

Required fields are shown with yellow backgrounds and asterisks.

Page 1 of * 29	SECURITIES AND EXCHANGE COMMISSION WASHINGTON, D.C. 20549 Form 19b-4	File No.* SR - 2016 - * 031	Amendment No. (req. for Amendments *)
----------------	----------------------------------------------------------------------------	-----------------------------	---------------------------------------

Filing by NASDAQ Stock Market
Pursuant to Rule 19b-4 under the Securities Exchange Act of 1934

Initial * <input checked="" type="checkbox"/>	Amendment * <input type="checkbox"/>	Withdrawal <input type="checkbox"/>	Section 19(b)(2) * <input type="checkbox"/>	Section 19(b)(3)(A) * <input checked="" type="checkbox"/>	Section 19(b)(3)(B) * <input type="checkbox"/>
			Rule		
Pilot <input type="checkbox"/>	Extension of Time Period for Commission Action * <input type="checkbox"/>	Date Expires * <input type="text"/>	<input type="checkbox"/> 19b-4(f)(1)	<input type="checkbox"/> 19b-4(f)(4)	
			<input checked="" type="checkbox"/> 19b-4(f)(2)	<input type="checkbox"/> 19b-4(f)(5)	
			<input type="checkbox"/> 19b-4(f)(3)	<input type="checkbox"/> 19b-4(f)(6)	

Notice of proposed change pursuant to the Payment, Clearing, and Settlement Act of 2010	Security-Based Swap Submission pursuant to the Securities Exchange Act of 1934
Section 806(e)(1) * <input type="checkbox"/>	Section 806(e)(2) * <input type="checkbox"/>
Section 3C(b)(2) * <input type="checkbox"/>	

Exhibit 2 Sent As Paper Document <input type="checkbox"/>	Exhibit 3 Sent As Paper Document <input type="checkbox"/>
-----------------------------------------------------------	-----------------------------------------------------------

Description

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

Proposal to amend the Exchange fees under Rule 7018(a).

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 <input type="text"/>

Signature

Pursuant to the requirements of the Securities Exchange Act of 1934,

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

(Title *)

Date 02/29/2016	Executive Vice President and General Counsel
By Edward S. Knight	<div style="border: 1px solid black; width: 100%; height: 20px;"></div>
(Name *)	<div style="border: 1px solid black; width: 100%; height: 20px; background-color: #ccc;"></div>

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.

edward.knight@nasdaq.com

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

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

Form 19b-4 Information *

Add Remove View

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

Exhibit 1 - Notice of Proposed Rule Change *

Add Remove View

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

Exhibit 1A- Notice of Proposed Rule Change, Security-Based Swap Submission, or Advance Notice by Clearing Agencies *

Add Remove View

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

Exhibit 2 - Notices, Written Comments, Transcripts, Other Communications

Add Remove View

Exhibit Sent As Paper Document

Copies of notices, written comments, transcripts, other communications. If such documents cannot be filed electronically in accordance with Instruction F, they shall be filed in accordance with Instruction G.

Exhibit 3 - Form, Report, or Questionnaire

Add Remove View

Exhibit Sent As Paper Document

Copies of any form, report, or questionnaire that the self-regulatory organization proposes to use to help implement or operate the proposed rule change, or that is referred to by the proposed rule change.

Exhibit 4 - Marked Copies

Add Remove View

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

Exhibit 5 - Proposed Rule Text

Add Remove View

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

Partial Amendment

Add Remove View

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

1. Text of the Proposed Rule Change

(a) The Nasdaq Stock Market LLC (“Exchange”), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)¹ and Rule 19b-4 thereunder,² is filing with the Securities and Exchange Commission (“Commission”) a proposal to amend the Exchange’s fees under Rule 7018(a) to: (i) increase a credit provided to a member for displayed quotes/orders that provide liquidity; (ii) modify the criteria of a credit tier and eliminate a credit for providing non-displayed orders (other than Supplemental Orders) that provide liquidity; and (iii) eliminate the fees and credits provided for execution of Orders in Select Symbols, as described further below.

