Commission believes that the stated objective of the proposal—to obtain sufficient trade data to effectively monitor cross-market trading activity—would further the purposes of the Act. Specifically, by better enabling the Exchange to surveil for compliance with Regulation SHO and frontrunning rules, the proposal is reasonably designed to help prevent fraudulent and manipulative acts and practices and to protect investors and the public interest.

The Commission notes that the proposed rule change also allows for a TPH to arrange for its clearing firm to report Tied to Stock Orders on its behalf. The Commission also notes that the Exchange has stated that regardless of whether a Market Maker (or its Clearing Trading Permit Holder) uses the older format or newer format for CBOE Rule 8.9(b) reports, those reports will satisfy the proposed stock reporting requirement even though they may not include all of the data elements set forth in Regulatory Circular RG 14–110. According to the Exchange, to the extent CBOE Rule 8.9(b) reports include information for all stock transactions of Market Makers, Market Makers will have no additional requirements under proposed Rule 15.2A. Under the proposed rule change, the Commission believes that it would be reasonable for the Exchange to anticipate a reduction in the number of ad hoc requests it must make from Trading Permit Holders, as the proposed rule change is designed to provide the Exchange with the non-option transaction information necessary to make a ''no further action is warranted'' determination with respect to a particular surveillance alert.

V. Conclusion

It is therefore ordered, pursuant to Section 19(b)(2) of the Act,[87] that the proposed rule change (SR–CBOE–2014–040) is approved.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.[88]

Kevin M. O'Neill,

Deputy Secretary.

[FR Doc. 2014–19582 Filed 8–18–14; 8:45 am]

BILLING CODE 8011–01–P

[87] 15 U.S.C. 78s(b)(2).

[88] 17 CFR 200.30–3(a)(12).

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–72831; File No. SR–NASDAQ–2014–077]

Self-Regulatory Organizations; The NASDAQ Stock Market LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change Relating to Rebates and Fees in Penny and Non-Penny Pilot Options

August 13, 2014.

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 30, 2014, 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 NASDAQ. 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

NASDAQ proposes to modify Chapter XV, entitled ''Options Pricing,'' at Section 2 governing pricing for NASDAQ members using the NASDAQ Options Market (''NOM''), NASDAQ's facility for executing and routing standardized equity and index options. Specifically, NOM proposes to: (i) Amend the Customer[3] Fee for Removing Liquidity in Penny Pilot Options;[4] (ii) amend certain Penny Pilot Options Rebates to Add Liquidity and Non-Penny Pilot Options Fees for Adding Liquidity applicable to Firms,[5] Non-NOM Market Makers[6] and Broker Dealers;[7] and (iii) amend NOM Market Maker[8] Penny Pilot Options Rebates to Add Liquidity.

While the changes proposed herein are effective upon filing, the Exchange has designated that the amendments be operative on August 1, 2014.

The text of the proposed rule change is available on the Exchange's Web site at *http://www.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.

[1] 15 U.S.C. 78s(b)(1).

[2] 17 CFR 240.19b–4.

[3] The term ''Customer'' applies to any transaction that is identified by a Participant for clearing in the Customer range at The Options Clearing Corporation (''OCC'') which is not for the account of broker or dealer or for the account of a ''Professional'' (as that term is defined in Chapter I, Section 1(a)(48)).

[4] The Penny Pilot was established in March 2008 and in October 2009 was expanded and extended through December 31, 2014. *See* Securities Exchange Act Release Nos. 57579 (March 28, 2008), 73 FR 18587 (April 4, 2008) (SR–NASDAQ–2008–026) (notice of filing and immediate effectiveness establishing Penny Pilot); 60874 (October 23, 2009), 74 FR 56682 (November 2, 2009) (SR–NASDAQ–2009–091) (notice of filing and immediate effectiveness expanding and extending Penny Pilot); 60965 (November 9, 2009), 74 FR 59292 (November 17, 2009) (SR–NASDAQ–2009–097) (notice of filing and immediate effectiveness adding seventy-five classes to Penny Pilot); 61455 (February 1, 2010), 75 FR 6239 (February 8, 2010) (SR–NASDAQ–2010–013) (notice of filing and immediate effectiveness adding seventy-five classes to Penny Pilot); 62029 (May 4, 2010), 75 FR 25895 (May 10, 2010) (SR–NASDAQ–2010–053) (notice of filing and immediate effectiveness adding seventy-five classes to Penny Pilot); 65969 (December 15, 2011), 76 FR 79268 (December 21, 2011) (SR–NASDAQ–2011–169) (notice of filing and immediate effectiveness extension and replacement of Penny Pilot); 67325 (June 29, 2012), 77 FR 40127 (July 6, 2012) (SR–NASDAQ–2012–075) (notice of filing and immediate effectiveness and extension and replacement of Penny Pilot through December 31, 2012); 68519 (December 21, 2012), 78 FR 136 (January 2, 2013) (SR–NASDAQ–2012–143) (notice of filing and immediate effectiveness and extension and replacement of Penny Pilot through June 30, 2013); 69787 (June 18, 2013), 78 FR 37858 (June 24, 2013) (SR–NASDAQ–2013–082); 71105 (December 17, 2013), 78 FR 77530 (December 23, 2013) (SR–NASDAQ–2013–154) and 72244 (May 23, 2014), 79 FR 31151 (May 30, 2014) (SR–NASDAQ–2014–056). *See also* NOM Rules, Chapter VI, Section 5.

