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SECURITIES AND EXCHANGE COMMISSION
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July 21, 2015

Self-Regulatory Organizations; The NASDAQ Stock Market LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to NOM Order Routing

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 13, 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 and II 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 Chapter VI (Trading Systems) at Section 11 (Order Routing), of the rules governing the NASDAQ Options Market (“NOM” or “Exchange”), to clarify the manner in which a SEEK Order will route again after an initial routing attempt to another 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.

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 Exchange's rules at Chapter VI, Section 11 provide for the manner in which orders submitted to the System³ will route to other market centers.⁴ The System provides two routing options pursuant to which orders are sent to other available market centers for potential execution, per the entering firm's instructions. The routing options are SEEK and SRCH. Routing options may be combined with all available order types and times-in-force, with the exception of order types and times-in-force whose terms are inconsistent with the terms of a particular routing option. The Exchange is seeking to clarify the manner in which a SEEK order will route again, after it is initially routed ("re-route").⁵

SEEK is a routing option pursuant to which an order will first check the System for available contracts for execution. After checking the System for available contracts, orders are

³ The term "System" is defined in NOM Rules at Chapter VI, Section 1(a).

⁴ Participants can designate orders as either available for routing or not available for routing. See Chapter VI, Sec. 11(a).

⁵ If an order is only partially routed the portion that was not routed will be posted to the book.

sent to other available market centers for potential execution, per the entering firm's instructions. When checking the book, the System will seek to execute at the price at which it would send the order to a destination market center.

SRCH is a routing option pursuant to which an order will first check the System for available contracts for execution. After checking the System for available contracts, orders are sent to other available market centers for potential execution, per the entering firm's instructions. When checking the book, the System will seek to execute at the price at which it would send the order to a destination market center.

Both SEEK and SRCH eligible unexecuted orders will continue to be routed utilizing a route timer. The SEEK or SRCH order will post to the book and will be routed after a time period ("Route Timer") not to exceed one second as specified by the Exchange on its website provided that the order's limit price would lock or cross other market center(s).⁶ If, during the Route Timer, any new interest arrives opposite the order that is equal to or better than the ABBO⁷ price, the order will trade against such new interest at the ABBO price. Eligible unexecuted orders will be routed at the end of the Route Timer provided the order was not filled and the order's limit price would continue to lock or cross the ABBO. If an order was routed with either the SEEK or SRCH routing option, and has size after such routing, it will execute against contra side interest in the book, post in the book, and route again pursuant to the process described above, if applicable, if the order's limit price would lock or cross another market center(s).

⁶ Pursuant to Section 11(c) of Chapter VI, orders sent by the System pursuant to the SEEK and SRCH routing options to other markets would not retain time priority with respect to other orders in the System. If an order routed pursuant to SEEK or SRCH is subsequently returned, in whole or in part, that order, or its remainder, will receive a new time stamp reflecting the time of its return to the System.

⁷ ABBO is the away market's best bid or offer.

With respect to SRCH Orders, if contracts remain un-executed after routing, they are posted on the book. Once on the book, should the order subsequently be locked or crossed by another market center, it will re-route. With SEEK orders, the rule currently states, if contracts remain un-executed after routing, they are posted on the book. Once on the book at the limit price, should the order subsequently be locked or crossed by another market center, the System will not route the order to the locking or crossing market center.

The Exchange seeks to amend the rule text in Chapter VI, Section 11(a)(1)(A) to state, while, on the book at the limit price, should the order subsequently be locked or crossed by another market center, the System will not route the order to the locking or crossing market center. The purpose of this change is to make clear that the SEEK order will not re-route as long as that order is at the limit price. The SEEK order may re-route, after it has initially routed, when such order reprices.

Example #1: By way of example, if an order is subject to Acceptable Trade Range⁸ (“ATR”) with a price band of 0.80 and the order book is as follows:

- Order 1: Buy SEEK order 27(10)
- Order 2: Sell SEEK order 31 (10)
- Order 3: Sell DNR order 29 (10)

⁸ The System will calculate an Acceptable Trade Range to limit the range of prices at which an order will be allowed to execute. The Acceptable Trade Range is calculated by taking the reference price, plus or minus a value to be determined by the Exchange. (i.e., the reference price - (x) for sell orders and the reference price + (x) for buy orders). Upon receipt of a new order, the reference price is the national best bid (NBB) for sell orders and the national best offer (NBO) for buy orders or the last price at which the order is posted whichever is higher for a buy order or lower for a sell order. See NASDAQ Rules at Chapter VI, Section 10(7).

Further, if NASDAQ's BBO is 27(10) x 29(10) and the away market is 27(10) x 33 (10) with an NBBO of 27(20) x 29(10); then

An incoming Order 4: Buy DNR 30 (100) triggers ATR and the following takes place within the order book:

- Order 4 first executes with Order 3 at 29(10)
- ATR timer starts, with Order 4 re-priced and displayed at 29.80 (90)
- Exchange BBO becomes 29.80 (90) x 31 (10), offer 31 is non-firm
- Assume, during ATR timer, away market moves such that new away market is 31.10(10) x 33(10)
- After ATR processing concludes, Order 2 is repriced to be offered at 31.10 and displayed tick away at 31.20 to avoid locking/crossing the market
- Exchange BBO becomes 30(90) x 31.20(10)
- After route timer, Order 2 routes to away market at 31.10.