While these amendments are effective upon filing, the Exchange has designated the proposed amendments to be operative on March 1, 2016.

A notice of the proposed rule change for publication in the Federal Register is attached as Exhibit 1. The text of the proposed rule change is attached as Exhibit 5.

(b) Not applicable.

(c) Not applicable.

2. Procedures of the Self-Regulatory Organization

The proposed rule change was approved by senior management of the Exchange pursuant to authority delegated by the Board of Directors (the “Board”) on July 1, 2015. No other action is necessary for the filing of the rule change.

Questions and comments on the proposed rule change may be directed to:

T. Sean Bennett
Associate General Counsel

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

Nasdaq, Inc.
(301) 978-8499

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

a. Purpose

The purpose of the proposed rule change is to amend Rule 7018(a), concerning the fees and credits provided for the use of the order execution and routing services of the Nasdaq Market Center by members for all securities priced at \$1 or more that it trades. The Exchange is proposing to: (i) increase a credit provided to a member for displayed quotes/orders that provide liquidity; (ii) modify the criteria required to receive a credit; and (iii) eliminate the fees and credits provided for execution of Orders in Select Symbols, as described further below.

First Change

The Exchange is proposing to increase a credit that it provides to members for displayed liquidity under Rule 7018(a). Currently, the Exchange provides a credit of \$0.0030 per share executed to a member for displayed quotes/orders (other than Supplemental Orders or Designated Retail Orders) that provide liquidity if the member has (i) shares of liquidity provided in all securities during the month representing at least 0.15% of Consolidated Volume during the month, through one or more of its Nasdaq Market Center MPIDs, and (ii) Adds NOM Market Maker liquidity in Penny Pilot Options and/or Non- Penny Pilot Options of 0.90% or more of total industry ADV in the customer clearing range for Equity and ETF option contracts per day in a month on the

Nasdaq Options Market. The Exchange provides the credit with the same criteria to securities of all three Tapes³ under Rule 7018(a)(1) – (3).

The Exchange is proposing to increase the credit provided from \$0.0030 per share executed to \$0.00305 per share executed applicable to securities of all three Tapes. The Exchange believes that increasing the credit will provide members with a greater incentive to increase their provision of liquidity on both the Exchange and the Nasdaq Options Market.

Second Change

The Exchange is proposing to modify the criteria required to receive a credit for providing non-displayed orders (other than Supplemental Orders) that provide liquidity. Currently, the Exchange provides a credit of \$0.0005 per share executed for other non-displayed orders if the member provides an average daily volume of 1 million or more shares per day through midpoint orders or other non-displayed orders during the month in Tape C securities.

Similarly, the Exchange provides a credit of \$0.0010 per share executed for other⁴ non-displayed orders if the member provides an average daily volume of 1 million or more shares per day through midpoint orders or other non-displayed orders during the month in Tape A and B securities.

The Exchange is proposing to modify the qualification criteria for each of the credit tiers under Rule 7018(a)(1) – (3) to now require that a member provide 0.03% or

³ Tape C securities are those that are listed on the Exchange, Tape A securities are those that are listed on NYSE, and Tape B securities are those that are listed on exchanges other than Nasdaq or NYSE.

⁴ The Exchange also provides credits for non-displayed mid-point orders that provide liquidity under the rule.

more of Consolidated Volume⁵ during the month through midpoint orders or other non-displayed orders in lieu of the current requirement that the member have an average daily volume of 1 million or more shares per day through midpoint orders or other non-displayed orders during the month.

The Exchange believes that the new criteria will more closely tie the amount midpoint orders and other non-displayed orders required to receive the credit with the overall market conditions in any given month.

