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

Section 806(e)(1) *
Section 806(e)(2) *

Security-Based Swap Submission pursuant to the Securities Exchange Act of 1934

Section 3C(b)(2) *

Exhibit 2 Sent As Paper Document
Exhibit 3 Sent As Paper Document

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

Executive Vice President and General Counsel

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

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

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

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

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

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

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) Nasdaq BX, Inc. ("BX" 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 ("SEC" or "Commission") a proposal to amend the Exchange’s transaction fees at Rule 7018(a), as described further below.

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

   (b) Not applicable.

   (c) Not applicable.

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

   The proposed rule change was approved by senior management of the Exchange pursuant to authority delegated by the Board of Directors (the "Board") on September 19, 2017. Exchange staff will advise the Board of any action taken pursuant to delegated authority. No other action is necessary for the filing of the rule change.

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

   **Brett Kitt**
   Senior Associate General Counsel
   Nasdaq, Inc.
   (301) 978-8132

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

   a. **Purpose**

   The purpose of the proposed rule change is to amend the Exchange's transaction fees at Rule 7018 to (i) adjust the volume threshold for a credit associated with orders that access liquidity that are entered by members that access liquidity equal to or in excess of a certain percentage of their total Consolidated Volume\(^3\) for a month; and (ii) adding two credit tiers for orders entered by members that, during a given month, have a total volume (accessing and providing liquidity) equal to or exceeding 0.50% of total Consolidated Volume, at least 20% more volume during that month (as a percentage of Consolidated Volume) than the member’s total volume in July 2018, and where at least 30% of that 20% increase in volume arises from adding liquidity.

   **First Change**

   The Exchange operates on the “taker-maker” model, whereby it pays credits to members that take liquidity and charges fees to members that provide liquidity. Currently, the Exchange offers several different credits for orders that access liquidity on the Exchange. Among these credits, the Exchange pays a credit of $0.0015 per share executed for an order that accesses liquidity (excluding orders with Midpoint pegging and excluding orders that receive price improvement and execute against an order with a Non-displayed price) entered by a member that accesses liquidity equal to or exceeding 0.075% of total Consolidated Volume during a month. The Exchange proposes to

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\(^3\) Pursuant to Rule 7018(a), the term “Consolidated Volume” means the total consolidated volume reported to all consolidated transaction reporting plans by all exchanges and trade reporting facilities during a month in equity securities, excluding executed orders with a size of less than one round lot.
decrease the Consolidated Volume threshold applicable to this credit to 0.065% of total Consolidated Volume during a month. The Exchange recently had increased this threshold to 0.075%, but it has since determined that this level is too high. It now proposes to recalibrate the threshold downward to make it easier for firms to reach the Consolidated Volume threshold necessary to qualify for the credit.

Second Change

The Exchange presently offers several credits for members whose orders remove liquidity from the Exchange. Among these credits, the Exchange offers a $0.0018 per share executed credit for orders that access liquidity in securities in Tapes A and C (excluding orders with Midpoint pegging and excluding orders that receive price improvement and execute against an order with a Non-displayed price) that are entered by a member that: (i) accesses liquidity equal to or exceeding 0.20% of total Consolidated Volume during a month; and (ii) accesses 20% more liquidity as a percentage of Consolidated Volume than the member accessed in May 2018. The Exchange also offers a $0.0019 per share executed credit for orders that access liquidity in Tape B (excluding orders with Midpoint pegging and excluding orders that receive price improvement and execute against an order with a Non-displayed price) that are entered by a member that: (i) accesses liquidity equal to or exceeding 0.20% of total Consolidated Volume during a month; and (ii) accesses 20% more liquidity as a percentage of Consolidated Volume than the member accessed in May 2018.

The Exchange now plans to add two new tiers that will also entitle members to receive credits of $0.0018 and $0.0019 per share executed. The first of these new tiers

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will offer a member a $0.0018 per share executed credit for its orders that access liquidity in securities in Tapes A and C (excluding orders with Midpoint pegging and excluding orders that receive price improvement and execute against an order with a Non-displayed price) to the extent that the member, during a given month: (i) has a total volume (including both providing and accessing liquidity) that is equal to or exceeds 0.20% of total Consolidated Volume during that month; (ii) has a total volume that is at least 20% greater (as a percentage of Consolidated Volume) than its total volume in July 2018; and (iii) of the 20% or more increase in total volume described above, at least 30% is attributable to adding liquidity. The second tier will offer a member a $0.0019 per share executed credit for orders that access liquidity in securities in Tape B (excluding orders with Midpoint pegging and excluding orders that receive price improvement and execute against an order with a Non-displayed price) to members that satisfy these same three conditions.

