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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
Form 19b-4

File No.* SR - 2019 - * 071

Amendment No. (req. for Amendments *)

Filing by The Nasdaq Stock Market LLC

Pursuant to Rule 19b-4 under the Securities Exchange Act of 1934

Initial * ☑ Amendment * ☐ Withdrawal ☐

Section 19(b)(2) * ☐ Section 19(b)(3)(A) * ☑ Section 19(b)(3)(B) * ☐

Rule

☐ 19b-4(f)(1) ☐ 19b-4(f)(4)
☑ 19b-4(f)(2) ☐ 19b-4(f)(5)
☐ 19b-4(f)(3) ☐ 19b-4(f)(6)

Pilot ☐

Extension of Time Period for Commission Action * ☐

Date Expires *

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 ☐

Description

Provide a brief description of the action (limit 250 characters, required when Initial is checked *).

Proposal to amend Equity 7, Section 118(a) to add new credits for non displayed orders (other than Supplemental Orders) that provide liquidity.

Contact Information

Provide the name, telephone number, and e-mail address of the person on the staff of the self-regulatory organization prepared to respond to questions and comments on the action.

First Name * Sean Last Name * Bennett
Title * Principal Associate General Counsel
E-mail * Sean.Bennett@nasdaq.com
Telephone * (301) 978-8499 Fax

Signature

Pursuant to the requirements of the Securities Exchange Act of 1934,

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

Date 09/03/2019

By Edward S. Knight

(Name *)

(Title *)

Global Chief Legal and Policy Officer

NOTE: Clicking the button at right will digitally sign and lock this form. A digital signature is as legally binding as a physical signature, and once signed, this form cannot be changed.

edward.knight@nasdaq.com

Required fields are shown with yellow backgrounds and asterisks.

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

For complete Form 19b-4 instructions please refer to the EFFS website.

Form 19b-4 Information * Add Remove View	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.
Exhibit 1 - Notice of Proposed Rule Change * Add Remove View	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)
Exhibit 1A- Notice of Proposed Rule Change, Security-Based Swap Submission, or Advance Notice by Clearing Agencies * Add Remove View	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, security-based swap submission, or advance notice being deemed not properly filed. See also Rule 0-3 under the Act (17 CFR 240.0-3)
Exhibit 2 - Notices, Written Comments, Transcripts, Other Communications Add Remove View Exhibit Sent As Paper Document ☐	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.
Exhibit 3 - Form, Report, or Questionnaire Add Remove View Exhibit Sent As Paper Document ☐	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.
Exhibit 4 - Marked Copies Add Remove View	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.
Exhibit 5 - Proposed Rule Text Add Remove View	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.
Partial Amendment Add Remove View	If the self-regulatory organization is amending only part of the text of a lengthy proposed rule change, it may, with the Commission's permission, file only those portions of the text of the proposed rule change in which changes are being made if the filing (i.e. partial amendment) is clearly understandable on its face. Such partial amendment shall be clearly identified and marked to show deletions and additions.

1. Text of the Proposed Rule Change

(a) The Nasdaq Stock Market LLC ("Nasdaq" or "Exchange"), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act")[1] and Rule 19b-4 thereunder,[2] is filing with the Securities and Exchange Commission ("SEC" or "Commission") a proposal to amend Equity 7, Section 118(a) to add new credits for non-displayed orders (other than Supplemental Orders) that provide liquidity, 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 26, 2018. 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:

T. Sean Bennett
Principal Associate General Counsel
Nasdaq, Inc.
(301) 978-8499

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

[2] 17 CFR 240.19b-4.