The Exchange is also proposing to eliminate the credit it provides for all other non-displayed orders (other than Supplemental Orders) that provide liquidity in Tape A and B securities, which do not otherwise qualify for the higher tier discussed above. Currently, the Exchange provides a credit of \$0.0005 per share executed for other non-displayed orders in Tape A and B securities that provide liquidity. The Exchange does not provide a credit and does not assess a fee for such orders in Tape C securities. The Exchange is proposing to harmonize the credit tiers for Tape A and B securities with credit tier for Tape C securities by eliminating the \$0.0005 per share executed credit and not assessing a fee or credit for such orders.

Third Change

The Exchange is proposing to eliminate the credit provided for certain “select symbols” under Rule 7018(a)(4). Under the current rule, members receiving less than a

⁵ Consolidated Volume is the total consolidated volume reported to all consolidated transaction reporting plans by all exchanges and trade reporting facilities during a month in equity securities, excluding executed orders with a size of less than one round lot. For purposes of calculating Consolidated Volume and the extent of a member’s trading activity, expressed as a percentage of or ratio to Consolidated Volume, the date of the annual reconstitution of the Russell Investments Indexes shall be excluded from both total Consolidated Volume and the member’s trading activity. See Rule 7018(a).

\$0.0029 per share executed credit in pursuant to Rule 7018(a)(1) – (3) for displayed quotes/orders (other than Supplemental Orders or Designated Retail Orders) that provide liquidity for the securities listed under the rule, the Exchange will provide a credit of \$0.0029 per share executed instead of the lower credit to these members for those securities. Currently, the credit provided by the rule applies to the following securities, by ticker symbol: EEM, EWJ, GDX, IWM, NUGT, SPY, UWTI, VXX, XIV, and XLF. The Exchange did not observe an appreciable improvement in market quality in the select symbols on the Exchange, which was its goal in adopting the credit.⁶ As a consequence, the Exchange is proposing to eliminate the credit.

b. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act⁷ in general, and furthers the objectives of Sections 6(b)(4) and 6(b)(5) of the Act⁸ 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 the Exchange operates or controls, and is not designed to permit unfair discrimination between customers, issuers, brokers, or dealers.

First Change

The Exchange believes that the proposed increase to the credit it provides to members for displayed liquidity is reasonable because it is designed to further incentivize members to improve the market through the provision of shares of liquidity in all

⁶ See Securities Exchange Act Release No. 73967 (October 29, 2015), 80 FR 68377 (November 4, 2015) (SR-NASDAQ-2015-126).

⁷ 15 U.S.C. 78f(b).

⁸ 15 U.S.C. 78f(b)(4) and (5).

securities during the month, consistent with its efforts to draw additional order flow to the Exchange to improve market quality for all market participants. If effective, the Exchange believes that the increased incentive will improve overall market quality on both the Exchange and NOM. The Exchange believes that the proposed increased credit is an equitable allocation and is not unfairly discriminatory because the Exchange will provide the credit to all members that qualify for it under the rule.

Second Change

The Exchange believes that modifying the criteria required to receive the credit for providing non-displayed orders (other than Supplemental Orders) that provide liquidity is reasonable because the proposed change will more closely align the level of liquidity provided by the members in comparison to the market as a whole.

Specifically, the Exchange is tying the requirement to Consolidated Volume provided during the month through midpoint orders or other non-displayed orders in lieu of the current requirement that the member have an average daily volume of 1 million or more shares per day through midpoint orders or other non-displayed orders during the month.

The Exchange believes that the new criteria may potentially make achieving the credit more difficult to the extent Consolidated Volume is high in a given month and will likely represent a stricter criterion upon adoption. The Exchange believes it is a better metric to apply to measure a member's participation through midpoint orders or other non-displayed orders during the month in contrast to a static criteria average daily volume. The Exchange believes that the proposed modification of the criteria is equitably allocated and not unfairly discriminatory because the amended credit criteria

applies uniformly to securities across all Tapes and all members that elect to meet the criteria of the credit tier will receive the credit.