[5] The term ''Firm'' or (''F'') applies to any transaction that is identified by a Participant for clearing in the Firm range at OCC.

[6] The term ''Non-NOM Market Maker'' or (''O'') is a registered market maker on another options exchange that is not a NOM Market Maker. A Non-NOM Market Maker must append the proper Non-NOM Market Maker designation to orders routed to NOM.

[7] The term ''Broker-Dealer'' or (''B'') applies to any transaction which is not subject to any of the other transaction fees applicable within a particular category.

[8] The term ''NOM Market Maker'' means a Participant that has registered as a Market Maker on NOM pursuant to Chapter VII, Section 2, and must also remain in good standing pursuant to Chapter VII, Section 4. In order to receive NOM Market Maker pricing in all securities, the Participant must be registered as a NOM Market Maker in at least one security.

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

1. Purpose

NASDAQ proposes to modify Chapter XV, entitled ''Options Pricing,'' at Section 2(1) governing the rebates and fees assessed for option orders entered into NOM. The Exchange proposes to: (i) Amend the Customer Penny Pilot Options Fee for Removing Liquidity; (ii) delete certain Firm, Non-NOM Market Maker and Broker-Dealer pricing in Chapter XV, Section 2; and (iii) amend the NOM Market Maker Pilot Options Rebates to Add Liquidity.

Today the Exchange assesses the following Penny Pilot Options Fees for Removing Liquidity: Customer $0.47 per contract, and Professional,[9] Firm, Non-NOM Market Maker, NOM Market Maker and Broker-Dealer $0.49 per contract. In addition a Professional, Firm, Non-NOM Market Maker, NOM Market Maker and Broker-Dealer that qualifies for Customer or Professional Rebate to Add Liquidity Tiers 7 or 8 in a given month will be assessed a Professional, Firm, Non-NOM Market Maker, NOM Market Maker or Broker-Dealer Fee for Removing Liquidity in Penny Pilot Options of $0.47 per contract.

The Exchange is proposing to make two amendments related to the Customer Penny Pilot Options Fees for Removing Liquidity. The Exchange is proposing to increase the Customer Penny Pilot Options Fee for Removing Liquidity from $0.47 to $0.48 per contract. Despite the increase to this fee, the Exchange believes market participants will continue to remove Customer orders on NOM. Additionally, the Exchange is proposing to amend note ''d'' in Section 2, Chapter XV to provide, ''Participants or Participants under Common Ownership [10] that qualify for Customer or Professional Rebates to Add Liquidity Tiers 7 or 8 in a given month will be assessed a Professional, Firm, Non-NOM Market Maker, NOM Market Maker or Broker-Dealer Fee for Removing Liquidity in Penny Pilot Options of $0.48 per contract *and a Customer Fee for Removing Liquidity in Penny Pilot Options of $0.47 per contract.''* The Exchange is therefore proposing to offer Customers the opportunity to lower the Customer Fee for Removing Liquidity in Penny Pilot Options to $0.47 per contract, provided they qualify for Customer or Professional Rebates to Add Liquidity Tiers 7 or 8 in a given month. Today, the Exchange offers tiered Penny Pilot Options Rebates to Add Liquidity to Customers and Professionals based on various criteria with rebates ranging from $0.20 to $0.48 per contract. To obtain the Tier 7 Customer and Professional Rebates to Add Liquidity in Penny Pilot Options, a Participant must have Total Volume [11] of 150,000 or more contracts per day in a month, of which 50,000 or more contracts per day in a month must be Customer and/or Professional liquidity in Penny Pilot Options.[12] Tier 7 pays a $0.47 per contract rebate. To obtain the Tier 8 Customer and Professional Rebate to Add Liquidity in Penny Pilot Options, a Participant must add Customer and/or Professional liquidity in Penny Pilot Options and/or Non-Penny Pilot Options of 0.75% or more of national customer volume in multiply-listed equity and ETF options classes in a month. Tier 8 pays a rebate of $0.48 per contract for Customers and $0.47 per contract for Professionals.