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 Equity 7, Sections 118(a)(1), (2) and (3) to add a new credit under each of these rules for non-displayed orders (other than Supplemental Orders) that provide liquidity. Equity 7, Section 118(a) provides the fees assessed and credits provided for the use of the order execution and routing services of the Nasdaq Market Center by members for all securities priced at $1 or more that it trades. The Exchange is proposing to adopt a credit of $0.0010 per share executed applicable to Nasdaq-listed securities ("Tape C") under paragraph (a)(1) of the rule, and credits of $0.0015 per share executed applicable to securities listed on NYSE ("Tape A") and securities listed on exchanges other than Nasdaq and NYSE ("Tape B") under paragraphs (a)(2) and (a)(3) of the rule, respectively. To qualify for each of these credits a member must provide 0.10% or more of Consolidated Volume[3] through non-displayed orders (other than midpoint orders), and provide 0.15% or more of Consolidated Volume through midpoint orders during the month. The proposed credits are provided to qualifying members for non-displayed orders not otherwise covered by the lists of credits provided for non-displayed orders (other than Supplemental Orders) that provide liquidity under each of the respective paragraphs of Equity 7, Section 118(a).

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3 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. 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. See Equity 7, Section 118(a).

b. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act,[4] in general, and furthers the objectives of Sections 6(b)(4) and 6(b)(5) of the Act,[5] 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 Proposal is Reasonable

The Exchange's proposed change to its schedule of credits and charges is reasonable in several respects. As a threshold matter, the Exchange is subject to significant competitive forces in the market for equity securities transaction services that constrain its pricing determinations in that market. The fact that this market is competitive has long been recognized by the courts. In NetCoalition v. Securities and Exchange Commission, the D.C. Circuit stated as follows: "[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'…."[6]

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

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

6 NetCoalition v. SEC, 615 F.3d 525, 539 (D.C. Cir. 2010) (quoting Securities Exchange Act Release No. 59039 (December 2, 2008), 73 FR 74770, 74782-83 (December 9, 2008) (SR-NYSEArca-2006-21)).

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."[7]

Numerous indicia demonstrate the competitive nature of this market. For example, clear substitutes to the Exchange exist in the market for equity security transaction services. The Exchange is only one of several equity venues to which market participants may direct their order flow. Competing equity exchanges offer similar tiered pricing structures to that of the Exchange, including schedules of rebates and fees that apply based upon members achieving certain volume thresholds.[8]

Within this environment, market participants can freely and often do shift their order flow among the Exchange and competing venues in response to changes in their respective pricing schedules.[9] Within the foregoing context, the proposal represents a

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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 CBOE BZX provides a rebate of $0.0015 per share executed for non-displayed orders that add liquidity in the securities of any tape. See Cboe BZX U.S. Equities Exchange Fee Schedule, available at https://markets.cboe.com/us/equities/membership/fee_schedule/bzx/.

9 The Exchange perceives no regulatory, structural, or cost impediments to market participants shifting order flow away from it. In particular, the Exchange notes that such shifts in liquidity and market share occur within the context of market participants' existing duties of Best Execution and obligations under the Order Protection Rule under Regulation NMS.

reasonable attempt by the Exchange to increase its liquidity and market share relative to its competitors.

Generally, the Exchange's proposed schedule of credits and charges Equity 7, Section 118(a) provide increased overall incentives to members to increase their liquidity provision activity on the Exchange, and to do so broadly in orders in securities in all Tapes. An increase in overall liquidity provision activity on the Exchange will, in turn, improve the quality of the Exchange's equity market and increase its attractiveness to existing and prospective participants. The proposed new credits are consistent with the current design of Equity 7, Section 118(a) because it provides incrementally increased incentives in return for increased liquidity provision in non-displayed orders. Moreover, the proposed credits will be comparable to, if not favorable to, those that its competitors provide.[10]

The Proposal is an Equitable Allocation of Credits

The Exchange believes its proposal will allocate its proposed credits fairly among its market participants. The proposal will provide a member with an opportunity to earn a higher credit for its non-displayed orders above the current credits provided to members that provide 0.03% or more of Consolidated Volume during the month through midpoint orders or other non-displayed orders, which are $0.0005 per share executed for Tape C securities and $0.0010 per share executed for Tape A and B securities. Like these current credits, the proposed credits for Tape A and B securities are higher than the proposed credits for Tape C securities. This is reflective of the Exchange's desire to increase

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[10] See n. 8, supra.

market share in Tape A and B securities, which is lower in comparison to market share in Tape C securities.

