and credits for execution of a Qualified Security by one of its DLPs. Rule 7018(i)(1) defines Qualified Security as an exchange-traded fund or index-linked security listed on NASDAQ pursuant to NASDAQ Rules 5705, 5710, or 5720 that has at least one DLP. As defined in Rule 7018(i)(2), a DLP is a registered NASDAQ market maker for a Qualified Security that has committed to maintain specified minimum performance standards. The rule provides that a DLP shall be selected by NASDAQ based on factors including, but not limited to, experience with making markets in exchange-traded funds and index-linked securities, adequacy of capital, willingness to promote NASDAQ as a marketplace, issuer preference, operational capacity, support personnel, and history of adherence to NASDAQ rules and securities laws. Moreover, the rule permits NASDAQ to limit the number of DLPs in a security, or modify a previously established limit, upon prior written notice to members.

      NASDAQ is proposing to move the rule from Rule 7018, which concerns fees and credits for execution and routing of orders entered on NASDAQ, to Rule 7014, which concerns NASDAQ’s market quality incentive programs. NASDAQ adopted the DLP
program as a pricing incentive program for market makers in certain exchange traded products. The DLP program is designed to improve market quality in Qualified Securities by providing credits to market makers in return for providing certain levels of market-improving quoting in those securities. As such, the Exchange believes that it is more appropriate to locate the rules relating to the program under Rule 7014, along with other market quality incentive programs.

The Exchange is also proposing to amend Rule 7018(i)(2) to provide NASDAQ additional flexibility in the application of the four performance measurements under the rule. Rule 7018(i)(2) sets forth four minimum performance measurements that a market maker must achieve to be considered a DLP, which are applied to market makers at the conclusion of each month to determine if their contribution to market quality in an individual Qualified Security meets or exceeds the minimum performance measurements. The minimum performance measurements may be determined from time to time by NASDAQ and may vary depending on the price, liquidity, and volatility of the Qualified Security in which the DLP is registered. Under the rule, the performance standards must include the percent of time at the national best bid (best offer) (“NBBO”), the percent of executions better than the NBBO, the average displayed size, and the average quoted spread. NASDAQ has flexibility to modify the specific levels of the performance measurements in an individual Qualified Security in response to changes in the market in price, volatility and liquidity, or NASDAQ may set a uniform level for a particular minimum performance measurement applied to all Qualified Securities. The Exchange is proposing to amend Rule 7018(i)(2) so that it is no longer required to consider all four factors in its minimum performance criteria, but rather provide the Exchange flexibility
to apply one or more of the factors. NASDAQ notes that such additional flexibility will enable the Exchange to further tailor eligibility for the incentive program based on overall market conditions, applying only the criteria needed to improve market quality. In this regard, NASDAQ notes that the desired improvement in market quality may be achieved in certain instances by applying fewer than all four of the minimum performance measurements. In some cases, applying all four minimum performance measurements may require setting one or more of the measures so low as to allow all market makers to qualify under those measures, thus rendering those measures superfluous.

The Exchange is adding new language to make it clear that it will provide written notice of the criteria to market participants. This notice will describe the specific criteria applicable under the program for the upcoming month so market participants can understand how to qualify for credits. The description will include not only the criteria applicable but also the standard under each criteria or combination of criteria. Such clarifying language will help market participants understand how changes to the minimum performance measurements will be communicated, thereby providing further transparency into the operation of the program.

NASDAQ will also use the specific criteria described in the notice to measure performance under the program, and to make changes to improve that performance. For example, if after studying performance under a given set of criteria, NASDAQ determines that performance greatly exceeds the criteria, NASDAQ will have a solid basis for increasing the requirements. Alternatively, if this review reveals that a criteria
is yielding no improvement to performance, NASDAQ will then have a basis to select an alternative criteria and to so notify market makers of the change.

The Exchange is also shortening the amount of prior written notice that a DMM must provide to NASDAQ when it wishes to withdraw its registration in a Qualified Security from 30 days to 5 days. Historically, the Exchange needed at least 30 days to process the de-registration of a DMM in a Qualified Security. Improvements to the Exchange’s systems and processes have now made it possible for the Exchange to process such de-registrations with 5 days’ notice.

