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 *

19b-4(f)(4)  19b-4(f)(5)  19b-4(f)(6)

Notice of proposed change pursuant to the Payment, Clearing, and Settlement Act of 2010

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 *).

Limit Order Protection

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 * Angela  Last Name * Dunn
Title * Associate General Counsel
E-mail * angela.dunn@nasdaq.com
Telephone * (215) 496-5692  Fax

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 *)

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.

edward.knight@nasdaq.com

Executive Vice President and General Counsel
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 (“Nasdaq” or “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 Nasdaq’s Rule 4757, entitled “Book Processing” to adopt a Limit Order Protection or “LOP” for members accessing the Nasdaq Market Center.

   A notice of the proposed rule change for publication in the Federal Register is at Exhibit 1 and the text of the amended Exchange Rule is at Exhibit 5.

   (b) Not applicable.

   (c) Not applicable.

2. **Procedures of the Self-Regulatory Organization**

   The proposed rule change was approved by the Board of Directors of the Exchange on February 26, 2016. No other action is necessary for the filing of the rule change. Questions and comments on the proposed rule change may be directed to Angela Saccomandi Dunn, Associate General Counsel, Nasdaq, Inc. at (215) 496-5692.

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

   a. **Purpose**

   The Exchange proposes to adopt a new mechanism to protect against erroneous Limit Orders which are entered into the Nasdaq Market Center. Specifically, this new feature addresses risks to market participants of human error in entering Limit Orders at

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unintended prices. LOP would prevent certain Limit Orders from executing or being placed on the Order Book at prices outside pre-set standard limits. The System would not accept such Limit Orders, rather than executing them automatically. The proposed LOP feature is similar to a risk feature which exists today on the NASDAQ Options Market LLC (“NOM”)³ and is available for Options Participants.

The Exchange proposes to adopt a new feature, LOP for Limit Orders, which would cancel Limit Orders back to the member when the order exceeds certain defined logic. Specifically, the LOP feature would prevent certain Limit Orders at prices outside of pre-set standard limits (“LOP Limit”) from being accepted by the System. LOP shall apply to all Quotes and Orders, including any modified Orders.⁴ LOP would not apply to Market Orders, Market Maker Peg Orders⁵ or Intermarket Sweep (ISO Orders).⁶ A Market Maker Peg Order is an Order Type designed to allow a Market Maker to maintain a continuous two-sided quotation at a displayed price that is compliant with the quotation requirements for Market Makers set forth in Rule 4613(a)(2). The displayed price of the Market Maker Peg Order is set with reference to a “Reference Price” in order to keep the displayed price of the Market Maker Peg Order within a bounded price range. A Market Maker Peg Order may be entered through RASH, FIX or QIX only. A Market Maker Peg Order must be entered with a limit price beyond which the Order may not be priced. The Reference Price for a Market Maker Peg Order to buy (sell) is the then-current National Best Bid (National Best Offer) (including Nasdaq), or if no such National Best Bid or National Best Offer, the most recent reported last-sale eligible trade from the responsible single plan processor for that day, or if none, the previous closing price of the security as adjusted to reflect any corporate actions (e.g., dividends or stock splits) in the security. See Nasdaq Rule 4702(b)(7).

³ See NOM Rules at Chapter VI, Section 6(c) and Section 18.

⁴ If an Order is modified, LOP will review the order anew and, if LOP is triggered, such modification will not take effect and the original order will not be accepted.

⁵ A “Market Maker Peg Order” is an Order Type designed to allow a Market Maker to maintain a continuous two-sided quotation at a displayed price that is compliant with the quotation requirements for Market Makers set forth in Rule 4613(a)(2). The displayed price of the Market Maker Peg Order is set with reference to a “Reference Price” in order to keep the displayed price of the Market Maker Peg Order within a bounded price range. A Market Maker Peg Order may be entered through RASH, FIX or QIX only. A Market Maker Peg Order must be entered with a limit price beyond which the Order may not be priced. The Reference Price for a Market Maker Peg Order to buy (sell) is the then-current National Best Bid (National Best Offer) (including Nasdaq), or if no such National Best Bid or National Best Offer, the most recent reported last-sale eligible trade from the responsible single plan processor for that day, or if none, the previous closing price of the security as adjusted to reflect any corporate actions (e.g., dividends or stock splits) in the security. See Nasdaq Rule 4702(b)(7).

