

Required fields are shown with yellow backgrounds and asterisks.

Page 1 of * <input type="text" value="34"/>	SECURITIES AND EXCHANGE COMMISSION WASHINGTON, D.C. 20549 Form 19b-4	File No.* SR - <input type="text" value="2020"/> - * <input type="text" value="066"/>
		Amendment No. (req. for Amendments *) <input type="text"/>

Filing by The Nasdaq Stock Market LLC
Pursuant to Rule 19b-4 under the Securities Exchange Act of 1934

Initial * <input checked="" type="checkbox"/>	Amendment * <input type="checkbox"/>	Withdrawal <input type="checkbox"/>	Section 19(b)(2) * <input type="checkbox"/>	Section 19(b)(3)(A) * <input checked="" type="checkbox"/>	Section 19(b)(3)(B) * <input type="checkbox"/>
			Rule		
Pilot <input type="checkbox"/>	Extension of Time Period for Commission Action * <input type="checkbox"/>	Date Expires * <input type="text"/>	<input type="checkbox"/> 19b-4(f)(1)	<input type="checkbox"/> 19b-4(f)(4)	
			<input checked="" type="checkbox"/> 19b-4(f)(2)	<input type="checkbox"/> 19b-4(f)(5)	
			<input type="checkbox"/> 19b-4(f)(3)	<input type="checkbox"/> 19b-4(f)(6)	

Notice of proposed change pursuant to the Payment, Clearing, and Settlement Act of 2010	Security-Based Swap Submission pursuant to the Securities Exchange Act of 1934
Section 806(e)(1) * <input type="checkbox"/>	Section 806(e)(2) * <input type="checkbox"/>
Section 3C(b)(2) * <input type="checkbox"/>	

Exhibit 2 Sent As Paper Document <input type="checkbox"/>	Exhibit 3 Sent As Paper Document <input type="checkbox"/>
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Description

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

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 * Last Name *

Title *

E-mail *

Telephone * 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.

(Title *)

Date By

(Name *)

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.

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

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

Form 19b-4 Information *

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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 *

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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

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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

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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 the Exchange’s transaction credits at Equity 7, Section 118, 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, 2019. 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
AVP, Principal Associate General Counsel
Nasdaq, Inc.
(301) 978-8183

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 Exchange proposes to amend its schedule of credits at Equity 7, Section 118, to add several new credits.

New Supplemental Credit for Displayed Orders in Securities in Tape B

Presently, the Exchange offers a supplemental credit of \$0.0001 per share executed – in addition to the range of credits it normally offers – to members with displayed orders/quotes (other than Supplemental Orders³ or Designated Retail Orders⁴) in securities in Tape B (securities listed on exchanges other than Nasdaq or NYSE) that provide liquidity to the Exchange, to the extent that such members add liquidity in

³ As set forth in Rule 4703(b)(6)(A), a "Supplemental Order" is an Order Type with a Non-Display Order Attribute that is held on the Nasdaq Book in order to provide liquidity at the NBBO through a special execution process described in Rule 4757(a)(1)(D).

⁴ As set forth in Equity 7, Section 118, a "Designated Retail Order" is an agency or riskless principal order that meets the criteria of FINRA Rule 5320.03 and that originates from a natural person and is submitted to Nasdaq by a member that designates it pursuant to this section, provided that no change is made to the terms of the order with respect to price or side of market and the order does not originate from a trading algorithm or any other computerized methodology. An order from a "natural person" can include orders on behalf of accounts that are held in a corporate legal form - such as an Individual Retirement Account, Corporation, or a Limited Liability Company - that has been established for the benefit of an individual or group of related family members, provided that the order is submitted by an individual. Members must submit a signed written attestation, in a form prescribed by Nasdaq, that they have implemented policies and procedures that are reasonably designed to ensure that substantially all orders designated by the member as "Designated Retail Orders" comply with these requirements. Orders may be designated on an order by-order basis, or by designating all orders on a particular order entry port as Designated Retail Orders.

securities in Tape B representing at least 0.10% of Consolidated Volume⁵ during the month through one or more of their Nasdaq Market Center MPIDs.