Lastly, NASDAQ is changing the name of the program to the “Lead Market Maker program” and is, accordingly, changing references to “Designated Liquidity Providers” and “DLPs” to “Lead Market Makers” and “LMMs,” respectively. NASDAQ believes that the term Lead Market Maker is more descriptive of who is eligible for the program (i.e., market makers), as opposed to a Designated Liquidity Provider, which could lead a market participant to believe that any market participant is eligible to qualify for the program. NASDAQ notes that the proposed change in terminology does not impact the operation of the program, but rather merely clarifies and harmonizes the terminology used with the terminology used for similar programs of other exchanges. For example, The BATS Exchange, Inc. has a Lead Market Maker program, which provides its market makers with lower fees for removing liquidity and higher credits for providing liquidity if they meet certain performance standards in certain exchange-traded products.\(^3\) NASDAQ believes that harmonizing the terminology with that of other exchanges will

\(^3\) BATS Rule 11.8(e).
exchanges will promote clarity in its rules and may help to avoid potential market participant confusion over the differing terminology.

b. **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.

The Exchange believes that the proposed change in the terminology applied to the program further perfects the mechanism of a free and open market and a national market system, and, in general, to promotes public interest because it harmonizes NASDAQ’s program’s terminology with the terminology of other markets that offer similar programs to their market participants. NASDAQ believes that the proposed new terminology is more reflective of who is eligible to participate in the program. As such, the Exchange


\(^5\) 15 U.S.C. 78f(b)(4) and (5).
believes that the proposed change will avoid potential market participant confusion over the scope and nature of the program. Similarly, the Exchange believes that moving the rules of the program to the rule section that contains other market improvement programs will avoid potential market participant confusion and helps NASDAQ further refine its rulebook to make it more understandable and accessible to all market participants. The Exchange believes that adding clarifying language concerning notice of changes to the minimum performance measurements is consistent with the Act because it will promote transparency in the operation and requirements of the program. The Exchange believes that reducing the notice requirement is consistent with further perfecting the mechanism of a free and open market and a national market system because it lessens the time that a DLP must remain registered in a Qualified Security once it makes the determination to de-register.

The proposed change providing NASDAQ additional flexibility in applying the minimum performance measurements will allow NASDAQ to more closely tailor eligibility for the beneficial fees and credits of the program based on the level of improvement to the market NASDAQ determines is desired. In this regard, in certain instances the desired improvement in market quality may be achieved by applying fewer than all four of the minimum performance measurements, including applying just one, two or three of them. Accordingly, allowing the Exchange to apply less than all four of the minimum performance measurements will not negatively impact the public interest or investor protection. The Exchange notes that the minimum standards that NASDAQ sets for a Qualified Security apply to all market makers registered in the security, and therefore, all such market makers that elect to provide the level of market-improving
behavior required by the program will receive the credit. The Exchange also believes that the proposed additional flexibility in applying the minimum performance measurements will not permit unfair discrimination among market makers, as the measurements are set based on the Exchange’s determination of what beneficial activity, and the amount thereof, in a Qualified Security is needed to achieve the desired improvement to market quality.

The Exchange believes that the proposed change to provide NASDAQ with additional flexibility in applying the four minimum performance measurements is consistent with an equitable allocation of a reasonable fee because NASDAQ will always apply at least one factor, which will require a market maker to improve the market over other market makers in a Qualified Security in order to receive reduced fees and increased credits. In addition, whatever combination of criteria NASDAQ imposes will applied equally to all market markers. It is NASDAQ’s belief that the revised program will promote competition among market maker to provide the best markets for investors, even where that competition focuses on just one of the four criteria. NASDAQ believes that as it gains experience with the program, it will be able to apply each criteria and combination of criteria to maximize this competition and benefit to investors. Moreover, credit eligibility is not discretionary under the program. Any market maker that meets the specified criteria will receive the credit.

4. **Self-Regulatory Organization’s Statement on Burden on Competition**

The Exchange 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. Specifically, the changes are designed to promote clarity in the application of NASDAQ’s rules and to provide NASDAQ flexibility in the application of
the qualification requirements of an incentive program, which is designed to improve the market in Qualified Securities on NASDAQ. Such changes do not place a burden on competition between market participants as the changes are applied consistently to all participants. Lastly, the proposed change to provide NASDAQ with greater flexibility in applying the four minimum performance measures may actually promote competition among exchanges to the extent the additional flexibility results in improved market quality on NASDAQ.