The Exchange proposes to amend the Firm, Non-NOM Market Maker and Broker-Dealer Penny Pilot Options Rebates to Add Liquidity and Non-Penny Pilot Fees for Adding Liquidity by removing the opportunity to lower fees as specified in note 2 in Section 2, Chapter XV which states, ''[a] Participant that adds Firm, Non-NOM Market Maker or Broker-Dealer liquidity in Penny Pilot Options and/or Non-Penny Pilot Options of 15,000 contracts per day or more in a given month will receive a Rebate to Add Liquidity in Penny Pilot Options of $0.20 per contract and will pay a Fee for Adding Liquidity in Non-Penny Pilot Options of $0.36 per contract.'' Firms, Non-NOM Market Makers and Broker-Dealers would therefore receive a $0.10 per contract Penny Pilot Options Rebate to Add Liquidity and pay a $0.45 per contract Non-Penny Pilot Options Fee for Adding Liquidity. The Exchange believes that this incentive is not encouraging Firms, Non-NOM Market Makers and Broker-Dealers to transact additional liquidity on NOM and therefore the Exchange desires to remove this incentive.

Today, the Exchange pays Penny Pilot Options NOM Market Maker Rebates to Add Liquidity based on various criteria in four tiers with rebates which range from $0.20 to $0.42 per contract as follows:

Monthly volume	Rebate to add liquidity
Tier 1 Participant adds NOM Market Maker liquidity in Penny Pilot Options and/or Non-Penny Pilot Options of up to 0.10% of total industry customer equity and ETF option average daily volume (''ADV'') contracts per day in a month	$0.20
Tier 2 Participant adds NOM Market Maker liquidity in Penny Pilot Options and/or Non-Penny Pilot Options above 0.10% to 0.30% of total industry customer equity and ETF option ADV contracts per day in a month	0.25
Tier 3 Participant adds NOM Market Maker liquidity in Penny Pilot Options and/or Non-Penny Pilot Options above 0.30% to 0.60% of total industry customer equity and ETF option ADV contracts per day in a month	0.30
Tier 4 Participant adds NOM Market Maker [1] liquidity in Penny Pilot Options and/or Non-Penny Pilot Options of above 0.60% of total industry customer equity and ETF option ADV contracts per day in a month	([1])
Tier 5 Participant adds NOM Market Maker liquidity in Penny Pilot Options and/or Non-Penny Pilot Options of above 0.30% of total industry customer equity and ETF option ADV contracts per day in a month and qualifies for the Tier 7 or Tier 8 Customer and/or Professional Rebate to Add Liquidity in Penny Pilot Options	0.40

[9] The term ''Professional'' means any person or entity that (i) is not a broker or dealer in securities, and (ii) places more than 390 orders in listed options per day on average during a calendar month for its own beneficial account(s) pursuant to Chapter I, Section 1(a)(48). All Professional orders shall be appropriately marked by Participants.

[10] The term ''Common Ownership'' shall mean Participants under 75% common ownership or control.

[11] Total Volume is defined as Customer, Professional, Firm, Broker-Dealer, Non-NOM Market Maker and NOM Market Maker volume in Penny Pilot Options and/or Non-Penny Pilot Options which either adds or removes liquidity on NOM. *See* note ''b'' in Section 2, Chapter XV. The Exchange utilizes data from OCC to determine the total industry customer equity and ETF options ADV figure. OCC classifies equity and ETF options volume under the equity options category. Also, both customer and professional orders that are transacted on options exchanges clear in the customer range at OCC and therefore both customer and professional volume would be included in the total industry figure to calculate rebate tiers. This is the case today for the Total Volume number that appear in Tiers 6 and 7 of the Customer and Professional rebate today, which includes Customer and Professional numbers in both the numerator and denominator of that percentage.

[12] Tier 8 requires the Participant have Total Volume of 150,000 or more contracts per day in a month, of which 50,000 or more contracts per day in a month must be Customer and/or Professional liquidity in Penny Pilot Options.

Monthly volume	Rebate to add liquidity
Tier 6 Participant adds NOM Market Maker liquidity in Penny Pilot Options and/or Non-Penny Pilot Options above 0.80% of total industry customer equity and ETF option ADV contracts per day in a month and qualifies for the Tier 7 or Tier 8 Customer and/or Professional Rebate to Add Liquidity in Penny Pilot Options or Participant adds NOM Market Maker liquidity in Penny Pilot Options and/or Non-Penny Pilot Options above 0.90% of total industry customer equity and ETF option ADV contracts per day in a month	0.42

[1] $0.32 or $0.38 in the following symbols BAC, GLD, IWM, QQQ and VXX or $0.40 in SPY.