The Exchange believes reducing the credit it provides for all other non-displayed orders (other than Supplemental Orders) that provide liquidity in Tape A and B securities that do not otherwise qualify for the higher tier is reasonable because the Exchange must periodically assess the effectiveness of the incentives it provides in the form of reduced fees and credits and, in certain cases, change or eliminate those fees and credits once they are no longer needed. By doing so, the Exchange is able to deploy incentives in other areas that the Exchange determines are in need of market improvement. The Exchange notes that it currently does not provide any credit for such orders in Tape C securities.

The Exchange believes that the proposed elimination of the credits is equitably allocated and not unfairly discriminatory because all members will neither receive a credit nor be assessed a fee under the tier, regardless of the listing venue of the security.

Third Change

The Exchange believes that eliminating the credit provided to members for transactions in “select symbols” under Rule 7018(a) is reasonable because the Exchange did not observe an appreciable improvement in market quality in the select symbols which, as explained, was the Exchange’s goal in adopting the credit.

As noted above, the Exchange must periodically assess the effectiveness of the incentives it provides in the form of reduced fees and credits and, in the case of ineffective incentives, eliminate the incentive so that the Exchange may apply its resources to other, possibly more effective, incentives.

The Exchange believes that elimination of the credit is equitably allocated and not unfairly discriminatory because it will apply to all members equally. In this regard, the credit was available to any member that met the criteria and in the absence of the credit, members may now qualify for other, albeit lower, credits under Rule 7018(a).

4. 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. In terms of inter-market competition, the Exchange 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 rebate opportunities available at other venues to be more favorable. In such an environment, the Exchange 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 in this market may impose any burden on competition is extremely limited.

In this instance, the proposed changes to the credits available to member firms for execution of securities of the three Tapes do not impose a burden on competition because the Exchange's execution services are completely voluntary and subject to extensive competition both from other exchanges and from off-exchange venues.

The proposed changes to the credits provided to members are reflective of a robust and competitive securities market, where trading venues must provide incentives to participants in the form of credits to attract order flow and adjust those incentives to

make them more competitive or to allow the Exchange to provide other market-improving incentives elsewhere.

Moreover, trading venues are free to adjust their fees and credits in response to any changes that the Exchange makes to its fees and credits. If any of the changes proposed herein are unattractive to market participants, it is likely that the Exchange will lose market share as a result. Accordingly, the Exchange does not believe that the proposed changes will impair the ability of members or competing order execution venues to maintain their competitive standing in the financial markets.

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)

Pursuant to Section 19(b)(3)(A)(ii) of the Act,⁹ The Exchange has designated this proposal as establishing or changing a due, fee, or other charge imposed by the self-regulatory organization on any person, whether or not the person is a member of the self-regulatory organization, which renders the proposed rule change effective upon filing.

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

⁹ 15 U.S.C. 78s(b)(3)(A)(ii).

the Commission takes such action, the Commission shall institute proceedings to determine whether the proposed rule should be approved or disapproved.

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.

EXHIBIT 1

SECURITIES AND EXCHANGE COMMISSION
(Release No. _____ ; File No. SR-NASDAQ-2016-031)

March __, 2016

Self-Regulatory Organizations; The NASDAQ Stock Market LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Amend Fees under Rule 7018(a)

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 February 29, 2016, The NASDAQ Stock Market LLC (“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 Rule 7018(a), concerning the fees and credits provided for the use of the order execution and routing services of the Nasdaq Market Center by members for all securities priced at \$1 or more that it trades. While these amendments are effective upon filing, the Exchange has designated the proposed amendments to be operative on March 1, 2016.

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.

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

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

In its filing with the Commission, the Exchange included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. The Exchange has prepared summaries, set forth in sections A, B, and C below, of the most significant aspects of such statements.

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

1. Purpose

The purpose of the proposed rule change is to amend Rule 7018(a), concerning the fees and credits provided for the use of the order execution and routing services of the Nasdaq Market Center by members for all securities priced at \$1 or more that it trades. The Exchange is proposing to: (i) increase a credit provided to a member for displayed quotes/orders that provide liquidity; (ii) modify the criteria required to receive a credit; and (iii) eliminate the fees and credits provided for execution of Orders in Select Symbols, as described further below.