⁶ An Intermarket Sweep or ISO Order, which is an Order that is immediately executable within the Nasdaq Market Center against Orders against which they are marketable, is subject to LOP. See NASDAQ Rule 4702.
Peg Order is a passive order type which will not otherwise remove liquidity from the Order Book. This order type was designed to assist Market Makers with meeting their quoting obligations. Market Makers have a diverse business model as compared with other market participants. By excluding the Market Maker Peg Order from the LOP will assist Market Makers in meeting their quoting obligations. The Exchange believes that because Market Makers have other risk protections in place to prevent them from quoting outside of their financial means, the risk level for erroneous trades is not the same as with other market participants. Market Makers have more sophisticated infrastructures than other market participants and are able to manage their risk, particularly with quoting, utilizing other tools which may not be available to other market participants.

LOP would be operational each trading day, except for orders submitted to opening and closing crosses, initial public offerings and trading halts and pauses. Since Nasdaq Rules provided controls for the opening, closing and initial public offering processes within the Rulebook, the proposed protections are rendered ineffective for those processes.

Members will be subject to certain parameters when submitting Limit Orders into the Order Book.

7 LOP has the ability to suspend by symbol or system wide. The Exchange would notify market participants of any suspension that may be in place via an alert.

8 The Nasdaq Rulebook provides specific rules for certain auction mechanisms, such as the opening, closing and initial public offering process. The mechanisms contain their own protections with respect to the entry of Orders within those mechanisms. The addition of the proposed protections does not add value in the Exchange’s analysis of those structures.
The Exchange proposes to not accept incoming Limit Orders that exceed the greater of 10% or $0.50 for all securities across all trading sessions. Any order priced at $0.50 or under is not subject to LOP. The LOP Reference Price shall be the current consolidated National Best Bid or Best Offer (consolidated NBBO), the bid for sell orders and the offer for buy orders. If there is no consolidated NBBO for a security, or if there is a one-sided market, the last regular way consolidated sale, adjusted for corporate actions, if any, will be the LOP Reference Price. Limit Orders will not be accepted if the price of the Limit Order is greater than the LOP Reference Threshold for a buy Limit Order. Limit Orders will not be accepted if the price of the Limit Order is less than the LOP Reference Threshold for a sell Limit Order. Also, LOP would not apply in the event that there is no established LOP Reference Price.

The Exchange also notes that LOP will be applicable on all protocols. The LOP feature will be mandatory for all Nasdaq members. The Exchange proposes to implement this rule within ninety (90) days of the implementation date. The Exchange will issue an Equities Trader Alert in advance to inform market participants of such implementation date.

b. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act in general, and furthers the objectives of Section 6(b)(5) of the Act in particular, in that

9 Nasdaq maintains several communications protocols for Participants to use in entering Orders and sending other messages to the Nasdaq Market Center, such as: OUCH, RASH, QIX, FLITE and FIX.


it is designed to promote just and equitable principles of trade, to remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general to protect investors and the public interest, by mitigating risks to market participants of human error in entering Limit Orders at clearly unintended prices. The Exchange believes that the proposals are appropriate and reasonable, because they offer protections for Limit Orders which should encourage price continuity and, in turn, protect investors and the public interest by reducing executions occurring at dislocated prices.

