

SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34-57147; File No. SR-NASDAQ-2008-001)

January 14, 2008

Self-Regulatory Organizations; The NASDAQ Stock Market LLC; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change and Amendment No. 1 Thereto to Modify Fees for Members Using the Nasdaq Market Center

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on January 2, 2008, The NASDAQ Stock Market LLC (“Nasdaq”) filed with the Securities and Exchange Commission (“Commission”) the proposed rule change as described in Items I, II and III below, which Items have been prepared substantially by the Nasdaq. On January 11, 2008, Nasdaq filed Amendment No. 1 to the proposed rule change for the purpose of providing a more detailed description of the statutory basis for the proposed rule change and correcting a minor typographical error. Nasdaq has designated this proposal as one establishing or changing a member due, fee, or other charge imposed by the Exchange under Section 19(b)(3)(A)(ii) of the Act<sup>3</sup> and Rule 19b-4(f)(2) thereunder,<sup>4</sup> which renders the proposal effective upon filing with the Commission. The Commission is publishing this notice to solicit comments on the proposed rule change, as amended, from interested persons.

I. Self-Regulatory Organization's Statement of the Terms of Substance of the Proposed Rule Change

Nasdaq proposes to modify pricing for Nasdaq members using the Nasdaq Market Center. Nasdaq will implement this rule change on January 2, 2008. The text of the proposed

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<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 17 CFR 240.19b-4.

<sup>3</sup> 15 U.S.C. 78s(b)(3)(A)(ii).

<sup>4</sup> 17 CFR 240.19b-4(f)(2).

rule change is available at [www.nasdaq.complinet.com](http://www.nasdaq.complinet.com), the principal offices of the Exchange, and 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, Nasdaq 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. Nasdaq 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

Nasdaq is revising its pricing schedule for transaction execution and routing to enhance incentives for liquidity provision and display of quotes/orders that provide liquidity. Nasdaq is also adopting different pricing schedules for each of the types of securities that it trades that reflect modest increases in some of the fees to access liquidity or route orders. For securities listed on Nasdaq,<sup>5</sup> the fees are largely unchanged, except that the liquidity provider rebate will be reduced by \$0.0001 per share executed for quotes/orders that are designated for posting to the Nasdaq book without being displayed to other market participants. Although Nasdaq, like other markets, gives market participants the option of posting undisplayed liquidity, Nasdaq believes that it is appropriate to use pricing incentives to encourage display of liquidity to the greatest extent possible.

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<sup>5</sup> As described in Nasdaq Interpretive Material 4390, securities that are dually listed on Nasdaq and the New York Stock Exchange ("NYSE") are treated as NYSE-listed securities for most purposes under Nasdaq rules, including execution and routing fees.

With regard to fees for executing orders in securities listed on NYSE, routing such orders to venues other than NYSE, and routing of orders for exchange-traded funds (“ETFs”) to NYSE for execution, Nasdaq is increasing both its order execution and routing fees and its liquidity provider rebate. For these transactions, members with an average daily volume through the Nasdaq Market Center in all securities during the month of (i) more than 35 million shares of liquidity provided, and (ii) more than 55 million shares of liquidity accessed and/or routed; or members with an average daily volume through the Nasdaq Market Center in all securities during the month of (i) more than 25 million shares of liquidity provided, and (ii) more than 65 million shares of liquidity accessed and/or routed, will pay \$0.0028 per share executed (up from \$0.0026 per share executed) for order execution and routing of orders that check the Nasdaq book for the full size of the order prior to routing. Members with an average daily volume through the Nasdaq Market Center in all securities during the month of (i) more than 20 million shares of liquidity provided, and (ii) more than 35 million shares of liquidity accessed and/or routed will pay \$0.0029 per share executed (up from \$0.0028 per share executed). Other members will continue to pay \$0.003 per share executed. However, the liquidity provider rebates for these securities will also increase as follows: Members with an average daily volume through the Nasdaq Market Center in all securities during the month of more than 35 million shares of liquidity provided will receive \$0.0027 per share executed (up from \$0.0025 per share executed). Members with an average daily volume through the Nasdaq Market Center in all securities during the month of more than 20 million shares of liquidity provided will receive \$0.0023 per share executed (up from \$0.0022), and other members will continue to receive \$0.0020. As with Nasdaq-listed securities, however, these liquidity provider rebates will be reduced by \$0.0001 per share executed for quotes/orders that are not displayed.