Moreover, it is equitable for the Exchange to increase its overall credits to participants whose orders provide liquidity to the Exchange as a means of incentivizing increased liquidity provision activity and to do so broadly in orders in securities in all Tapes. An increase in overall liquidity provision activity on the Exchange will improve the quality of the Exchange's equity market and increase its attractiveness to existing and prospective participants.

The Proposal is not Unfairly Discriminatory

The Exchange believes that the proposal is not unfairly discriminatory. As an initial matter, the Exchange believes that nothing about its volume-based tiered pricing model is inherently unfair; instead, it is a rational pricing model that is well-established and ubiquitous in today's economy among firms in various industries – from co-branded credit cards to grocery stores to cellular telephone data plans – that use it to reward the loyalty of their best customers that provide high levels of business activity and incent other customers to increase the extent of their business activity. It is also a pricing model that the Exchange and its competitors have long employed with the assent of the Commission. It is fair because it incentivizes customer activity that increases liquidity, enhances price discovery, and improves the overall quality of the equity markets.

The Exchange intends for the proposal to improve market quality for all members on the Exchange and by extension attract more liquidity to the market, improving market wide quality and price discovery. Although net providers of liquidity will benefit most from the proposed credits, this result is fair insofar as increased liquidity provision activity will help to improve market quality and the attractiveness of the Exchange's equity market to all existing and prospective participants.

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.

Intramarket Competition

The Exchange does not believe that its proposal will place any category of Exchange participant at a competitive disadvantage. As noted above, all members of the Exchange will benefit from an increase in the provision of liquidity by those that choose to meet the tier qualification criteria. Members may grow their businesses so that they have the capacity to receive the higher credits. Moreover, members are free to trade on other venues to the extent they believe that the fees assessed and credits provided are not attractive. As one can observe by looking at any market share chart, price competition between exchanges is fierce, with liquidity and market share moving freely between exchanges in reaction to fee and credit changes. The Exchange notes that the tier structure is consistent with broker-dealer fee practices as well as the other industries, as described above.

Intermarket Competition

Addressing whether the proposed fee could impose a burden on competition on other SROs that is not necessary or appropriate, the Exchange believes that its proposed modifications to its schedule of credits and charges will not impose a burden on competition because the Exchange's execution services are completely voluntary and subject to extensive competition both from the other 12 live exchanges and from off-exchange venues, which include 32 alternative trading systems. 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 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 in response, and because market participants may readily adjust their order routing practices, the Exchange believes that the degree to which fee changes in this market may impose any burden on competition is extremely limited.

The proposed new credits are reflective of this competition because, even as one of the largest U.S. equities exchanges by volume, the Exchange only has approximately 18% market share, which in most markets could hardly be categorized as having enough market power to burden competition. Moreover, as noted above, price competition between exchanges is fierce, with liquidity and market share moving freely between exchanges in reaction to fee and credit changes. This is in addition to free flow of order flow to and among off-exchange venues which comprised more than 37% of industry volume for the month of July 2019.

In sum, the Exchange intends for the proposed credits to increase member incentives to provide liquidity in non-displayed Orders to the Exchange, which is reflective of fierce competition for order flow noted above; however, if the proposed credits are unattractive to market participants, it is likely that the Exchange will either fail to increase its market share or even lose market share as a result. Accordingly, the

Exchange does not believe that the proposed new credits 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,[11] 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.

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11 15 U.S.C. 78s(b)(3)(A)(ii).

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

Not applicable.

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

Not applicable.

11. Exhibits

1. Notice of Proposed Rule Change for publication in the Federal Register.

5. Text of the proposed rule change.

EXHIBIT 1

SECURITIES AND EXCHANGE COMMISSION
(Release No. ; File No. SR-NASDAQ-2019-071)

September __, 2019

Self-Regulatory Organizations; The Nasdaq Stock Market LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Amend Equity 7, Section 118(a)

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 September 3, 2019, 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, 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 Equity 7, Sections 118(a)(1), (2) and (3) to add a new credit under each of these rules for non-displayed orders (other than Supplemental Orders) that provide liquidity.