An example of how these two new credits will work is as follows. Firm X adds and removes 0.60% of total Consolidated Volume in securities in Tape A in July 2018. In August 2018, Firm X adds and removes 0.72% of total Consolidated Volume in securities in the same Tape. The increase in total volume as a percentage of total Consolidated Volume from July to August is 0.12% – which is an increase of approximately 20%. If at least 30% of that 0.12% increase (0.036%) is attributable to Firm X adding liquidity, then Firm X will qualify for a $0.0018 per share executed credit for its orders that access liquidity in securities in Tape A (excluding orders with Midpoint pegging and excluding orders that receive price improvement and execute against an order with a Non-displayed price).
The Exchange proposes to add these credits to provide new and stronger incentive for members to increase their total volume of activity on the Exchange, provided that at least a certain percentage of that increase in total volume arises from adding liquidity. The Exchange also proposes a higher credit for increasing volume in Tape B than it does in Tapes A or C to specifically target Tape B securities, where the Exchange has seen less activity than it has in Tape A and C securities.

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 Sections 6(b)(4) and 6(b)(5) of the Act, 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, and is not designed to permit unfair discrimination between customers, issuers, brokers, or dealers.

The Commission and the courts have repeatedly expressed their preference for competition over regulatory intervention in determining prices, products, and services in the securities markets. In Regulation NMS, while adopting a series of steps to improve the current market model, the Commission highlighted the importance of market forces in determining prices and SRO revenues and, also, recognized that current regulation of the market system “has been remarkably successful in promoting market competition in its broader forms that are most important to investors and listed companies.”

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6  15 U.S.C. 78f(b)(4) and (5).

Likewise, in NetCoalition v. Securities and Exchange Commission\(^8\) (“NetCoalition”) the D.C. Circuit upheld the Commission’s use of a market-based approach in evaluating the fairness of market data fees against a challenge claiming that Congress mandated a cost-based approach.\(^9\) As the court emphasized, the Commission “intended in Regulation NMS that ‘market forces, rather than regulatory requirements’ play a role in determining the market data . . . to be made available to investors and at what cost.”\(^10\)

Further, “[n]o one disputes that competition for order flow is ‘fierce.’ … As the SEC explained, ‘[i]n the U.S. national market system, buyers and sellers of securities, and the broker-dealers that act as their order-routing agents, have a wide range of choices of where to route orders for execution’; [and] ‘no exchange can afford to take its market share percentages for granted’ because ‘no exchange possesses a monopoly, regulatory or otherwise, in the execution of order flow from broker dealers’….\(^11\) Although the court and the SEC were discussing the cash equities markets, the Exchange believes that these views apply with equal force to the options markets.

**First Change**

The Exchange believes that it is reasonable to decrease the Consolidated Volume threshold on its credit for orders that access liquidity (excluding orders with Midpoint pegging and excluding orders that receive price improvement and execute against an

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\(^8\) NetCoalition v. SEC, 615 F.3d 525 (D.C. Cir. 2010).

\(^9\) See NetCoalition, at 534 - 535.

\(^10\) Id. at 537.

\(^11\) Id. at 539 (quoting Securities Exchange Act Release No. 59039 (December 2, 2008), 73 FR 74770, 74782-83 (December 9, 2008) (SR-NYSEArca-2006-21)).
order with Midpoint pegging) entered by members that access liquidity equal to or exceeding 0.075% of total Consolidated Volume during a month. The Exchange must, from time to time, assess the effectiveness of its credits in achieving their intended objectives and adjust the levels of such credits based on the Exchange’s observations of market participant behavior. In this instance, the Exchange recently had increased the Consolidated Volume threshold to provide a stronger incentive to market participants to improve the market, but the Exchange has since determined that this increase was too high and that the threshold needs to be recalibrated downward to 0.065% to ensure that firms can continue to qualify for the credit. The Exchange believes that the proposed decrease is equitable and is not unfairly discriminatory because it will apply to all similarly situated member firms.