First Change

The Exchange is proposing to increase a credit that it provides to members for displayed liquidity under Rule 7018(a). Currently, the Exchange provides a credit of \$0.0030 per share executed to a member for displayed quotes/orders (other than Supplemental Orders or Designated Retail Orders) that provide liquidity if the member has (i) shares of liquidity provided in all securities during the month representing at least 0.15% of Consolidated Volume during the month, through one or more of its Nasdaq Market Center MPIDs, and (ii) Adds NOM Market Maker liquidity in Penny Pilot

Options and/or Non- Penny Pilot Options of 0.90% or more of total industry ADV in the customer clearing range for Equity and ETF option contracts per day in a month on the Nasdaq Options Market. The Exchange provides the credit with the same criteria to securities of all three Tapes³ under Rule 7018(a)(1) – (3).

The Exchange is proposing to increase the credit provided from \$0.0030 per share executed to \$0.00305 per share executed applicable to securities of all three Tapes. The Exchange believes that increasing the credit will provide members with a greater incentive to increase their provision of liquidity on both the Exchange and the Nasdaq Options Market.

³ Tape C securities are those that are listed on the Exchange, Tape A securities are those that are listed on NYSE, and Tape B securities are those that are listed on exchanges other than Nasdaq or NYSE.

Second Change

The Exchange is proposing to modify the criteria required to receive a credit for providing non-displayed orders (other than Supplemental Orders) that provide liquidity. Currently, the Exchange provides a credit of \$0.0005 per share executed for other non-displayed orders if the member provides an average daily volume of 1 million or more shares per day through midpoint orders or other non-displayed orders during the month in Tape C securities.

Similarly, the Exchange provides a credit of \$0.0010 per share executed for other⁴ non-displayed orders if the member provides an average daily volume of 1 million or more shares per day through midpoint orders or other non-displayed orders during the month in Tape A and B securities.

The Exchange is proposing to modify the qualification criteria for each of the credit tiers under Rule 7018(a)(1) – (3) to now require that a member provide 0.03% or more of Consolidated Volume⁵ during the month through midpoint orders or other non-displayed orders in lieu of the current requirement that the member have an average daily volume of 1 million or more shares per day through midpoint orders or other non-displayed orders during the month.

⁴ The Exchange also provides credits for non-displayed mid-point orders that provide liquidity under the rule.

⁵ Consolidated Volume is the total consolidated volume reported to all consolidated transaction reporting plans by all exchanges and trade reporting facilities during a month in equity securities, excluding executed orders with a size of less than one round lot. For purposes of calculating Consolidated Volume and the extent of a member's trading activity, expressed as a percentage of or ratio to Consolidated Volume, the date of the annual reconstitution of the Russell Investments Indexes shall be excluded from both total Consolidated Volume and the member's trading activity. See Rule 7018(a).

The Exchange believes that the new criteria will more closely tie the amount midpoint orders and other non-displayed orders required to receive the credit with the overall market conditions in any given month.

The Exchange is also proposing to eliminate the credit it provides for all other non-displayed orders (other than Supplemental Orders) that provide liquidity in Tape A and B securities, which do not otherwise qualify for the higher tier discussed above. Currently, the Exchange provides a credit of \$0.0005 per share executed for other non-displayed orders in Tape A and B securities that provide liquidity. The Exchange does not provide a credit and does not assess a fee for such orders in Tape C securities. The Exchange is proposing to harmonize the credit tiers for Tape A and B securities with credit tier for Tape C securities by eliminating the \$0.0005 per share executed credit and not assessing a fee or credit for such orders.