The text of the proposed rule change is available on the Exchange's Website at http://nasdaq.cchwallstreet.com/, at the principal office of the Exchange, and at the Commission's Public Reference Room.

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

2 17 CFR 240.19b-4.

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

In its filing with the Commission, the Exchange included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. The Exchange has prepared summaries, set forth in sections A, B, and C below, of the most significant aspects of such statements.

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

1. Purpose

The purpose of the proposed rule change is to amend Equity 7, Sections 118(a)(1), (2) and (3) to add a new credit under each of these rules for non-displayed orders (other than Supplemental Orders) that provide liquidity. Equity 7, Section 118(a) provides the fees assessed and credits provided for the use of the order execution and routing services of the Nasdaq Market Center by members for all securities priced at $1 or more that it trades. The Exchange is proposing to adopt a credit of $0.0010 per share executed applicable to Nasdaq-listed securities ("Tape C") under paragraph (a)(1) of the rule, and credits of $0.0015 per share executed applicable to securities listed on NYSE ("Tape A") and securities listed on exchanges other than Nasdaq and NYSE ("Tape B") under paragraphs (a)(2) and (a)(3) of the rule, respectively. To qualify for each of these credits a member must provide 0.10% or more of Consolidated Volume[3] through non-

[3] 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. For purposes of calculating Consolidated Volume and the extent of a member's trading activity the date of the annual reconstitution

displayed orders (other than midpoint orders), and provide 0.15% or more of Consolidated Volume through midpoint orders during the month. The proposed credits are provided to qualifying members for non-displayed orders not otherwise covered by the lists of credits provided for non-displayed orders (other than Supplemental Orders) that provide liquidity under each of the respective paragraphs of Equity 7, Section 118(a).

2. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act,[4] in general, and furthers the objectives of Sections 6(b)(4) and 6(b)(5) of the Act,[5] 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 Proposal is Reasonable

The Exchange's proposed change to its schedule of credits and charges is reasonable in several respects. As a threshold matter, the Exchange is subject to significant competitive forces in the market for equity securities transaction services that constrain its pricing determinations in that market. The fact that this market is competitive has long been recognized by the courts. In NetCoalition v. Securities and Exchange Commission, the D.C. Circuit stated as follows: "[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

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of the Russell Investments Indexes shall be excluded from both total Consolidated Volume and the member's trading activity. See Equity 7, Section 118(a).

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

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

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'…."[6]

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."[7]

Numerous indicia demonstrate the competitive nature of this market. For example, clear substitutes to the Exchange exist in the market for equity security transaction services. The Exchange is only one of several equity venues to which market participants may direct their order flow. Competing equity exchanges offer similar tiered pricing structures to that of the Exchange, including schedules of rebates and fees that apply based upon members achieving certain volume thresholds.[8]

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6 NetCoalition v. SEC, 615 F.3d 525, 539 (D.C. Cir. 2010) (quoting Securities Exchange Act Release No. 59039 (December 2, 2008), 73 FR 74770, 74782-83 (December 9, 2008) (SR-NYSEArca-2006-21)).

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

8 CBOE BZX provides a rebate of $0.0015 per share executed for non-displayed orders that add liquidity in the securities of any tape. See Cboe BZX U.S. Equities Exchange Fee Schedule, available at https://markets.cboe.com/us/equities/membership/fee_schedule/bzx/.

Within this environment, market participants can freely and often do shift their order flow among the Exchange and competing venues in response to changes in their respective pricing schedules.[9] Within the foregoing context, the proposal represents a reasonable attempt by the Exchange to increase its liquidity and market share relative to its competitors.