Second Change

Likewise, the Exchange believes that its proposal is reasonable to add new credits for orders that access liquidity (excluding orders with Midpoint pegging and those that receive price improvement and execute against an order with a non-displayed price) that are entered by members that, in a given month, remove and access liquidity equal to or in excess of 0.50% of Consolidated Volume during the month, have a total volume (as a percentage of Consolidated Volume) that is 20% greater than it was in July 2018, and where at least 30% of the 20% increase in total volume (as a percentage of Consolidated Volume) arises from adding liquidity. This proposal is reasonable because it will provide new and stronger incentive for members to improve the market by both adding and removing liquidity from the Exchange. It will also incent them to increase the extent of this activity on the Exchange relative to their activity levels as of July 2018. The
Exchange believes it is reasonable, equitable, and not unfairly discriminatory to propose a higher credit to members that increase volume in securities in Tape B than those that do so in securities in Tapes A and C because the Exchange has experienced less activity in Tape B securities relative to Tapes A and C securities and it wishes to specifically target increased activity with respect to Tape B securities. The Exchange also believes that these proposals are equitable and not unfairly discriminatory because they will apply to all similarly situated member firms.

4. **Self-Regulatory Organization’s Statement on Burden on Competition**

The Exchange does not believe that the proposed rule change will impose any burden on competition not necessary or appropriate in furtherance of the purposes of the Act. In terms of inter-market competition, the Exchange notes that it operates in a highly competitive market in which market participants can readily favor competing venues if they deem fee levels at a particular venue to be excessive, or rebate opportunities available at other venues to be more favorable. In such an environment, the Exchange must continually adjust its fees and credits to remain competitive with other exchanges and with alternative trading systems that have been exempted from compliance with the statutory standards applicable to exchanges. Because competitors are free to modify their own fees and credits in response, and because market participants may readily adjust their order routing practices, the Exchange believes that the degree to which fee or credit changes in this market may impose any burden on competition is extremely limited.

In this instance, the Exchange’s proposals to add to or modify its credits do not impose a burden on competition because these proposals are reflective of the Exchange's overall efforts to provide greater incentives to market participants that it believes will improve the market, to the benefit of all participants. The Exchange does not believe that
any of the proposed changes will impair the ability of members or competing order
execution venues to maintain their competitive standing in the financial markets.
Moreover, because there are numerous competitive alternatives to the use of the
Exchange, it is likely that BX will lose market share as a result of the changes if they are
unattractive to market participants.

Likewise, the Exchange’s proposed credits and credit amendments do not impose
a burden on competition because the Exchange's execution services are completely
voluntary and subject to extensive competition both from other exchanges and from off-
exchange venues. Again, if the proposed credits are unattractive to market participants, it
is likely that the Exchange will lose market share as a result. Accordingly, the Exchange
does not believe that the proposal will impair the ability of members or competing order
execution venues to maintain their competitive standing in the financial markets.

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

No written comments were either solicited or received.

6. **Extension of Time Period for Commission Action**

Not applicable.

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

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

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

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

   Not applicable.

9. **Security-Based Swap Submissions Filed Pursuant to Section 3C of the Act**

   Not applicable.

10. **Advance Notices Filed Pursuant to Section 806(e) of the Payment, Clearing and Settlement Supervision Act**

    Not applicable.

11. **Exhibits**


    5. Text of the proposed rule change.
Self-Regulatory Organizations; Nasdaq BX, Inc.; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Amend Section 7018(a) of the Exchange’s Rules

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 31, 2018, Nasdaq BX, Inc. (“BX” or “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 the Exchange’s transaction fees at Rule 7018(a), as described further below.

While these amendments are effective upon filing, the Exchange has designated the proposed amendments to be operative on August 1, 2018.

The text of the proposed rule change is available on the Exchange’s Website at http://nasdaqbx.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 purpose of the proposed rule change is to amend the Exchange's transaction fees at Rule 7018 to (i) adjust the volume threshold for a credit associated with orders that access liquidity that are entered by members that access liquidity equal to or in excess of a certain percentage of their total Consolidated Volume³ for a month; and (ii) adding two credit tiers for orders entered by members that, during a given month, have a total volume (accessing and providing liquidity) equal to or exceeding 0.50% of total Consolidated Volume, at least 20% more volume during that month (as a percentage of Consolidated Volume) than the member’s total volume in July 2018, and where at least 30% of that 20% increase in volume arises from adding liquidity.

First Change

The Exchange operates on the “taker-maker” model, whereby it pays credits to members that take liquidity and charges fees to members that provide liquidity.