Third Change

The Exchange is proposing to eliminate the credit provided for certain “select symbols” under Rule 7018(a)(4). Under the current rule, members receiving less than a \$0.0029 per share executed credit in pursuant to Rule 7018(a)(1) – (3) for displayed quotes/orders (other than Supplemental Orders or Designated Retail Orders) that provide liquidity for the securities listed under the rule, the Exchange will provide a credit of \$0.0029 per share executed instead of the lower credit to these members for those securities. Currently, the credit provided by the rule applies to the following securities, by ticker symbol: EEM, EWJ, GDX, IWM, NUGT, SPY, UWTI, VXX, XIV, and XLF. The Exchange did not observe an appreciable improvement in market quality in the select

symbols on the Exchange, which was its goal in adopting the credit.⁶ As a consequence, the Exchange is proposing to eliminate the credit

2. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act⁷ in general, and furthers the objectives of Sections 6(b)(4) and 6(b)(5) of the Act⁸ 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 the Exchange operates or controls, and is not designed to permit unfair discrimination between customers, issuers, brokers, or dealers.

First Change

The Exchange believes that the proposed increase to the credit it provides to members for displayed liquidity is reasonable because it is designed to further incentivize members to improve the market through the provision of shares of liquidity in all securities during the month, consistent with its efforts to draw additional order flow to the Exchange to improve market quality for all market participants. If effective, the Exchange believes that the increased incentive will improve overall market quality on both the Exchange and NOM. The Exchange believes that the proposed increased credit is an equitable allocation and is not unfairly discriminatory because the Exchange will provide the credit to all members that qualify for it under the rule.

⁶ See Securities Exchange Act Release No. 73967 (October 29, 2015), 80 FR 68377 (November 4, 2015) (SR-NASDAQ-2015-126).

⁷ 15 U.S.C. 78f(b).

⁸ 15 U.S.C. 78f(b)(4) and (5).

Second Change

The Exchange believes that modifying the criteria required to receive the credit for providing non-displayed orders (other than Supplemental Orders) that provide liquidity is reasonable because the proposed change will more closely align the level of liquidity provided by the members in comparison to the market as a whole.

Specifically, the Exchange is tying the requirement to Consolidated Volume provided during the month through midpoint orders or other non-displayed orders in lieu of the current requirement that the member have an average daily volume of 1 million or more shares per day through midpoint orders or other non-displayed orders during the month.

The Exchange believes that the new criteria may potentially make achieving the credit more difficult to the extent Consolidated Volume is high in a given month and will likely represent a stricter criterion upon adoption. The Exchange believes it is a better metric to apply to measure a member's participation through midpoint orders or other non-displayed orders during the month in contrast to a static criteria average daily volume. The Exchange believes that the proposed modification of the criteria is equitably allocated and not unfairly discriminatory because the amended credit criteria applies uniformly to securities across all Tapes and all members that elect to meet the criteria of the credit tier will receive the credit.

The Exchange believes reducing the credit it provides for all other non-displayed orders (other than Supplemental Orders) that provide liquidity in Tape A and B securities that do not otherwise qualify for the higher tier is reasonable because the Exchange must periodically assess the effectiveness of the incentives it provides in the form of reduced

fees and credits and, in certain cases, change or eliminate those fees and credits once they are no longer needed. By doing so, the Exchange is able to deploy incentives in other areas that the Exchange determines are in need of market improvement. The Exchange notes that it currently does not provide any credit for such orders in Tape C securities.

The Exchange believes that the proposed elimination of the credits is equitably allocated and not unfairly discriminatory because all members will neither receive a credit nor be assessed a fee under the tier, regardless of the listing venue of the security.

Third Change

The Exchange believes that eliminating the credit provided to members for transactions in “select symbols” under Rule 7018(a) is reasonable because the Exchange did not observe an appreciable improvement in market quality in the select symbols which, as explained, was the Exchange’s goal in adopting the credit.

As noted above, the Exchange must periodically assess the effectiveness of the incentives it provides in the form of reduced fees and credits and, in the case of ineffective incentives, eliminate the incentive so that the Exchange may apply its resources to other, possibly more effective, incentives.

The Exchange believes that elimination of the credit is equitably allocated and not unfairly discriminatory because it will apply to all members equally. In this regard, the credit was available to any member that met the criteria and in the absence of the credit, members may now qualify for other, albeit lower, credits under Rule 7018(a).