Generally, the Exchange's proposed schedule of credits and charges Equity 7, Section 118(a) provide increased overall incentives to members to increase their liquidity provision activity on the Exchange, and to do so broadly in orders in securities in all Tapes. An increase in overall liquidity provision activity on the Exchange will, in turn, improve the quality of the Exchange's equity market and increase its attractiveness to existing and prospective participants. The proposed new credits are consistent with the current design of Equity 7, Section 118(a) because it provides incrementally increased incentives in return for increased liquidity provision in non-displayed orders. Moreover, the proposed credits will be comparable to, if not favorable to, those that its competitors provide.[10]

The Proposal is an Equitable Allocation of Credits

The Exchange believes its proposal will allocate its proposed credits fairly among its market participants. The proposal will provide a member with an opportunity to earn a higher credit for its non-displayed orders above the current credits provided to members

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9 The Exchange perceives no regulatory, structural, or cost impediments to market participants shifting order flow away from it. In particular, the Exchange notes that such shifts in liquidity and market share occur within the context of market participants' existing duties of Best Execution and obligations under the Order Protection Rule under Regulation NMS.

10 See n. 8, supra.

that provide 0.03% or more of Consolidated Volume during the month through midpoint orders or other non-displayed orders, which are $0.0005 per share executed for Tape C securities and $0.0010 per share executed for Tape A and B securities. Like these current credits, the proposed credits for Tape A and B securities are higher than the proposed credits for Tape C securities. This is reflective of the Exchange's desire to increase market share in Tape A and B securities, which is lower in comparison to market share in Tape C securities.

Moreover, it is equitable for the Exchange to increase its overall credits to participants whose orders provide liquidity to the Exchange as a means of incentivizing increased liquidity provision activity and to do so broadly in orders in securities in all Tapes. An increase in overall liquidity provision activity on the Exchange will improve the quality of the Exchange's equity market and increase its attractiveness to existing and prospective participants.

The Proposal is not Unfairly Discriminatory

The Exchange believes that the proposal is not unfairly discriminatory. As an initial matter, the Exchange believes that nothing about its volume-based tiered pricing model is inherently unfair; instead, it is a rational pricing model that is well-established and ubiquitous in today's economy among firms in various industries – from co-branded credit cards to grocery stores to cellular telephone data plans – that use it to reward the loyalty of their best customers that provide high levels of business activity and incent other customers to increase the extent of their business activity. It is also a pricing model that the Exchange and its competitors have long employed with the assent of the

Commission. It is fair because it incentivizes customer activity that increases liquidity, enhances price discovery, and improves the overall quality of the equity markets.

The Exchange intends for the proposal to improve market quality for all members on the Exchange and by extension attract more liquidity to the market, improving market wide quality and price discovery. Although net providers of liquidity will benefit most from the proposed credits, this result is fair insofar as increased liquidity provision activity will help to improve market quality and the attractiveness of the Exchange's equity market to all existing and prospective participants.

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.

Intramarket Competition

The Exchange does not believe that its proposal will place any category of Exchange participant at a competitive disadvantage. As noted above, all members of the Exchange will benefit from an increase in the provision of liquidity by those that choose to meet the tier qualification criteria. Members may grow their businesses so that they have the capacity to receive the higher credits. Moreover, members are free to trade on other venues to the extent they believe that the fees assessed and credits provided are not attractive. As one can observe by looking at any market share chart, price competition between exchanges is fierce, with liquidity and market share moving freely between exchanges in reaction to fee and credit changes. The Exchange notes that the tier structure is consistent with broker-dealer fee practices as well as the other industries, as described above.

Intermarket Competition

Addressing whether the proposed fee could impose a burden on competition on other SROs that is not necessary or appropriate, the Exchange believes that its proposed modifications to its schedule of credits and charges will not impose a burden on competition because the Exchange's execution services are completely voluntary and subject to extensive competition both from the other 12 live exchanges and from off-exchange venues, which include 32 alternative trading systems. 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 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 in response, and because market participants may readily adjust their order routing practices, the Exchange believes that the degree to which fee changes in this market may impose any burden on competition is extremely limited.

The proposed new credits are reflective of this competition because, even as one of the largest U.S. equities exchanges by volume, the Exchange only has approximately 18% market share, which in most markets could hardly be categorized as having enough market power to burden competition. Moreover, as noted above, price competition between exchanges is fierce, with liquidity and market share moving freely between exchanges in reaction to fee and credit changes. This is in addition to free flow of order flow to and among off-exchange venues which comprised more than 37% of industry volume for the month of July 2019.