³ Pursuant to Rule 7018(a), the term “Consolidated Volume” means the total consolidated volume reported to all consolidated transaction reporting plans by all exchanges and trade reporting facilities during a month in equity securities, excluding executed orders with a size of less than one round lot.
Currently, the Exchange offers several different credits for orders that access liquidity on the Exchange. Among these credits, the Exchange pays a credit of $0.0015 per share executed for an order that accesses liquidity (excluding orders with Midpoint pegging and excluding orders that receive price improvement and execute against an order with a Non-displayed price) entered by a member that accesses liquidity equal to or exceeding 0.075% of total Consolidated Volume during a month. The Exchange proposes to decrease the Consolidated Volume threshold applicable to this credit to 0.065% of total Consolidated Volume during a month. The Exchange recently had increased this threshold to 0.075%,4 but it has since determined that this level is too high. It now proposes to recalibrate the threshold downward to make it easier for firms to reach the Consolidated Volume threshold necessary to qualify for the credit.

Second Change

The Exchange presently offers several credits for members whose orders remove liquidity from the Exchange. Among these credits, the Exchange offers a $0.0018 per share executed credit for orders that access liquidity in securities in Tapes A and C (excluding orders with Midpoint pegging and excluding orders that receive price improvement and execute against an order with a Non-displayed price) that are entered by a member that: (i) accesses liquidity equal to or exceeding 0.20% of total Consolidated Volume during a month; and (ii) accesses 20% more liquidity as a percentage of Consolidated Volume than the member accessed in May 2018. The Exchange also offers a $0.0019 per share executed credit for orders that access liquidity in securities in Tape B (excluding orders with Midpoint pegging and excluding orders

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that receive price improvement and execute against an order with a Non-displayed price) that are entered by a member that: (i) accesses liquidity equal to or exceeding 0.20% of total Consolidated Volume during a month; and (ii) accesses 20% more liquidity as a percentage of Consolidated Volume than the member accessed in May 2018.

The Exchange now plans to add two new tiers that will also entitle members to receive credits of $0.0018 and $0.0019 per share executed. The first of these new tiers will offer a member a $0.0018 per share executed credit for its orders that access liquidity in securities in Tapes A and C (excluding orders with Midpoint pegging and excluding orders that receive price improvement and execute against an order with a Non-displayed price) to the extent that the member, during a given month: (i) has a total volume (including both providing and accessing liquidity) that is equal to or exceeds 0.20% of total Consolidated Volume during that month; (ii) has a total volume that is at least 20% greater (as a percentage of Consolidated Volume) than its total volume in July 2018; and (iii) of the 20% or more increase in total volume described above, at least 30% is attributable to adding liquidity. The second tier will offer a member a $0.0019 per share executed credit for orders that access liquidity in securities in Tape B (excluding orders with Midpoint pegging and excluding orders that receive price improvement and execute against an order with a Non-displayed price) to members that satisfy these same three conditions.

An example of how these two new credits will work is as follows. Firm X adds and removes 0.60% of total Consolidated Volume in securities in Tape A in July 2018. In August 2018, Firm X adds and removes 0.72% of total Consolidated Volume in securities in the same Tape. The increase in total volume as a percentage of total
Consolidated Volume from July to August is 0.12% – which is an increase of approximately 20%. If at least 30% of that 0.12% increase (0.036%) is attributable to Firm X adding liquidity, then Firm X will qualify for a $0.0018 per share executed credit for its orders that access liquidity in securities in Tape A (excluding orders with Midpoint pegging and excluding orders that receive price improvement and execute against an order with a Non-displayed price).

The Exchange proposes to add these credits to provide new and stronger incentive for members to increase their total volume of activity on the Exchange, provided that at least a certain percentage of that increase in total volume arises from adding liquidity. The Exchange also proposes a higher credit for increasing volume in Tape B than it does in Tapes A or C to specifically target Tape B securities, where the Exchange has seen less activity than it has in Tape A and C securities.

2. **Statutory Basis**

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

The Commission and the courts have repeatedly expressed their preference for competition over regulatory intervention in determining prices, products, and services in the securities markets. In Regulation NMS, while adopting a series of steps to improve


\(^6\)  15 U.S.C. 78f(b)(4) and (5).
the current market model, the Commission highlighted the importance of market forces in
determining prices and SRO revenues and, also, recognized that current regulation of the
market system “has been remarkably successful in promoting market competition in its
broader forms that are most important to investors and listed companies.”