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

No written comments were either solicited or received.

6. Extension of Time Period for Commission Action

Not applicable.

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

The proposed rule change is effective upon filing pursuant to Section 19(b)(3)(A) of the Act\(^6\) and paragraph (f)(6) of Rule 19b-4 thereunder,\(^7\) in that the proposed rule change: (i) does not significantly affect the protection of investors or the public interest; (ii) does not impose any significant burden on competition; and (iii) does not become operative for 30 days after the date of the filing, or such shorter time as the Commission may designate if consistent with the protection of investors and the public interest; provided the self-regulatory organization has given 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, or such shorter time as designated by the Commission.

The Exchange respectfully requests that the Commission waive the 30-day operative delay so that the proposed delay of the rule change implementation may become effective and operative on July 1, 2015 pursuant to Section 19(b)(3)(A) of the Act and paragraph (f)(6) of Rule 19b-4 thereunder. Waiver of the 30-day operative delay will allow the Exchange to implement the proposed changes at the beginning of a billing cycle, which will allow firms to have the benefit of a full month to achieve the participation levels adequate to qualify for the program. Waiver of the operative delay is consistent with the protection of investors and the public interest for the reasons described above.

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. Text of the proposed rule change.

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EXHIBIT 1

SECURITIES AND EXCHANGE COMMISSION
(Release No. ; File No. SR-NASDAQ-2015-071)

Self-Regulatory Organizations; The NASDAQ Stock Market LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to the Designated Liquidity Provider Program under Rule 7018(i)

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 July 1, 2015, 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 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

The Exchange proposes to amend the Designated Liquidity Provider (“DLP”) program under Rule 7018(i).

The text of the proposed rule change is available on the Exchange’s Website at http://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 Exchange is proposing to make the following changes to the DLP program under Rule 7018(i): (1) move the program rules from Rule 7018 to Rule 7014; (2) change the name of the program to the Lead Market Maker program; (3) add clarifying rule text; (4) shorten the notice period required before a market maker may withdraw as a DLP; and (5) provide additional flexibility to NASDAQ on the application of the minimum performance measurements under subparagraph (2) of the rule. The DLP program provides fees and credits for execution of a Qualified Security by one of its DLPs. Rule 7018(i)(1) defines Qualified Security as an exchange-traded fund or index-linked security listed on NASDAQ pursuant to NASDAQ Rules 5705, 5710, or 5720 that has at least one DLP. As defined in Rule 7018(i)(2), a DLP is a registered NASDAQ market maker for a Qualified Security that has committed to maintain specified minimum performance standards. The rule provides that a DLP shall be selected by NASDAQ based on factors including, but not limited to, experience with making markets in exchange-traded funds and index-linked securities, adequacy of capital, willingness to promote NASDAQ as a marketplace, issuer preference, operational capacity, support personnel, and history of adherence to NASDAQ rules and securities laws. Moreover, the rule permits NASDAQ to limit the number of DLPs in a security, or modify a previously established limit, upon prior written notice to members.
NASDAQ is proposing to move the rule from Rule 7018, which concerns fees and credits for execution and routing of orders entered on NASDAQ, to Rule 7014, which concerns NASDAQ’s market quality incentive programs. NASDAQ adopted the DLP program as a pricing incentive program for market makers in certain exchange traded products. The DLP program is designed to improve market quality in Qualified Securities by providing credits to market makers in return for providing certain levels of market-improving quoting in those securities. As such, the Exchange believes that it is more appropriate to locate the rules relating to the program under Rule 7014, along with other market quality incentive programs.