The Exchange proposes to amend the Tier 2 NOM Market Maker Rebate to Add Liquidity in Penny Pilot Options which currently pays a $0.25 per contract rebate to Participants that add NOM Market Maker liquidity in Penny Pilot Options and/or Non-Penny Pilot Options above 0.10% to 0.30% of total industry customer equity and ETF option ADV contracts per day in a month. The Exchange intends to instead continue to pay a $0.25 per contract rebate to Participant that add NOM Market Maker liquidity in Penny Pilot Options and/or Non-Penny Pilot Options above 0.10% to *0.25%* of total industry customer equity and ETF option ADV contracts per day in a month. By lowering this tier, the Exchange believes a greater number of NOM Market Makers may qualify for the Tier 2 rebate.

The Exchange proposes to amend the Tier 3 NOM Market Maker Rebate to Add Liquidity in Penny Pilot Options which currently pays a $0.30 per contract rebate to Participants that add NOM Market Maker liquidity in Penny Pilot Options and/or Non-Penny Pilot Options above 0.30% to 0.60% of total industry customer equity and ETF option ADV contracts per day in a month. The Exchange intends to instead continue to pay a $0.30 per contract rebate to Participants that add NOM Market Maker liquidity in Penny Pilot Options and/or Non-Penny Pilot Options above *0.25%* to 0.60% of total industry customer equity and ETF option ADV contracts per day in a month. Also, the Exchange intends to offer a higher rebate for Tier 3 qualifiers of $0.40 per contract in options overlying PowerShares QQQ (''QQQ''), SPDR S&P 500 (''SPY''), iPath S&P 500 VIX ST Futures ETN (''VXX''). By lowering this tier, and offering a higher rebate for certain symbols, the Exchange believes a greater number of NOM Market Makers may qualify for the Tier 3 rebate.

Finally, the Exchange proposes to amend the Tier 4 NOM Market Maker Rebate to Add Liquidity in Penny Pilot Options which currently pays a $0.32 rebate in all options, except options overlying Bank of America Corporation (''BAC''), SPDR Gold Shares (''GLD''), iShares Russell 2000 Index (''IWM''), QQQ and VXX, which pays a $0.38 per contract rebate, and SPY which pays a $0.40 per contract rebate. The Tier 4 rebate is paid to Participants that add NOM Market Maker liquidity in Penny Pilot Options and/or Non-Penny Pilot Options of above 0.60% of total industry customer equity and ETF option ADV contracts per day in a month. The Exchange proposes to amend the Tier 4 rebate to pay a $0.32 rebate in all options, except QQQ, VXX and SPY, which will pay a $0.40 per contract rebate. The Exchange will pay a $0.32 per contract rebate for BAC, GLD and IWM with this proposal. Additionally, in order to qualify for the Tier 4 rebate, a Participant must add NOM Market Maker liquidity in Penny Pilot Options and/or Non-Penny Pilot Options of above 0.60% *to 0.90%* of total industry customer equity and ETF option ADV contracts per day in a month. The Exchange believes that adding the language ''above 0.60% *to 0.90%* of total industry customer equity'' will clarify Tier 4 for purposes of obtaining the rebate. NOM Market Maker liquidity in Penny Pilot Options and/or Non-Penny Pilot Options of above 0.90% today qualifies for the Tier 6 NOM Market Maker rebate.[13] The Exchange believes the amendment to the description of the Tier 4 rebate is non-substantive and clarifies the qualification for the rebate. The Exchange believes that paying a higher rebate for QQQ and VXX transactions will encourage a greater number of transactions in these symbols. Despite the decrease in rebates paid for transaction in BAC, GLD and IWM, the Exchange believes that market participants will continue to transact volume in these symbols.

2. Statutory Basis

NASDAQ believes that the proposed rule changes are consistent with the provisions of Section 6 of the Act,[14] in general, and with Section 6(b)(4) of the Act,[15] in particular, in that they provide for the equitable allocation of reasonable dues, fees and other charges among members and issuers and other persons using any facility or system which NASDAQ operates or controls as described in detail below.

Customer Penny Pilot Options Fee for Removing Liquidity

The Exchange's proposal to increase the Customer Penny Pilot Options Fee for Removing Liquidity from $0.47 to $0.48 per contract is reasonable because the Exchange is seeking to recoup costs associated with offering Customer rebates in Penny Options to attract greater liquidity to the Exchange. The Exchange believes that increasing the Customer Fee for Removing Liquidity by $0.01 per contract ($0.47 to $0.48 per contract) allows the Exchange to recoup costs and offer even greater Customer rebates, thereby benefitting all market participants by attracting Customer order flow to NOM.