Likewise, in NetCoalition v. Securities and Exchange Commission (“NetCoalition”) the D.C. Circuit upheld the Commission’s use of a market-based
approach in evaluating the fairness of market data fees against a challenge claiming that
Congress mandated a cost-based approach. As the court emphasized, the Commission
“intended in Regulation NMS that ‘market forces, rather than regulatory requirements’
play a role in determining the market data . . . to be made available to investors and at
what cost.”

Further, “[n]o one disputes that competition for order flow is ‘fierce.’ … As the
SEC explained, ‘[i]n the U.S. national market system, buyers and sellers of securities, and
the broker-dealers that act as their order-routing agents, have a wide range of choices of
where to route orders for execution’; [and] ‘no exchange can afford to take its market
share percentages for granted’ because ‘no exchange possesses a monopoly, regulatory or
otherwise, in the execution of order flow from broker dealers’…” Although the court

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7 Securities Exchange Act Release No. 51808 (June 9, 2005), 70 FR 37496, 37499
(June 29, 2005) (“Regulation NMS Adopting Release”).

8 NetCoalition v. SEC, 615 F.3d 525 (D.C. Cir. 2010).

9 See NetCoalition, at 534 - 535.

10 Id. at 537.

11 Id. at 539 (quoting Securities Exchange Act Release No. 59039 (December 2,
2008), 73 FR 74770, 74782-83 (December 9, 2008) (SR-NYSEArca-2006-21)).
and the SEC were discussing the cash equities markets, the Exchange believes that these views apply with equal force to the options markets.

**First Change**

The Exchange believes that it is reasonable to decrease the Consolidated Volume threshold on its credit for orders that access liquidity (excluding orders with Midpoint pegging and excluding orders that receive price improvement and execute against an order with Midpoint pegging) entered by members that access liquidity equal to or exceeding 0.075% of total Consolidated Volume during a month. The Exchange must, from time to time, assess the effectiveness of its credits in achieving their intended objectives and adjust the levels of such credits based on the Exchange’s observations of market participant behavior. In this instance, the Exchange recently had increased the Consolidated Volume threshold to provide a stronger incentive to market participants to improve the market, but the Exchange has since determined that this increase was too high and that the threshold needs to be recalibrated downward to 0.065% to ensure that firms can continue to qualify for the credit. The Exchange believes that the proposed decrease is equitable and is not unfairly discriminatory because it will apply to all similarly situated member firms.

**Second Change**

Likewise, the Exchange believes that its proposal is reasonable to add new credits for orders that access liquidity (excluding orders with Midpoint pegging and those that receive price improvement and execute against an order with a non-displayed price) that are entered by members that, in a given month, remove and access liquidity equal to or in excess of 0.50% of Consolidated Volume during the month, have a total volume (as a
percentage of Consolidated Volume) that is 20% greater than it was in July 2018, and where at least 30% of the 20% increase in total volume (as a percentage of Consolidated Volume) arises from adding liquidity. This proposal is reasonable because it will provide new and stronger incentive for members to improve the market by both adding and removing liquidity from the Exchange. It will also incent them to increase the extent of this activity on the Exchange relative to their activity levels as of July 2018. The Exchange believes it is reasonable, equitable, and not unfairly discriminatory to propose a higher credit to members that increase volume in securities in Tape B than those that do so in securities in Tapes A and C because the Exchange has experienced less activity in Tape B securities relative to Tapes A and C securities and it wishes to specifically target increased activity with respect to Tape B securities. The Exchange also believes that these proposals are equitable and not unfairly discriminatory because they will apply to all similarly situated member firms.

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

The Exchange does not believe that the proposed rule change will impose any burden on competition not necessary or appropriate in furtherance of the purposes of the Act. In terms of inter-market competition, the Exchange notes that it operates in a highly competitive market in which market participants can readily favor competing venues if they deem fee levels at a particular venue to be excessive, or rebate opportunities available at other venues to be more favorable. In such an environment, the Exchange must continually adjust its fees and credits to remain competitive with other exchanges and with alternative trading systems that have been exempted from compliance with the statutory standards applicable to exchanges. Because competitors are free to modify their own fees and credits in response, and because market participants may readily adjust their
order routing practices, the Exchange believes that the degree to which fee or credit changes in this market may impose any burden on competition is extremely limited.