The Exchange believes that the proposed LOP feature would assist with the maintenance of fair and orderly markets by mitigating the risks associated with errors resulting in executions at prices that are away from the Best Bid or Offer and potentially erroneous. Further the proposal protects investors from potentially receiving executions away from the prevailing prices at any given time. The Exchange proposes LOP to avoid a series of improperly priced aggressive orders transacting in the Order Book. The Exchange believes that the LOP Limit is appropriate because it seeks to capture improperly priced Limit Orders and reject them to reduce the risk of, and to potentially prevent, the automatic execution of Orders at prices that may be considered clearly erroneous. The System will only execute Limit Orders priced within the LOP Limit. The Exchange believes that the proposed limit of greater than 10% or .50 cents is a reasonable measure to ensure prices remain within the reasonable limits. The Exchange believes that this protection will bolster the normal resilience and market behavior that persistently produces robust reference prices. This feature should create a level of protection that prevents the Limit Orders from entering the Order Book outside of an acceptable range for the Limit Order to execute.
The Exchange believes LOP will remove impediments to and perfect the mechanisms of a free and open market by preventing Limit Orders from being executed in very wide markets. The Exchange believes that LOP will reduce the negative impacts of sudden, unanticipated volatility, and serve to preserve an orderly market in a transparent and uniform manner, increase overall market confidence, and promote fair and orderly markets and the protection of investors. This feature is not optional and is applicable to all members submitting Limit Orders.

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. The Exchange believes the LOP feature will provide market participants with additional price protection from anomalous executions. This feature is not optional and is applicable to all members submitting Limit Orders. Thus, the Exchange does not believe the proposal creates any significant impact on competition. This type of risk protection is in place today for NOM Options Participants.\textsuperscript{12} The Exchange believes that offering this protection to the Nasdaq Market Center will not impose any undue burden on intra-market competition, rather, it would permit equities and options members to be protected in a similar manner from erroneous executions.

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.

\textsuperscript{12} See NOM Rules at Chapter VI, Section 6(c) and Section 18.
6. **Extension of Time Period for Commission Action**

The Exchange does not consent to an extension of the time period for Commission action.

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

Not applicable.

8. **Proposed Rule Change Based on Rules of Another Self-Regulatory Organization or of the Commission**

The proposed rule change is not based on the rules of another self-regulatory organization or of the Commission.

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. Proposed rule text.
Self-Regulatory Organizations; The Nasdaq Stock Market LLC; Notice of Filing of Proposed Rule Change to Adopt Limit Order Protection

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”), and Rule 19b-4 thereunder, notice is hereby given that on May 4, 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 Nasdaq’s Rule 4757, entitled “Book Processing” to adopt a Limit Order Protection or “LOP” for members accessing the Nasdaq Market Center.

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 proposes to adopt a new mechanism to protect against erroneous Limit Orders which are entered into the Nasdaq Market Center. Specifically, this new feature addresses risks to market participants of human error in entering Limit Orders at unintended prices. LOP would prevent certain Limit Orders from executing or being placed on the Order Book at prices outside pre-set standard limits. The System would not accept such Limit Orders, rather than executing them automatically. The proposed LOP feature is similar to a risk feature which exists today on the NASDAQ Options Market LLC ("NOM")\(^3\) and is available for Options Participants.

The Exchange proposes to adopt a new feature, LOP for Limit Orders, which would cancel Limit Orders back to the member when the order exceeds certain defined logic. Specifically, the LOP feature would prevent certain Limit Orders at prices outside of pre-set standard limits ("LOP Limit") from being accepted by the System. LOP shall apply to

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\(^3\) See NOM Rules at Chapter VI, Section 6(c) and Section 18.
all Quotes and Orders, including any modified Orders.\(^4\) LOP would not apply to Market Orders, Market Maker Peg Orders\(^5\) or Intermarket Sweep (ISO Orders).\(^6\) A Market Maker Peg Order is a passive order type which will not otherwise remove liquidity from the Order Book. This order type was designed to assist Market Makers with meeting their quoting obligations. Market Makers have a diverse business model as compared with other market participants. By excluding the Market Maker Peg Order from the LOP will assist Market Makers in meeting their quoting obligations. The Exchange believes that because Market Makers have other risk protections in place to prevent them from quoting outside of their financial means, the risk level for erroneous trades is not the same as with other market participants. Market Makers have more sophisticated infrastructures than other market

\(^4\) If an Order is modified, LOP will review the order anew and, if LOP is triggered, such modification will not take effect and the original order will not be accepted.