The Exchange's proposal to increase the Customer Penny Pilot Options Fee for Removing Liquidity from $0.47 to $0.48 per contract is equitable and not unfairly [sic] because Customers would continue to be assessed lower fees as compared to non-Customer market participants. Currently, Professionals, Firms, Non-NOM Market Makers and NOM Market Makers are assessed a $0.49 per contract Fee for Removing Liquidity in Penny Options. Customer liquidity benefits all market participants by providing more trading opportunities, which attracts Specialists and Market Makers. An increase in the activity of these market participants in turn facilitates tighter spreads, which may cause an additional corresponding increase in order flow from other market participants. Further, the Exchange is

[13] The Tier 6 NOM Market Maker Rebate to Add Liquidity pays a $0.42 per contract rebate to Participants that add NOM Market Maker liquidity in Penny Pilot Options and/or Non-Penny Pilot Options above 0.80% of total industry customer equity and ETF option ADV contracts per day in a month and qualifies for the Tier 7 or Tier 8 Customer and/or Professional Rebate to Add Liquidity in Penny Pilot Options or Participant adds *NOM Market Maker liquidity in Penny Pilot Options and/or Non-Penny Pilot Options above 0.90% of total industry customer equity and ETF option ADV contracts per day in a month.*

[14] 15 U.S.C. 78f.

[15] 15 U.S.C. 78f(b)(4).

offering Customers, similar to other non-Customer market participants[16] the opportunity to lower the Customer Penny Pilot Options Fee for Removing Liquidity by qualifying for Customer or Professional Rebate to Add Liquidity Tiers 7 or 8 in a given month.[17]

The Exchange's proposal to offer Customers the opportunity to lower the Customer Fee for Removing Liquidity in Penny Pilot Options to $0.47 per contract, provided they qualify for Customer or Professional Rebate to Add Liquidity Tiers 7 or 8 in a given month is reasonable because today the Exchange offers all other non-Customer market participants (Professional, Firm, Non-NOM Market Maker, NOM Market Maker and Broker-Dealer) the opportunity to lower the Fee for Removing Liquidity in Penny Pilot Options from $0.49 to $0.48 per contract. The Exchange believes that incentivizing Customers, as today is done with other market participants,[18] to transact a greater number of Customer and Professional orders[19] in order to lower fees is reasonable because the liquidity from this order flow will benefit other market participants that have the opportunity to interact with this order flow.

The Exchange's proposal to offer Customers the opportunity to lower the Customer Fee for Removing Liquidity in Penny Pilot Options to $0.47 per contract, provided they qualify for Customer or Professional Rebate to Add Liquidity Tiers 7 or 8 in a given month, is equitable and not unfairly discriminatory because Customers will have the opportunity to lower fees similar to other non-Customer market participants.

Firm, Non-NOM Market Maker and Broker-Dealer Penny Pilot Options Rebate To Add Liquidity

The Exchange's proposal to amend the Firm, Non-NOM Market Maker and Broker-Dealer Penny Pilot Options Rebates to Add Liquidity and Non-Penny Pilot Options Fees for Adding Liquidity by removing the opportunity to lower fees as specified in note 2 in Section 2, Chapter XV which states, ''[a] Participant that adds Firm, Non-NOM Market Maker or Broker-Dealer liquidity in Penny Pilot Options and/or Non-Penny Pilot Options of 15,000 contracts per day or more in a given month will receive a Rebate to Add Liquidity in Penny Pilot Options of $0.20 per contract and will pay a Fee for Adding Liquidity in Non-Penny Pilot Options of $0.36 per contract'' is reasonable because the Exchange no longer desires to incentivize these market participants in this manner. The Exchange believes that focusing on attracting Customer and Professional order flow will benefit all market participants. Additionally, the Exchange offers these market participants other incentives such as the incentive to reduce the Fee for Removing Liquidity in Penny Pilot Options by qualifying for Tiers 7 and 8.[20]

The Exchange's proposal to amend the Firm, Non-NOM Market Maker and Broker-Dealer Penny Pilot Options Rebates to Add Liquidity and Fees for Adding Liquidity by removing the opportunity to lower fees as specified in note 2 in Section 2, Chapter XV which states, ''[a] Participant that adds Firm, Non-NOM Market Maker or Broker-Dealer liquidity in Penny Pilot Options and/or Non-Penny Pilot Options of 15,000 contracts per day or more in a given month will receive a Rebate to Add Liquidity in Penny Pilot Options of $0.20 per contract and will pay a Fee for Adding Liquidity in Non-Penny Pilot Options of $0.36 per contract'' is equitable and not unfairly discriminatory because the Exchange would not offer this opportunity to earn higher rebates and receive lower fees to any market participant in this manner.