In addition to this credit the Exchange now proposes to add a new supplemental \$0.00005 per share executed credit for members that add displayed liquidity in securities in Tape B constituting Designated Retail Orders where members add liquidity in securities in Tape B representing at least 0.10% of Consolidated Volume during the month through one or more of their Nasdaq Market Center MPIDs.

Thus, under the proposal, to the extent that a member provides liquidity in securities in Tape B that represents more than 0.10% of Consolidated Volume during a month, then the member will qualify for the following: (i) any of the regular per share executed credits set forth in Equity 7, Section 118(a)(3) for which the member otherwise qualifies; (ii) a supplemental \$0.0001 per share executed credit applicable to the member's displayed add orders (other than its Supplemental Orders or Designated Retail Orders); and (iii) a supplemental \$0.00005 per share executed credit applicable to the member's displayed add orders that constitute Designated Retail Orders (other than Supplemental Orders).

The Exchange intends for the new supplemental credit to provide a further incentive to its members to add displayed liquidity to the Exchange in securities in Tape B. Moreover, the Exchange intends for the proposal to broaden the availability of its

⁵ Pursuant to Equity 7, Section 118(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. 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 is excluded from both total Consolidated Volume and the member's trading activity.

supplemental credits to members that add displayed retail liquidity to the Exchange, as the existing supplemental credit excludes Designated Retail Orders. In incentivizing members to increase the extent of their displayed liquidity adding activity on the Exchange, and the extent of their retail liquidity adding activity on the Exchange, the Exchange intends to improve the overall quality and attractiveness of the market.

New Credits for Non-Displayed Orders

Presently, the Exchange offers a range of credits for non-displayed orders (other than Supplemental Orders) that provide liquidity to the Exchange. For example, for orders in securities in Tapes A and B, the Exchange presently offers a member a \$0.0015 per share executed credit 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. For orders in securities in Tape C, these same qualification requirements presently entitle a member to receive a credit of \$0.0010 per share executed.

The Exchange proposes to add two additional credit tiers for orders in securities in each Tape. For orders in securities in Tapes A and B, the Exchange proposes to offer the following credits:

- \$0.00175 per share executed for other nondisplayed orders if the member (i) provides 0.225% or more of Consolidated Volume through non-displayed orders (other than midpoint orders) and (ii) provides 0.165% or more of Consolidated Volume through midpoint orders during the month; and

- \$0.0020 per share executed for other nondisplayed orders if the member (i) provides 0.275% or more of Consolidated Volume through non-displayed orders (other than midpoint orders) and (ii) provides 0.175% or more of Consolidated Volume through midpoint orders during the month

For orders in securities in Tape C, these same qualification requirements described above would entitle a member to receive credits of \$0.00125 per share executed and \$0.0015 per share executed, respectively.

The Exchange intends for these new credits to provide increased incentives to its members to add significant amounts of non-displayed liquidity to the Exchange, including in both midpoint and non-midpoint orders. Although the Exchange intends to provide such incentives to members who add non-displayed liquidity in securities in all Tapes, it intends to provide a higher incentive to members who add non-displayed liquidity in orders in securities in Tapes A and B, where the Exchange has determined that the market would benefit most from additional such liquidity. In incentivizing members to increase the extent of their non-displayed liquidity adding activity on the Exchange, the Exchange intends to improve the overall quality and attractiveness of the market.

Impact of the Changes

Those participants that act as significant providers of displayed retail liquidity to the Exchange in securities in Tape B will benefit directly from the proposed addition of the new supplemental credit, while participants that act as significant providers of non-displayed liquidity will benefit directly from the new non-displayed credits. Other participants will also benefit from the new credits insofar as any increase in liquidity

adding activity on the Exchange will improve the overall quality of the market, to the benefit of all member organizations.