\(^5\) A “Market Maker Peg Order” is an Order Type designed to allow a Market Maker to maintain a continuous two-sided quotation at a displayed price that is compliant with the quotation requirements for Market Makers set forth in Rule 4613(a)(2). The displayed price of the Market Maker Peg Order is set with reference to a “Reference Price” in order to keep the displayed price of the Market Maker Peg Order within a bounded price range. A Market Maker Peg Order may be entered through RASH, FIX or QIX only. A Market Maker Peg Order must be entered with a limit price beyond which the Order may not be priced. The Reference Price for a Market Maker Peg Order to buy (sell) is the then-current National Best Bid (National Best Offer) (including Nasdaq), or if no such National Best Bid or National Best Offer, the most recent reported last-sale eligible trade from the responsible single plan processor for that day, or if none, the previous closing price of the security as adjusted to reflect any corporate actions (e.g., dividends or stock splits) in the security. See Nasdaq Rule 4702(b)(7).

\(^6\) An Intermarket Sweep or ISO Order, which is an Order that is immediately executable within the Nasdaq Market Center against Orders against which they are marketable, is subject to LOP. See NASDAQ Rule 4702.
participants and are able to manage their risk, particularly with quoting, utilizing other tools which may not be available to other market participants.

LOP would be operational each trading day, except for orders submitted to opening and closing crosses, initial public offerings and trading halts and pauses.\(^7\) Since Nasdaq Rules provided controls for the opening, closing and initial public offering processes within the Rulebook, the proposed protections are rendered ineffective for those processes.\(^8\) Members will be subject to certain parameters when submitting Limit Orders into the Order Book.

The Exchange proposes to not accept incoming Limit Orders that exceed the greater of 10% or $0.50 for all securities across all trading sessions. Any order priced at $0.50 or under is not subject to LOP. The LOP Reference Price shall be the current consolidated National Best Bid or Best Offer (consolidated NBBO), the bid for sell orders and the offer for buy orders. If there is no consolidated NBBO for a security, or if there is a one-sided market, the last regular way consolidated sale, adjusted for corporate actions, if any, will be the LOP Reference Price. Limit Orders will not be accepted if the price of the Limit Order is greater than the LOP Reference Threshold for a buy Limit Order. Limit Orders will not be accepted if the price of the Limit Order is less than the LOP Reference

\(^7\) LOP has the ability to suspend by symbol or system wide. The Exchange would notify market participants of any suspension that may be in place via an alert.

\(^8\) The Nasdaq Rulebook provides specific rules for certain auction mechanisms, such as the opening, closing and initial public offering process. The mechanisms contain their own protections with respect to the entry of Orders within those mechanisms. The addition of the proposed protections does not add value in the Exchange’s analysis of those structures.
Threshold for a sell Limit Order. Also, LOP would not apply in the event that there is no established LOP Reference Price.

The Exchange also notes that LOP will be applicable on all protocols. The LOP feature will be mandatory for all Nasdaq members. The Exchange proposes to implement this rule within ninety (90) days of the implementation date. The Exchange will issue an Equities Trader Alert in advance to inform market participants of such implementation date.

2. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act in general, and furthers the objectives of Section 6(b)(5) of the Act in particular, in that it is designed to promote just and equitable principles of trade, to remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general to protect investors and the public interest, by mitigating risks to market participants of human error in entering Limit Orders at clearly unintended prices. The Exchange believes that the proposals are appropriate and reasonable, because they offer protections for Limit Orders which should encourage price continuity and, in turn, protect investors and the public interest by reducing executions occurring at dislocated prices.