The Exchange proposes to add the following new sentence, "SEEK orders will not be eligible for routing until the next time the option series is subject to a new opening or reopening." The purpose of this new sentence is to make clear that an opening and reopening will cause an order to be eligible for routing. The SEEK order will be treated as a new order and therefore will become subject to the routing process anew with an opening or reopening process, provided the order locks or crosses another market.

Example #2: By way of example, presume a halt occurred on NOM with the following order book:

- Order 1: Buy SEEK Order is on the book at its limit price, 2.00 (15).
- The related underlying is halted.

- Immediately following the halt, before NOM has re-opened the issue, the away market quotes at 1.95 (100) x 1.99 (100).
- Upon re-opening the issue on NOM, the SEEK order routes at 1.99 (15). The System comes out of a halt with a new opening process and treats all orders as if they were new orders thus the SEEK order will re-route.

The Exchange proposes to modify the existing sentence which states, “[o]nce on the book at the limit price, should the order subsequently be locked or crossed by another market center, the System will not route the order to the locking or crossing market center” to “[w]hile on the book at the limit price, should the order subsequently be locked or crossed by another market center, the System will not route the order to the locking or crossing market center.” The Exchange believes that this modification reflects more accurate rule text. The Exchange believes that market participants are aware of the manner in which the SEEK order operates as there has been no System change with respect to the function of the SEEK order. The proposed language serves to make clear that a SEEK order will not re-route while at its limit price, but once that order is re-priced, it may route again.⁹

2. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act¹⁰ in general, and furthers the objectives of Section 6(b)(5) of the Act¹¹ 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 amending the rule text to clarify the existing rule text and

⁹ See Example # 1.

¹⁰ 15 U.S.C. 78f(b).

¹¹ 15 U.S.C. 78f(b)(5).

provide the circumstances when a SEEK order would be eligible to route, such as (1) when the order is repriced, after it is posted to the order book, at a price not at its limit price; and (2) when an opening or reopening (after a halt) occurs such that the System views these orders as new orders and they become subject to routing anew. The Exchange believes that these amendments provide transparency and specificity to the Rules and the corrected rule text protects investors and the public interest by reducing the potential for investor confusion.

The Exchange believes the additional language benefits other market participants who may not be currently familiar with the routing options on NOM to understand the difference between the two routing options offered by the Exchange. While the Exchange is modifying the rule text, it notes that the System will continue to operate as it does today. Rather, the proposed rule text seeks to bring additional clarity to the current rule text to clarify when a SEEK order will re-route to another market center after it has initially routed. The Exchange believes this language corrects the current rule text and more clearly differentiates an order routed pursuant to the SEEK routing option as compared to the SRCH routing option.

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 proposed rule change does not create an undue burden on competition as the proposed rule change is not a substantive change in that the System will continue to operate as it does today. The Exchange desires to amend the current rule text to provide two circumstances when the SEEK order would re-route after it has initially routed to an away market center. The Exchange believes that this proposed rule text will clarify the current rule which states that SEEK order will not re-route

once it is on the book at the limit price. The Exchange is seeking to provide greater transparency in its rules. The amendments would apply to all market participants in the same manner.

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 Exchange has filed the proposed rule change pursuant to Section 19(b)(3)(A)(iii) of the Act¹² and Rule 19b-4(f)(6) thereunder.¹³ Because the 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, if consistent with the protection of investors and the public interest, the proposed rule change has become effective pursuant to Section 19(b)(3)(A) of the Act¹⁴ and Rule 19b-4(f)(6) thereunder.¹⁵

A proposed rule change filed under Rule 19b-4(f)(6)¹⁶ normally does not become operative prior to 30 days after the date of the filing. However, pursuant to Rule 19b-4(f)(6)(iii),¹⁷ the Commission may designate a shorter time if such action is consistent with the protection of investors and the public interest. The Exchange has asked the Commission to

¹² 15 U.S.C. 78s(b)(3)(A)(iii).

¹³ 17 CFR 240.19b-4(f)(6).

¹⁴ 15 U.S.C. 78s(b)(3)(A).

¹⁵ 17 CFR 240.19b-4(f)(6). In addition, Rule 19b-4(f)(6)(iii) requires the Exchange to give the Commission written notice of the Exchange's 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 has satisfied this requirement.

¹⁶ 17 CFR 240.19b-4(f)(6).

¹⁷ 17 CFR 240.19b-4(f)(6)(iii).

waive the 30-day operative delay so that the proposed rule change may become operative immediately. The Exchange states that the proposal would apply to all market participants in the same manner and believes that market participants would benefit from the additional clarity the Exchange asserts the proposal would provide in regard to the circumstances when a SEEK order is eligible to re-route. The Commission believes that waiving the 30-day operative delay is consistent with the protection of investors and the public interest because the proposal provides further clarity regarding the routing functionality of the Exchange's SEEK orders, which the Commission believes will benefit investors and market participants who use such orders to accomplish their trading objectives. For this reason, the Commission hereby waives the 30-day operative delay and designates the proposal operative upon filing.¹⁸

At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act. If the Commission takes such action, the Commission shall institute proceedings to determine whether the proposed rule change 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:

¹⁸ For purposes only of waiving the 30-day operative delay, the Commission has considered the proposed rule's impact on efficiency, competition, and capital formation. See 15 U.S.C. 78c(f).

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-2015-079 on the subject line.

Paper comments:

- Send paper comments in triplicate to Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549-1090.

All submissions should refer to File Number SR-NASDAQ-2015-079. 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 website (<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 such 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-2015-079 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.¹⁹

Robert W. Errett,
Deputy Secretary.

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¹⁹ 17 CFR 200.30-3(a)(12).