The Exchange is also proposing to amend Rule 7018(i)(2) to provide NASDAQ additional flexibility in the application of the four performance measurements under the rule. Rule 7018(i)(2) sets forth four minimum performance measurements that a market maker must achieve to be considered a DLP, which are applied to market makers at the conclusion of each month to determine if their contribution to market quality in an individual Qualified Security meets or exceeds the minimum performance measurements. The minimum performance measurements may be determined from time to time by NASDAQ and may vary depending on the price, liquidity, and volatility of the Qualified Security in which the DLP is registered. Under the rule, the performance standards must include the percent of time at the national best bid (best offer) (“NBBO”), the percent of executions better than the NBBO, the average displayed size, and the average quoted spread. NASDAQ has flexibility to modify the specific levels of the performance measurements in an individual Qualified Security in response to changes in the market in price, volatility and liquidity, or NASDAQ may set a uniform level for a particular
minimum performance measurement applied to all Qualified Securities. The Exchange is proposing to amend Rule 7018(i)(2) so that it is no longer required to consider all four factors in its minimum performance criteria, but rather provide the Exchange flexibility to apply one or more of the factors. NASDAQ notes that such additional flexibility will enable the Exchange to further tailor eligibility for the incentive program based on overall market conditions, applying only the criteria needed to improve market quality. In this regard, NASDAQ notes that the desired improvement in market quality may be achieved in certain instances by applying fewer than all four of the minimum performance measurements. In some cases, applying all four minimum performance measurements may require setting one or more of the measures so low as to allow all market makers to qualify under those measures, thus rendering those measures superfluous.

The Exchange is adding new language to make it clear that it will provide written notice of the criteria to market participants. This notice will describe the specific criteria applicable under the program for the upcoming month so market participants can understand how to qualify for credits. The description will include not only the criteria applicable but also the standard under each criteria or combination of criteria. Such clarifying language will help market participants understand how changes to the minimum performance measurements will be communicated, thereby providing further transparency into the operation of the program.

NASDAQ will also use the specific criteria described in the notice to measure performance under the program, and to make changes to improve that performance. For example, if after studying performance under a given set of criteria, NASDAQ
determines that performance greatly exceeds the criteria, NASDAQ will have a solid basis for increasing the requirements. Alternatively, if this review reveals that a criteria is yielding no improvement to performance, NASDAQ will then have a basis to select an alternative criteria and to so notify market makers of the change.

The Exchange is also shortening the amount of prior written notice that a DMM must provide to NASDAQ when it wishes to withdraw its registration in a Qualified Security from 30 days to 5 days. Historically, the Exchange needed at least 30 days to process the de-registration of a DMM in a Qualified Security. Improvements to the Exchange’s systems and processes have now made it possible for the Exchange to process such de-registrations with 5 days’ notice.

Lastly, NASDAQ is changing the name of the program to the “Lead Market Maker program” and is, accordingly, changing references to “Designated Liquidity Providers” and “DLPs” to “Lead Market Makers” and “LMMs,” respectively. NASDAQ believes that the term Lead Market Maker is more descriptive of who is eligible for the program (i.e., market makers), as opposed to a Designated Liquidity Provider, which could lead a market participant to believe that any market participant is eligible to qualify for the program. NASDAQ notes that the proposed change in terminology does not impact the operation of the program, but rather merely clarifies and harmonizes the terminology used with the terminology used for similar programs of other exchanges. For example, The BATS Exchange, Inc. has a Lead Market Maker program, which provides its market makers with lower fees for removing liquidity and higher credits for providing liquidity if they meet certain performance standards in certain exchange-traded
products. NASDAQ believes that harmonizing the terminology with that of other exchanges will promote clarity in its rules and may help to avoid potential market participant confusion over the differing terminology.

2. Statutory Basis

NASDAQ believes that the proposed rule change is consistent with the provisions of Section 6 of the Act, in general, and with Sections 6(b)(4) and 6(b)(5) of the Act, 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.

The Exchange believes that the proposed change in the terminology applied to the program further perfects the mechanism of a free and open market and a national market system, and, in general, to promotes public interest because it harmonizes NASDAQ’s program’s terminology with the terminology of other markets that offer similar programs

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3 BATS Rule 11.8(e).
5 15 U.S.C. 78f(b)(4) and (5).
to their market participants. NASDAQ believes that the proposed new terminology is more reflective of who is eligible to participate in the program. As such, the Exchange believes that the proposed change will avoid potential market participant confusion over the scope and nature of the program. Similarly, the Exchange believes that moving the rules of the program to the rule section that contains other market improvement programs will avoid potential market participant confusion and helps NASDAQ further refine its rulebook to make it more understandable and accessible to all market participants. The Exchange believes that adding clarifying language concerning notice of changes to the minimum performance measurements is consistent with the Act because it will promote transparency in the operation and requirements of the program. The Exchange believes that reducing the notice requirement is consistent with further perfecting the mechanism of a free and open market and a national market system because it lessens the time that a DLP must remain registered in a Qualified Security once it makes the determination to de-register.