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. In terms of inter-market competition, the Exchange 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 rebate opportunities available at other venues to be more favorable. In such an environment, the Exchange 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 in this market may impose any burden on competition is extremely limited.

In this instance, the proposed changes to the credits available to member firms for execution of securities of the three Tapes do not impose a burden on competition because the Exchange's execution services are completely voluntary and subject to extensive competition both from other exchanges and from off-exchange venues.

The proposed changes to the credits provided to members are reflective of a robust and competitive securities market, where trading venues must provide incentives to participants in the form of credits to attract order flow and adjust those incentives to make them more competitive or to allow the Exchange to provide other market-improving incentives elsewhere.

Moreover, trading venues are free to adjust their fees and credits in response to any changes that the Exchange makes to its fees and credits. If any of the changes proposed herein are unattractive to market participants, it is likely that the Exchange will lose market share as a result. Accordingly, the Exchange does not believe that the

proposed changes will impair the ability of members or competing order execution venues to maintain their competitive standing in the financial markets

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

No written comments were either solicited or received.

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

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A)(ii) of the Act.⁹

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.

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

⁹ 15 U.S.C. 78s(b)(3)(A)(ii).

- Send an e-mail to rule-comments@sec.gov. Please include File Number SR-NASDAQ-2015-031 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-2016-031. 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-2016-031 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.¹⁰

Robert W. Errett
Deputy Secretary

¹⁰ 17 CFR 200.30-3(a)(12).

EXHIBIT 5

Deleted text is [bracketed]. New text is underlined.

The NASDAQ Stock Market Rules

* * * * *

7018. Nasdaq Market Center Order Execution and Routing

(a) The following charges shall apply to the use of the order execution and routing services of the Nasdaq Market Center by members for all securities priced at \$1 or more that it trades. For purposes of determining a member's shares of liquidity routed, TFTY, MOPB, MOPP, SAVE, SOLV, CART, QDRK, QCST and directed orders are not counted. As used in this rule, the term "Consolidated Volume" shall mean the total consolidated volume reported to all consolidated transaction reporting plans by all exchanges and trade reporting facilities during a month in equity securities, excluding executed orders with a size of less than one round lot. For purposes of calculating Consolidated Volume and the extent of a member's trading activity, expressed as a percentage of or ratio to Consolidated Volume, the date of the annual reconstitution of the Russell Investments Indexes shall be excluded from both total Consolidated Volume and the member's trading activity.

(1) Fees for Execution and Routing of Orders in Nasdaq-Listed Securities

* * * * *

Credit to member for
displayed quotes/orders
(other than Supplemental
Orders or Designated Retail
Orders) that provide
liquidity:

* * * * *

member (i) with shares of liquidity provided in all securities during the month representing at least 0.15% of Consolidated Volume during the month, through one or more of its Nasdaq Market Center MPIDs, and (ii) Adds NOM Market	\$0.0030 <u>5</u> per share executed
--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	--------------------------------------

Maker liquidity in Penny Pilot Options and/or Non-Penny Pilot Options of 0.90% or more of total industry ADV in the customer clearing range for Equity and ETF option contracts per day in a month on the Nasdaq Options Market:

* * * * *

Credit for non-displayed orders (other than Supplemental Orders) that provide liquidity:

\$0.0025 per share executed for midpoint orders if the member provides an average daily volume of 5 million or more shares through midpoint orders during the month and adds 8 million shares of non-displayed liquidity

\$0.0020 per share executed for midpoint orders if the member provides an average daily volume of 6 million or more shares through midpoint orders during the month

\$0.0017 per share executed for midpoint orders if the member provides an average daily volume of 3 million or more shares through midpoint orders during the month

\$0.0010 per share executed for all other midpoint orders

\$0.0005 per share executed for other non-displayed orders if the member provides 0.03% or more of Consolidated Volume during the month[an average daily volume of 1 million or more shares per day] through midpoint orders or other non-displayed orders [during the month]