In sum, the Exchange intends for the proposed credits to increase member incentives to provide liquidity in non-displayed Orders to the Exchange, which is reflective of fierce competition for order flow noted above; however, if the proposed credits are unattractive to market participants, it is likely that the Exchange will either fail to increase its market share or even lose market share as a result. Accordingly, the Exchange does not believe that the proposed new credits 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.[11]

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.

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[11] 15 U.S.C. 78s(b)(3)(A)(ii).

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-NASDAQ-2019-071 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-2019-071. This file number should be included on the subject line if e-mail is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet Web site (http://www.sec.gov/rules/sro.shtml).

Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for website viewing and printing in the Commission's Public Reference Room, 100 F Street, NE, Washington, DC 20549, on official business days between the hours of 10:00 a.m. and 3:00 p.m. Copies of the filing also will be available for inspection and copying at the principal office of the Exchange. All comments received will be posted without change; the Commission does not edit personal identifying information from submissions. You should submit only information that you wish to make available publicly.

All submissions should refer to File Number SR-NASDAQ-2019-071 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.[12]

Eduardo A. Aleman
Assistant Secretary

[12] 17 CFR 200.30-3(a)(12).

EXHIBIT 5

New text is underlined.

The Nasdaq Stock Market LLC Rules

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EQUITY RULES

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Equity 7 Pricing Schedule

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Section 118. Nasdaq Market Center Order Execution and Routing

(a) The following charges shall apply to the use of the order execution and routing services of the Nasdaq Market Center by members for all securities priced at $1 or more that it trades. For purposes of determining a member's shares of liquidity routed, TFTY, MOPB, MOPP, SAVE, SOLV, CART, QDRK, QCST and directed orders are not counted. As used in this section, 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.

(1) Fees for Execution and Routing of Orders in Nasdaq-Listed Securities

* * * * *

Credit for non-displayed orders (other than Supplemental Orders) that provide liquidity:	A member will receive a supplemental credit for midpoint orders, in addition to the credits set forth below for non-displayed orders that provide liquidity, if the member executes a requisite average daily volume of shares through Midpoint Extended Life Orders, as follows: A $0.0001 supplemental credit per share executed for midpoint orders if the member executes an average daily volume of at least 2.5 million up to, but not including 4 million shares through Midpoint Extended Life Orders; or A $0.0002 supplemental credit per share

executed for midpoint orders if the member executes an average daily volume of 4 million or more shares through Midpoint Extended Life Orders.

$0.0025 per share executed for midpoint orders if the member provides an average daily volume of
5 million or more shares through midpoint orders during the month and adds 8 million shares of non-displayed liquidity

$0.0020 per share executed for midpoint orders if the member provides an average daily volume of
6 million or more shares through midpoint orders during the month

$0.0017 per share executed for midpoint orders if the member provides an average daily volume of 3 million or more shares through midpoint orders during the month

$0.0013 per share executed for midpoint orders if the member (i) executes a combined volume of 1 million or more shares in midpoint orders provided and Midpoint Extended Life Orders executed during the month through one or more of its Nasdaq Market Center MPIDs and (ii) has a 10% or greater increase in midpoint orders provided and Midpoint Extended Life Orders executed through one or more of its Nasdaq Market Center MPIDs during the month over the month of April 2019

$0.0010 per share executed for all other midpoint orders

<u>$0.0010 per share executed for other non-displayed orders if the member (i) provides 0.10% or more of Consolidated Volume through non-displayed orders (other than midpoint orders) and (ii) provides 0.15% or more of Consolidated Volume through midpoint orders during the month</u>

$0.0005 per share executed for other non-displayed orders if the member provides 0.03% or more of Consolidated Volume during the month through midpoint orders or other non-displayed orders

No charge or credit for other non-displayed

	orders

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(2) Fees for Execution and Routing of Securities Listed on NYSE