The proposed change providing NASDAQ additional flexibility in applying the minimum performance measurements will allow NASDAQ to more closely tailor eligibility for the beneficial fees and credits of the program based on the level of improvement to the market NASDAQ determines is desired. In this regard, in certain instances the desired improvement in market quality may be achieved by applying fewer than all four of the minimum performance measurements, including applying just one, two or three of them. Accordingly, allowing the Exchange to apply less than all four of the minimum performance measurements will not negatively impact the public interest or investor protection. The Exchange notes that the minimum standards that NASDAQ sets
for a Qualified Security apply to all market makers registered in the security, and therefore, all such market makers that elect to provide the level of market-improving behavior required by the program will receive the credit. The Exchange also believes that the proposed additional flexibility in applying the minimum performance measurements will not permit unfair discrimination among market makers, as the measurements are set based on the Exchange’s determination of what beneficial activity, and the amount thereof, in a Qualified Security is needed to achieve the desired improvement to market quality.

The Exchange believes that the proposed change to provide NASDAQ with additional flexibility in applying the four minimum performance measurements is consistent with an equitable allocation of a reasonable fee because NASDAQ will always apply at least one factor, which will require a market maker to improve the market over other market makers in a Qualified Security in order to receive reduced fees and increased credits. In addition, whatever combination of criteria NASDAQ imposes will applied equally to all market markers. It is NASDAQ’s belief that the revised program will promote competition among market maker to provide the best markets for investors, even where that competition focuses on just one of the four criteria. NASDAQ believes that as it gains experience with the program, it will be able to apply each criteria and combination of criteria to maximize this competition and benefit to investors. Moreover, credit eligibility is not discretionary under the program. Any market maker that meets the specified criteria will receive the credit.

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

The Exchange 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. Specifically, the changes are designed to promote clarity in the application of NASDAQ’s rules and to provide NASDAQ flexibility in the application of the qualification requirements of an incentive program, which is designed to improve the market in Qualified Securities on NASDAQ. Such changes do not place a burden on competition between market participants as the changes are applied consistently to all participants. Lastly, the proposed change to provide NASDAQ with greater flexibility in applying the four minimum performance measures may actually promote competition among exchanges to the extent the additional flexibility results in improved market quality on NASDAQ.

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)(iii) of the Act and subparagraph (f)(6) of Rule 19b-4 thereunder. At any time within 60 days of the filing of the proposed rule change, the Commission


7 17 CFR 240.19b-4(f)(6). In addition, Rule 19b-4(f)(6) requires a self-regulatory organization to give the Commission written notice of its intent to file the proposed rule change at least five business days prior to the date of filing of the proposed rule change, or such shorter time as designated by the Commission. The Exchange has satisfied this requirement.
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.

IV. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act. Comments may be submitted by any of the following methods:

Electronic comments:

- Use the Commission’s Internet comment form (http://www.sec.gov/rules/sro.shtml); or

- Send an e-mail to rule-comments@sec.gov. Please include File Number SR-NASDAQ-2015-071 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-2015-071. 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-2015-071 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.8

Robert W. Errett
Deputy Secretary

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EXHIBIT 5

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

* * * * *

7014. Market Quality Incentive Programs

Investor Support Program

(a) – (c) No change.

Qualified Market Maker ("QMM") Program

(d) – (e) No change.