NOM Market Maker Penny Pilot Options Rebates To Add Liquidity

The Exchange's proposal to amend the Tier 2 NOM Market Maker Rebate to Add Liquidity in Penny Pilot Options which currently pays a $0.25 per contract rebate to apply to NOM Market Maker liquidity in Penny Pilot Options and/or Non-Penny Pilot Options above 0.10% to *0.25%* of total industry customer equity and ETF option ADV contracts per day in a month is reasonable because, specifically, the Exchange believes a greater number of NOM Market Makers may qualify for the Tier 2 rebate. Generally, the proposal is reasonable because it should incentivize NOM Market Makers to post liquidity on NOM. NOM Market Makers are valuable market participants that provide liquidity in the marketplace and incur costs unlike other market participants. The Exchange believes that encouraging NOM Market Makers to be more aggressive when posting liquidity benefits all market participants through increased liquidity.

The Exchange's proposal to amend the Tier 2 NOM Market Maker Rebate to Add Liquidity in Penny Pilot Options which currently pays a $0.25 per contract rebate to apply to NOM Market Maker liquidity in Penny Pilot Options and/or Non-Penny Pilot Options above 0.10% to *0.25%* of total industry customer equity and ETF option ADV contracts per day in a month is equitable and not unfairly discriminatory because all eligible Participants that qualify for the Tier 2 NOM Market Maker Penny Pilot Options Rebate to Add Liquidity metric will be uniformly paid the rebate.[21] Further, the NOM Market Maker rebate proposal is equitable and not unfairly discriminatory because it does not misalign the current rebate structure because NOM Market Makers will continue to earn higher rebates as compared to Firms, Non-NOM Market Makers and Broker-Dealers and will earn the same or lower rebates as compared to Customers and Professionals.

The Exchange's proposal to offer a higher rebate for Tier 3 of $0.40 per contract for options in SPY, QQQ and VXX is reasonable because the proposal seeks to encourage Participants to add liquidity in SPY, QQQ and VXX in order to obtain a higher rebate of $0.40 per contract. The Exchange believes that offering NOM Market Makers the ability to obtain higher rebates is reasonable because it will encourage additional order interaction. The Exchange's proposal to amend the Tier 3 NOM Market Maker Rebate to Add Liquidity in Penny Pilot Options which currently pays a $0.30 per contract rebate, or with this proposal $0.40 per contract for SPY,QQQ and VXX, to apply to NOM Market Maker liquidity in Penny Pilot Options and/or Non-Penny Pilot Options above *0.25%* to 0.60% of total industry customer equity and ETF

[16] *See* current note ''d'' in Section 2, Chapter XV of NOM Rules.

[17] *See* proposed amendment to note ''d'' in Section 2, Chapter XV of NOM Rules.

[18] *See* current note ''d'' in Section 2, Chapter XV of NOM Rules.

[19] Tier 7 requires 50,000 or more contracts per day in a month to be Customer and/or Professional liquidity in Penny Pilot Options. Tier 8 requires Participants to add Customer and/or Professional liquidity in Penny Pilot Options and/or Non-Penny Pilot Options of 0.75% or more of national customer volume in multiply-listed equity and ETF options classes in a month.

[20] *See* current note ''d'' in Section 2, Chapter XV of NOM Rules.

[21] The NOM Market Maker obligations and regulatory requirements remain unchanged. Pursuant to NOM Rules at Chapter VII (Market Participants), Section 5 (Obligations of Market Makers), in registering as a market maker, an Options Participant commits himself to various obligations. Transactions of a Market Maker in its market making capacity must constitute a course of dealings reasonably calculated to contribute to the maintenance of a fair and orderly market, and Market Makers should not make bids or offers or enter into transactions that are inconsistent with such course of dealings. Further, all Market Makers are designated as specialists on NOM for all purposes under the Act or rules thereunder. *See* Chapter VII, Section 5.

option ADV contracts per day in a month is reasonable because the Exchange believes a greater number of NOM Market Makers may qualify for the Tier 3 rebate.

The Exchange's proposal to offer a higher rebate for Tier 3 of $0.40 per contract for options in SPY, QQQ and VXX, or $0.30 for other symbols, if the Participant adds NOM Market Maker liquidity in Penny Pilot Options and/or Non-Penny Pilot Options above *0.25%* to 0.60% of total industry customer equity and ETF option ADV contracts per day in a month is equitable and not unfairly discriminatory because all NOM Market Makers may qualify for the Tier 3 NOM Market Maker Penny Pilot Options Rebate to Add Liquidity.