* * * * *

Credit for non-displayed orders (other than Supplemental Orders) that provide liquidity:	A member will receive a supplemental credit for midpoint orders, in addition to the credits set forth below for non-displayed orders that provide liquidity, if the member executes a requisite average daily volume of shares through Midpoint Extended Life Orders, as follows: A $0.0001 supplemental credit per share executed for midpoint orders if the member executes an average daily volume of at least 2.5 million up to, but not including 4 million shares through Midpoint Extended Life Orders; or A $0.0002 supplemental credit per share executed for midpoint orders if the member executes an average daily volume of 4 million or more shares through Midpoint Extended Life Orders. $0.0025 per share executed for midpoint orders if the member provides an average daily volume of 5 million or more shares through midpoint orders during the month and adds 8 million shares of non-displayed liquidity $0.0022 per share executed for midpoint orders if the member provides an average daily volume of 6 million or more shares through midpoint orders during the month $0.0020 per share executed for midpoint orders if the member provides an average daily volume of 3 million or more shares through midpoint orders during the month $0.0019 per share executed for midpoint orders if the member (i) executes a combined volume of 1 million or more shares in midpoint orders provided and Midpoint Extended Life Orders executed

	during the month through one or more of its Nasdaq Market Center MPIDs and (ii) has a 10% or greater increase in midpoint orders provided and Midpoint Extended Life Orders executed through one or more of its Nasdaq Market Center MPIDs during the month over the month of April 2019 $0.0018 per share executed for midpoint orders if the member provides an average daily volume of 1 million or more shares through midpoint orders during the month $0.0014 per share executed for all other midpoint orders <u>$0.0015 per share executed for other non-displayed orders if the member (i) provides 0.10% or more of Consolidated Volume through non-displayed orders (other than midpoint orders) and (ii) provides 0.15% or more of Consolidated Volume through midpoint orders during the month</u> $0.0010 per share executed for other non-displayed orders if the member provides 0.03% or more of Consolidated Volume during the month through midpoint orders or other non-displayed orders No charge or credit for other non-displayed orders

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(3) Fees for Execution and Routing of Orders in Securities Listed on Exchanges other than Nasdaq and NYSE ("Tape B Securities")

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Credit for non-displayed orders (other than Supplemental Orders) that provide liquidity:	A member will receive a supplemental credit for midpoint orders, in addition to the credits set forth below for non-displayed orders that provide liquidity, if the member executes a requisite average daily volume of shares through Midpoint Extended Life Orders, as follows: A $0.0001 supplemental credit per share executed for midpoint orders if the member executes an average daily volume of at least 2.5 million up to, but not including 4

million shares through Midpoint Extended Life Orders; or
A $0.0002 supplemental credit per share executed for midpoint orders if the member executes an average daily volume of 4 million or more shares through Midpoint Extended Life Orders.
$0.0025 per share executed for midpoint orders if the member provides an average daily volume of
5 million or more shares through midpoint orders during the month adds 8 million shares of non-displayed liquidity
$0.0022 per share executed for midpoint orders if the member provides an average daily volume of
6 million or more shares through midpoint orders during the month
$0.0020 per share executed for midpoint orders if the member provides an average daily volume of 3 million or more shares through midpoint orders during the month
$0.0019 per share executed for midpoint orders if the member (i) executes a combined volume of 1 million or more shares in midpoint orders provided and Midpoint Extended Life Orders executed during the month through one or more of its Nasdaq Market Center MPIDs and (ii) has a 10% or greater increase in midpoint orders provided and Midpoint Extended Life Orders executed through one or more of its Nasdaq Market Center MPIDs during the month over the month of April 2019
$0.0018 per share executed for midpoint orders if the member provides an average daily volume of 1 million or more shares through midpoint orders during the month
$0.0014 per share executed for all other midpoint orders
$0.0015 per share executed for other non-displayed orders if the member (i) provides 0.10% or more of Consolidated Volume through non-displayed orders (other than midpoint orders) and (ii) provides 0.15% or more of Consolidated Volume through

midpoint orders during the month
$0.0010 per share executed for other non-displayed orders if the member provides 0.03% or more of Consolidated Volume during the month through midpoint orders or other non-displayed orders
No charge or credit for other non-displayed orders

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