Lead Market Maker ("LMM") Program

(f) [Reserved] The following credits shall apply to transactions in a Qualified Security by one of its Lead Market Makers in lieu of credits provided under Rules 7018 and 7014:

<table>
<thead>
<tr>
<th>Credit to Lead Market Maker</th>
<th>$0.004 per share executed (or $0, in the case of executions against Quotes/Orders in the Nasdaq Market Center at less than $1.00 per share)</th>
</tr>
</thead>
<tbody>
<tr>
<td>providing displayed liquidity through the Nasdaq Market Center:</td>
<td></td>
</tr>
</tbody>
</table>

For purposes of this paragraph:

(1) A security may be designated as a “Qualified Security” if:

(A) it is an exchange-traded fund or index-linked security listed on Nasdaq pursuant to Nasdaq Rules 5705, 5710, or 5720;

(B) it has at least one Lead Market Maker.

(2) A "Lead Market Maker" or "LMM" is a registered Nasdaq market maker for a Qualified Security that has committed to maintain minimum performance standards. A LMM shall be selected by Nasdaq based on factors including, but not limited to, experience with making markets in exchange-traded funds and index-linked securities, adequacy of capital, willingness to promote Nasdaq as a marketplace, issuer preference, operational capacity, support personnel, and history of adherence to Nasdaq rules and securities laws. Nasdaq may limit the number of LMMs in a security, or modify a previously established limit, upon prior written notice to members.
The minimum performance standards applicable to a LMM may be determined from time to time by Nasdaq and may vary depending on the price, liquidity, and volatility of the Qualified Security in which the LMM is registered. The performance measurements will include one or more of the following: (A) percent of time at the national best bid (best offer) (“NBBO”); (B) percent of executions better than the NBBO; (C) average displayed size; and (D) average quoted spread (collectively, “LMM Criteria”). The LMM Criteria will be established upon written notice to members.

(3) If a LMM does not meet the performance measurements for a given month, fees and credits will revert to the normal schedule under 7018(a). If a LMM does not meet the stated performance measurements for 3 out of the past 4 months, the LMM is subject to forfeit of LMM status for that instrument, at NASDAQ’s discretion. A LMM must provide 5 days written notice if it wishes to withdraw its registration in a Qualified Security, unless it is also withdrawing as a market maker in the Qualified Security.

NBBO Program

(g) No change.

Definitions and Certifications

(h) – (i) No change.

* * * * *

7018. Nasdaq Market Center Order Execution and Routing

(a) – (h) No change.

(i) Reserved[The following credits shall apply to transactions in a Qualified Security by one of its Designated Liquidity Providers in lieu of credits provided under Rules 7018 and 7014:

| Credit to Designated Liquidity Provider providing displayed liquidity through the Nasdaq Market Center: | $0.004 per share executed (or $0, in the case of executions against Quotes/Orders in the Nasdaq Market Center at less than $1.00 per share) |

For purposes of this paragraph:

(1) A security may be designated as a “Qualified Security” if:

(A) it is an exchange-traded fund or index-linked security listed on Nasdaq pursuant to Nasdaq Rules 5705, 5710, or 5720;
(B) it has at least one Designated Liquidity Provider.

(2) A “Designated Liquidity Provider” or “DLP” is a registered Nasdaq market maker for a Qualified Security that has committed to maintain minimum performance standards. A DLP shall be selected by Nasdaq based on factors including, but not limited to, experience with making markets in exchange-traded funds and index-linked securities, adequacy of capital, willingness to promote Nasdaq as a marketplace, issuer preference, operational capacity, support personnel, and history of adherence to Nasdaq rules and securities laws. Nasdaq may limit the number of Designated Liquidity Providers in a security, or modify a previously established limit, upon prior written notice to members.

The minimum performance standards applicable to a DLP may be determined from time to time by Nasdaq and may vary depending on the price, liquidity, and volatility of the Qualified Security in which the DLP is registered. The performance measurements will include (A) percent of time at the national best bid (best offer) (“NBBO”); (B) percent of executions better than the NBBO; (C) average displayed size; and (D) average quoted spread.

(3) If a DLP does not meet the performance measurements for a given month, fees and credits will revert to the normal schedule under 7018(a). If a DLP does not meet the stated performance measurements for 3 out of the past 4 months, the DLP is subject to forfeit of DLP status for that instrument, at NASDAQ’s discretion. A DLP must provide 30 days written notice if it wishes to withdraw its registration in a Qualified Security, unless it is also withdrawing as a market maker in the Qualified Security.

(j) – (m) No change.

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