With regard to fees for routing orders for securities other than ETFs to the NYSE, Nasdaq is making slight increases to the fees for orders that are routed without attempting to execute in Nasdaq for the full size of the order prior to routing, to enhance incentives for market participants to enter orders that check the Nasdaq book before routing. Specifically, the fee for a Directed Intermarket Sweep Order and an order that attempts to execute solely against displayed interest prior to routing will increase to \$0.001 per share executed from \$0.0009 per share executed. For members with an average daily volume through the Nasdaq Market Center in all securities during the month of more than 35 million shares of liquidity provided, the fee for other orders that do not attempt to execute for full size before routing will increase to \$0.0009 from \$0.0008; for members with an average daily volume in all securities during the month of more than 60 million shares of liquidity routed to the NYSE without attempting to execute in the Nasdaq Market Center in any respect (other than Directed Intermarket Sweep Orders) the fee for these orders will increase from \$0.000825 to \$0.0009, and for all other members, the fee will increase from either \$0.00085 or \$0.0009 to \$0.001.

For securities listed on exchanges other than Nasdaq and the NYSE, the fees to execute orders in these securities on Nasdaq will remain unchanged. The fees to route orders in these securities that check the Nasdaq book for the full size of the order prior to routing to other exchanges will increase as follows: Members with an average daily volume through the Nasdaq Market Center in all securities during the month of (i) more than 35 million shares of liquidity provided, and (ii) more than 55 million shares of liquidity accessed and/or routed; or members with an average daily volume through the Nasdaq Market Center in all securities during the month of (i) more than 25 million shares of liquidity provided, and (ii) more than 65 million shares of liquidity accessed and/or routed, will pay \$0.0028 per share executed (up from \$0.0026

per share executed). Members with an average daily volume through the Nasdaq Market Center in all securities during the month of (i) more than 20 million shares of liquidity provided, and (ii) more than 35 million shares of liquidity accessed and/or routed will pay \$0.0029 per share executed (up from \$0.0028 per share executed), and other members will continue to pay \$0.003 per share executed. As with the liquidity provider rebates for other securities, the rebates paid with respect to securities listed on exchanges other than Nasdaq and NYSE will be reduced by \$0.0001 per share executed for quotes/orders that are not displayed.

Finally, in order to accurately reflect these changes, the proposed rule change also includes a non-substantive restructuring of the rule text. Thus, many of the provisions of new paragraphs 7018(a)(2) and (a)(4) that appear as new rule text reflect existing fees that are currently reflected in paragraph (a)(1).

## 2. Statutory Basis

Nasdaq believes that the proposed rule change is consistent with the provisions of Section 6 of the Act,<sup>6</sup> in general, and with Section 6(b)(4) of the Act,<sup>7</sup> in particular, in that it provides for the equitable allocation of reasonable dues, fees and other charges among members and issuers and other persons using any facility or system which Nasdaq operates or controls. The changes enhance incentives for liquidity provision, display of executable orders on the Nasdaq book, and use of orders that check the Nasdaq book prior to routing while instituting increases in certain routing and execution fees that are balanced by increases in liquidity provider rebates. The impact of the changes upon the net fees paid by a particular market participant will depend upon a number of variables, including the types of securities that it trades through Nasdaq, its monthly volume, the order types it uses, and the prices of its quotes and orders. Nasdaq notes that it

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<sup>6</sup> 15 U.S.C. 78f.

<sup>7</sup> 15 U.S.C. 78f(b)(4).

operates in a highly competitive market in which market participants can readily direct order flow to competing venues if they deem fee levels at a particular venue to be excessive.

Accordingly, to the extent that certain routing and execution fees are increasing, Nasdaq believes that these fees remain competitive with those charged by other venues and therefore continue to be reasonable and equitably allocated to those members that opt to direct orders to Nasdaq rather than competing venues.

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

Nasdaq does not believe that the proposed rule change will impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act, as amended.

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

Written comments were neither solicited nor received.

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

The foregoing proposed rule change has been designated as a fee change pursuant to Section 19(b)(3)(A)(ii) of the Act<sup>8</sup> and Rule 19b-4(f)(2)<sup>9</sup> thereunder, because it establishes or changes a due, fee, or other charge imposed on members by Nasdaq. Accordingly, the proposal is effective upon filing with the Commission. At any time within 60 days of the filing of the proposed rule change, the Commission may summarily abrogate 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.<sup>10</sup>

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<sup>8</sup> 15 U.S.C. 78s(b)(3)(A)(ii).

<sup>9</sup> 17 CFR 240.19b-4(f)(2).

<sup>10</sup> For purposes of calculating the 60-day period within which the Commission may summarily abrogate the proposed rule change under Section 19(b)(3)(C) of the Act, the

#### IV. Solicitation of Comments

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

##### Electronic comments:

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>); or
- Send an e-mail to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include File Number SR-NASDAQ-2008-001 on the subject line.

##### Paper comments:

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

All submissions should refer to File Number SR-NASDAQ-2008-001. 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 inspection and copying 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

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Commission considers the period to commence on January 11, 2008, the date on which Nasdaq filed Amendment No. 1.

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 publicly available. All submissions should refer to File Number SR-NASDAQ-2008-001 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.<sup>11</sup>

Florence E. Harmon  
Deputy Secretary

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<sup>11</sup> 17 CFR 200.30-3(a)(12).