The Exchange believes that the proposed LOP feature would assist with the maintenance of fair and orderly markets by mitigating the risks associated with errors.

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resulting in executions at prices that are away from the Best Bid or Offer and potentially erroneous. Further the proposal protects investors from potentially receiving executions away from the prevailing prices at any given time. The Exchange proposes LOP to avoid a series of improperly priced aggressive orders transacting in the Order Book. The Exchange believes that the LOP Limit is appropriate because it seeks to capture improperly priced Limit Orders and reject them to reduce the risk of, and to potentially prevent, the automatic execution of Orders at prices that may be considered clearly erroneous. The System will only execute Limit Orders priced within the LOP Limit. The Exchange believes that the proposed limit of greater than 10% or .50 cents is a reasonable measure to ensure prices remain within the reasonable limits. The Exchange believes that this protection will bolster the normal resilience and market behavior that persistently produces robust reference prices. This feature should create a level of protection that prevents the Limit Orders from entering the Order Book outside of an acceptable range for the Limit Order to execute.

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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. The Exchange believes the LOP feature will provide market participants with additional price protection from anomalous executions. This feature is not optional and is applicable to all members submitting Limit Orders. Thus, the Exchange does not believe the proposal creates any significant impact on competition. This type of risk protection is in place today for NOM Options Participants.\textsuperscript{12} The Exchange believes that offering this protection to the Nasdaq Market Center will not impose any undue burden on intra-market competition, rather, it would permit equities and options members to be protected in a similar manner from erroneous executions.

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

Within 45 days of the date of publication of this notice in the Federal Register or within such longer period (i) as the Commission may designate up to 90 days of such date if it finds such longer period to be appropriate and publishes its reasons for so finding or (ii) as to which the Exchange consents, the Commission shall: (a) by order approve or disapprove such proposed rule change, or (b) institute proceedings to determine whether the proposed rule change should be 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:

\textsuperscript{12} See NOM Rules at Chapter VI, Section 6(c) and Section 18.
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-2016-067 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-2016-067. 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-2016-067 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.\textsuperscript{13}

Robert W. Errett  
Deputy Secretary

\textsuperscript{13} 17 CFR 200.30-3(a)(12).
4757. Book Processing

(a) and (b) No change.

(c) Limit Order Protection (“LOP”). LOP is a feature of the Nasdaq Market Center that prevents certain Limit Orders at prices outside of pre-set standard limits (“LOP Limit”) from being accepted by the System.

(i) Applicability. LOP applies to all Quotes and Orders, including any modified Orders. LOP does not apply to Market Orders, Market Maker Peg Orders or Intermarket Sweep (ISO) Orders. LOP is operational each trading day, except for orders submitted to opening and closing crosses, initial public offerings and trading halts and pauses. LOP would not apply in the event there is no established LOP Reference Price.

(ii) LOP Limit. The LOP Limit shall be the greater of 10% or $0.50 for all securities across all trading sessions.

(iii) LOP Reference Price. The LOP Reference Price shall be the current consolidated National Best Bid or Best Offer (consolidated NBBO), the bid for sell orders and the offer for buy orders.

(iv) LOP Reference Threshold. The LOP Reference Threshold for buy orders will be the LOP Reference Price (offer) plus the applicable percentage specified in the LOP Limit Table. The LOP Reference Threshold for sell orders will be the LOP Reference Price (bid) minus the applicable percentage specified in the LOP Limit Table.

(v) Acceptance of Orders. LOP will not accept incoming Limit Orders that exceed the LOP Reference Threshold. Limit Orders will not be accepted if the price of the Limit Order is greater than the LOP Reference Threshold for a buy Limit Order. Limit Orders will not be accepted if the price of the Limit Order is less than the LOP Reference Threshold for a sell Limit Order.