The Exchange believes that it is reasonable, equitable, and not unfairly discriminatory to adopt specific pricing for SPY, QQQ and VXX because pricing by symbol is a common practice on many U.S. options exchanges as a means to incentivize order flow to be sent to an exchange for execution in the most actively traded options classes, in this case actively traded Penny Pilot Options.[22] The Exchange notes that SPY, QQQ and VXX are some of the most actively traded options in the U.S. The Exchange believes that this pricing will incentivize members to transact options on SPY, QQQ and on NOM in order to obtain the higher $0.40 per contract rebate.

The Exchange's proposal to amend the Tier 4 rebates to assess BAC, GLD and IWM the lower rebate of $0.32 per contract is reasonable because the Exchange believes that despite the decrease, Participants will continue to be incentivized to earn the $0.32 per contract rebate. The Exchange's proposal to increase the Tier 4 rebates for QQQ and VXX to $0.40 per contract, similar to SPY, is reasonable because the proposal seeks to encourage Participants to add more liquidity in QQQ and VXX in order to obtain a higher rebate of $0.40 per contract. The Exchange believes that offering NOM Market Makers the ability to obtain higher rebates is reasonable because it will encourage additional order interaction.

The Exchange's proposals to amend the Tier 4 rebates to assess BAC, GLD and IWM the lower rebate of $0.32 per contract and the Exchange's proposal to increase the Tier 4 rebates for QQQ and VXX to $0.40 per contract, similar to SPY, are equitable and not unfairly discriminatory because all NOM Market Makers may qualify for the Tier 4 NOM Market Maker Penny Pilot Options Rebate to Add Liquidity.

The Exchange believes that adding to the phrase ''above 0.60%'' the words ''*to 0.90%*'' to Tier 4 is reasonable, equitable and not unfairly discriminatory because it will clarify the rule text with respect to the qualification for the rebate and apply uniformly to all market participants. The Exchange pays a Rebate to Add Liquidity in Tier 6 to Participants that add NOM Market Maker in Penny Pilot Options and/or Non-Penny Pilot Options above 0.90% in Tier 6.[23] The Exchange believes clarifying Tier 4 will make this clear.

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

NASDAQ does not believe that the proposed rule changes will result in any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act, as amended. The Exchange's proposal to increase the Customer Penny Pilot Options Fee for Removing Liquidity to $0.48 per contract does not create an undue burden on competition because Customers will continue to be assessed lower fees as compared to non-Customer market participants. Customer liquidity benefits all market participants by providing more trading opportunities, which attracts Specialists and Market Makers. An increase in the activity of these market participants in turn facilitates tighter spreads, which may cause an additional corresponding increase in order flow from other market participants. Also, the Exchange is offering Customers, similar to other non-Customer market participants, the opportunity to lower the Customer Penny Pilot Options Fee for Removing Liquidity by qualifying for Customer or Professional Rebate to Add Liquidity Tiers 7 or 8 in a given month. The Exchange believes that offering Customers the opportunity to lower the Customer Fee for Removing Liquidity in Penny Pilot Options, provided they qualify for Customer or Professional Rebate to Add Liquidity Tiers 7 or 8 in a given month, does not impose an unfair burden on competition because incentivizing Customers to transact a greater number of Customer and Professional orders,[24] in order to lower fees, results in increased liquidity which benefits other market participants that have the opportunity to interact with this order flow.

The Exchange's proposal to amend the Firm, Non-NOM Market Maker and Broker-Dealer Penny Pilot Options Rebates to Add Liquidity and Non-Penny Pilot Fees for Adding Liquidity to remove the incentive if a Participant adds Firm, Non-NOM Market Maker or Broker-Dealer liquidity in Penny Pilot Options and/or Non-Penny Pilot Options of 15,000 contracts per day or more in a given month they will receive a Rebate to Add Liquidity in Penny Pilot Options of $0.20 per contract and will pay a Fee for Adding Liquidity in Non-Penny Pilot Options of $0.36 per contract does not create an undue burden on competition because the Exchange would not offer this opportunity to earn higher rebates and receive lower fees to any market participant in this manner.

The Exchange's proposal to amend the Tier 2 NOM Market Maker Rebate to Add Liquidity in Penny Pilot Options which currently pays a $0.25 per contract rebate to apply to NOM Market Maker liquidity in Penny Pilot Options and/or Non-Penny Pilot Options above 0.10% to *0.25%* of total industry customer equity and ETF option ADV contracts per day in a month does not create an undue burden on competition because it should incentivize NOM Market Makers to post liquidity on NOM. NOM Market Makers are valuable market participants that provide liquidity in the marketplace and incur costs unlike other market participants. The Exchange believes that encouraging NOM Market Makers to be more aggressive when posting liquidity benefits all market participants through increased liquidity.