In this instance, the Exchange’s proposals to add to or modify its credits do not impose a burden on competition because these proposals are reflective of the Exchange's overall efforts to provide greater incentives to market participants that it believes will improve the market, to the benefit of all participants. The Exchange does not believe that any of the proposed changes will impair the ability of members or competing order execution venues to maintain their competitive standing in the financial markets. Moreover, because there are numerous competitive alternatives to the use of the Exchange, it is likely that BX will lose market share as a result of the changes if they are unattractive to market participants.

Likewise, the Exchange’s proposed credits and credit amendments do not impose a burden on competition because the Exchange's execution services are completely voluntary and subject to extensive competition both from other exchanges and from off-exchange venues. Again, if the proposed credits are unattractive to market participants, it is likely that the Exchange will lose market share as a result. Accordingly, the Exchange does not believe that the proposal will impair the ability of members or competing order execution venues to maintain their competitive standing in the financial markets.

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

No written comments were either solicited or received.
III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A)(ii) of the Act.12

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

IV. Solicitation of Comments

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

Electronic comments:

- Use the Commission’s Internet comment form (http://www.sec.gov/rules/sro.shtml); or

- Send an e-mail to rule-comments@sec.gov. Please include File Number SR-BX-2018-037 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.

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All submissions should refer to File Number SR-BX-2018-037. 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-BX-2018-037 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.13

Eduardo A. Aleman
Assistant Secretary

EXHIBIT 5

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

Rules of Nasdaq BX

7018. Nasdaq BX Equities System Order Execution and Routing

(a) The following charges and credits shall apply to the use of the order execution and routing services of the Nasdaq BX Equities System by members for all securities priced at $1 or more per share that it trades. As used in this rule, the term "Consolidated Volume" shall mean the total consolidated volume reported to all consolidated transaction reporting plans by all exchanges and trade reporting facilities during a month in equity securities, excluding executed orders with a size of less than one round lot. For purposes of calculating Consolidated Volume and the extent of a member's trading activity the date of the annual reconstitution of the Russell Investments Indexes shall be excluded from both total Consolidated Volume and the member's trading activity. As used in this rule, "price improvement" shall mean instances when the accepted price of an order differs from the executed price of an order.

Credit for entering order that accesses liquidity in the Nasdaq BX Equities System:

Order that accesses liquidity (excluding orders with Midpoint pegging and excluding orders that receive price improvement and execute against an order with a Non-displayed price) entered by a member that accesses liquidity equal to or exceeding 0.065% of total Consolidated Volume during month: $0.0015 per share executed

Order that accesses liquidity in securities in Tapes A and C (excluding orders with Midpoint pegging and excluding orders that receive price improvement and execute against an order with a Non-displayed price) entered by a member that: (i) accesses liquidity equal to or exceeding 0.20% of total Consolidated Volume during a month; and (ii) accesses 20% more liquidity as a percentage of Consolidated Volume: $0.0018 per share executed
Volume than the member accessed in May 2018:

Order that accesses liquidity in securities in Tape B (excluding orders with Midpoint pegging and excluding orders that receive price improvement and execute against an order with a Non-displayed price) entered by a member that: (i) accesses liquidity equal to or exceeding 0.20% of total Consolidated Volume during a month; and (ii) accesses 20% more liquidity as a percentage of Consolidated Volume than the member accessed in May 2018: $0.0019 per share executed

Order that accesses liquidity in securities in Tapes A and C (excluding orders with Midpoint pegging and excluding orders that receive price improvement and execute against an order with a Non-displayed price) entered by a member that, during a given month: (i) has a total volume (accessing and adding liquidity) equal to or exceeding 0.50% of total Consolidated Volume during that month; (ii) has a total volume that is at least 20% greater (as a percentage of Consolidated Volume) than its total volume in July 2018; and (iii) of the 20% or more increase in total volume described in (ii) herein, at least 30% is attributable to adding liquidity: $0.0018 per share executed

Order that accesses liquidity in securities in Tape B (excluding orders with Midpoint pegging and excluding orders that receive price improvement and execute against an order with a Non-displayed price) entered by a member that, during a given month: (i) has a total volume (accessing and adding liquidity) equal to or exceeding 0.50% of total Consolidated Volume during that month; (ii) has a total volume that is at least 20% greater (as a percentage of Consolidated Volume) than its total volume in July 2018; and (iii) of the 20% or more increase in total volume described in (ii)
herein, at least 30% is attributable to adding liquidity:

All other orders: $0.0001 per share executed

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