No charge or credit for other non-displayed orders

* * * * *

(2) Fees for Execution and Routing of Securities Listed on NYSE

* * * * *

Credit to member for displayed

quotes/orders (other than Supplemental Orders or Designated Retail Orders) that provide liquidity:

* * * * *

member (i) with shares of liquidity provided in all securities during the month representing at least 0.15% of Consolidated Volume during the month, through one or more of its Nasdaq Market Center MPIDs, and (ii) Adds NOM Market Maker liquidity in Penny Pilot Options and/or Non- Penny Pilot Options of 0.90% or more of total industry ADV in the customer clearing range for Equity and ETF option contracts per day in a month on the Nasdaq Options Market:

\$0.00305 per share executed

* * * * *

Credit for non-displayed orders (other than Supplemental Orders) that provide liquidity:

\$0.0025 per share executed for midpoint orders if the member provides an average daily volume of 5 million or more shares through midpoint orders during the month and adds 8 million shares of non-displayed liquidity

\$0.0022 per share executed for midpoint orders if the member provides an average daily volume of 6 million or more shares through midpoint orders during the month

\$0.0020 per share executed for midpoint orders if the member provides an average daily volume of 3 million or more shares through midpoint orders during the month

\$0.0018 per share executed for midpoint orders if the member provides an average daily volume of 1 million or more shares through midpoint orders during the month

\$0.0014 per share executed for all other midpoint orders

\$0.0010 per share executed for other non-displayed orders if the member provides 0.03% or more of Consolidated Volume during the month[an average daily volume of 1 million or more shares per day] through midpoint orders or other non-displayed orders [during the month] [\$0.0005 per share executed]No charge or credit for other non-displayed orders

* * * * *

(3) Fees for Execution and Routing of Orders in Securities Listed on Exchanges other than Nasdaq and NYSE (“Tape B Securities”)

* * * * *

Credit to member for displayed quotes/orders (other than Supplemental Orders or Designated Retail Orders) that provide liquidity:

* * * * *

member (i) with shares of liquidity provided in all securities during the month representing at least 0.15% of Consolidated Volume during the month, through one or more of its Nasdaq Market Center MPIDs, and (ii) Adds NOM Market Maker liquidity in Penny Pilot Options and/or Non- Penny Pilot Options of 0.90% or more of total industry ADV in the customer clearing range for Equity and ETF option contracts per day in a month on the Nasdaq Options Market:

\$0.00305 per share executed

* * * * *

Credit for non-displayed orders

\$0.0025 per share executed for midpoint

(other than Supplemental Orders)
that provide liquidity:

orders if the member provides an average daily volume of 5 million or more shares through midpoint orders during the month adds 8 million shares of non-displayed liquidity

\$0.0022 per share executed for midpoint orders if the member provides an average daily volume of 6 million or more shares through midpoint orders during the month

\$0.0020 per share executed for midpoint orders if the member provides an average daily volume of 3 million or more shares through midpoint orders during the month

\$0.0018 per share executed for midpoint orders if the member provides an average daily volume of 1 million or more shares through midpoint orders during the month

\$0.0014 per share executed for all other midpoint orders

\$0.0010 per share executed for other non-displayed orders if the member

provides 0.03% or more of Consolidated Volume during the month[an average daily volume of 1 million or more shares per day] through midpoint orders or other non-displayed orders [during the month] [\$0.0005 per share executed]No charge or credit for other non-displayed orders

* * * * *

[(4) Fees and Credits for Execution of Orders in Select Symbols

For members receiving less than a \$0.0029 per share executed credit in paragraphs (1) through (3) above for displayed quotes/orders (other than Supplemental Orders or Designated Retail Orders) that provide liquidity for the securities listed below, Nasdaq will provide a credit of \$0.0029 per share executed instead of such credit to these members for the securities listed below:

EEM, EWJ, GDX, IWM, NUGT, SPY, UWTI, VXX, XIV and XLF.]

(b) – (m) No change.

* * * * *