The Exchange's proposal to offer a higher rebate for Tier 3 of $0.40 per contract for options in SPY, QQQ and VXX does not create an undue burden on competition because all NOM Market Makers may qualify for the Tier 3 NOM Market Maker Penny Pilot Options Rebate to Add Liquidity. Also more Participants may qualify for the rebate because of the lower tier, 0.25% to 0.60% as compared to 0.30% to 0.60%.

The Exchange's proposal to amend the Tier 4 rebates to assess BAC, GLD and IWM the lower rebate of $0.32 per contract and raise the QQQ and VXX rebate to $0.40 per contract, similar to SPY, does not create an undue burden on competition because all NOM Market Makers may qualify for the Tier 4 NOM Market Maker Penny Pilot Options Rebate to Add Liquidity. The Exchange believes that adding the ''to 0.90%'' language to Tier 4 does not create an undue burden on competition because it will clarify the rule text with respect to the qualification for the rebate and

[22] *See* NASDAQ OMX PHLX LLC's Pricing Schedule. See also the International Securities Exchange LLC's Fee Schedule. Both of these markets segment pricing by symbol.

[23] *See* note 13.

[24] *See* note 18.

apply uniformly to all market participants.

The Exchange believes the differing outcomes, rebates and fees created by the Exchange's proposed pricing incentives contribute to the overall health of the market place to the benefit of all Participants that willing choose to transact options on NOM. For the reasons specified herein, the Exchange does not believe this proposal creates an undue burden on competition. The Exchange operates in a highly competitive market comprised of twelve U.S. options exchanges in which many sophisticated and knowledgeable market participants can readily and do send order flow to competing exchanges if they deem fee levels or rebate incentives at a particular exchange to be excessive or inadequate. These market forces support the Exchange belief that the proposed rebate structure and tiers proposed herein are competitive with rebates and tiers in place on other exchanges. The Exchange believes that this competitive marketplace continues to impact the rebates present on the Exchange today and substantially influences the proposals set forth above.

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 is effective upon filing pursuant to Section 19(b)(3)(A) [25] of the Act and subparagraph (f)(2) of Rule 19b–4 [26] thereunder, because it establishes a due, fee, or other charge imposed by the Exchange.

At any time within 60 days of the filing of such 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 under Section 19(b)(2)(B) [27] of the Act 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:

Electronic Comments

- Use the Commission's Internet comment form (*http://www.sec.gov/rules/sro.shtml*); or
- Send an email to *rule-comments@sec.gov.* Please include File Number SR–NASDAQ–2014–077 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–2014–077. This file number should be included on the subject line if email is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet Web site (*http://www.sec.gov/rules/sro.shtml*). Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for Web site viewing and printing in the Commission's Public Reference Room, 100 F Street NE., Washington, DC 20549, on official business days between the hours of 10:00 a.m. and 3:00 p.m. Copies of 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–2014–077, and should be submitted on or before September 9, 2014.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.[28]

Kevin M. O'Neill,

Deputy Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–72837; File No. SR–CME–2014–30]

Self-Regulatory Organizations; Chicago Mercantile Exchange Inc.; Notice of Filing of Proposed Rule Change Related to 2014 ISDA Definitions

August 13, 2014.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (''Exchange Act'' or ''Act''),[1] and Rule 19b–4 thereunder,[2] notice is hereby given that on August 11, 2014, Chicago Mercantile Exchange Inc. (''CME'') filed with the Securities and Exchange Commission (''Commission'') the proposed rule change described in Items I, II and III below, which Items have been prepared primarily by CME. 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 purpose of the proposed changes to CME's clearing rules (the ''CDS Product Rules'') is to (i) incorporate references to revised Credit Derivatives Definitions, as published by the International Swaps and Derivatives Association, Inc. (''ISDA'') on February 21, 2014 (the ''2014 ISDA Definitions''), which are the successor definitions to the 2003 Credit Derivatives Definitions published by ISDA and as supplemented in 2009 (together, the ''2003 ISDA Definitions'') and (ii) provide greater clarity with respect to the operation of certain provisions in the CDS Product Rules. CME is submitting the proposed amendments to the CDS Product Rules to incorporate references to the 2014 ISDA Definitions. The effectiveness of the Proposed CME Rules is intended to coincide with the date on which the credit derivatives market is expected to transition to the 2014 ISDA Definitions, which is currently anticipated to be September 22, 2014. As such, the Proposed CME

[25] 15 U.S.C. 78s(b)(3)(A).

[26] 17 CFR 240.19b–4(f)(2).

[27] 15 U.S.C. 78s(b)(2)(B).

[28] 17 CFR 200.30–3(a)(12).

[1] 15 U.S.C. 78s(b)(1).

[2] 17 CFR 240.19b–4.