The Exchange notes that its proposals are not otherwise targeted at or expected to be limited in their applicability to a specific segment of market participants nor will they apply differently to different types of market participants.

b. Statutory Basis

The Exchange believes that its proposals are consistent with Section 6(b) of the Act,⁶ in general, and further the objectives of Sections 6(b)(4) and 6(b)(5) of the Act,⁷ in particular, in that they provide for the equitable allocation of reasonable dues, fees and other charges among members and issuers and other persons using any facility, and are not designed to permit unfair discrimination between customers, issuers, brokers, or dealers. The proposals are also consistent with Section 11A of the Act relating to the establishment of the national market system for securities.

The Proposals are Reasonable

The Exchange's proposed changes to its schedule of credits are 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,

⁶ 15 U.S.C. 78f(b).

⁷ 15 U.S.C. 78f(b)(4) and (5).

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’....”⁸

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.”⁹

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.

Within this environment, market participants can freely and often do shift their

⁸ 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)).

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

order flow among the Exchange and competing venues in response to changes in their respective pricing schedules. Within the foregoing context, the proposals represent a reasonable attempt by the Exchange to increase its liquidity and market share relative to its competitors.

The Exchange has designed its proposed new supplemental displayed credit to provide increased overall incentives to members to increase their retail displayed liquidity adding activity on the Exchange in securities in Tape B, and it has designed its proposed new non-displayed credits to increase incentives to members to increase their non-displayed liquidity adding activity on the Exchange. An increase in liquidity adding activity on the Exchange will, in turn, improve the quality of the Nasdaq market and increase its attractiveness to existing and prospective participants.

The Exchange notes that those market participants that are dissatisfied with the new credits are free to shift their order flow to competing venues that offer them lower charges or higher credits.

The Proposals are an Equitable Allocation of Credits

The Exchange believes its proposals will allocate its credits fairly among its market participants. It is equitable for the Exchange to establish the proposed new supplemental credit as a means of incentivizing members to provide meaningful amounts of liquidity to the Exchange in securities, including both displayed and non-displayed liquidity. To the extent that the Exchange succeeds in increasing liquidity activity on the Exchange and in attracting additional retail order flow, then the Exchange would experience improvements in its market quality, which would benefit all market participants.

The Exchange also believes it is equitable for the Exchange to target its proposed supplemental credit to members with displayed orders in securities in Tape B, and to Designated Retail Orders, in particular, due to the Exchange's assessment that the market would benefit from an increase in displayed liquidity in securities in Tape B as well as additional retail liquidity in securities in Tape B. Likewise, the Exchange believes that it is equitable for it to provide higher new non-displayed credits to members with non-displayed orders in securities in Tapes A and B, because the Exchange has determined that the market would specifically benefit from additional non-displayed liquidity in securities in those Tapes.

Any participant that is dissatisfied with the proposed new credits is free to shift their order flow to competing venues that provide more generous pricing or less stringent qualifying criteria.

The Proposed Credits are not Unfairly Discriminatory

The Exchange believes that the proposals are 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.

Moreover, the Exchange believes that its new proposed supplemental displayed credit and its new proposed non-displayed credits are not unfairly discriminatory because they stand to improve the overall market quality of the Exchange, to the benefit of all market participants, by incentivizing members to provide meaningful amounts of liquidity. Additionally, it is not unfairly discriminatory to target the new supplemental credit to orders in securities in Tape B and to provide higher non-displayed credits to orders in securities in Tapes A and B because the Exchange believes that the market would benefit from additional liquidity in those areas. The Exchange notes that it has limited funds to apply in the form of incentives, and thus must deploy those limited funds to incentives that it believes will be the most effective at improving market quality in areas that the Exchange determines are in need of improvement.

Finally, any participant that is dissatisfied with the proposed new credits is free to shift their order flow to competing venues that provide more generous pricing or less stringent qualifying criteria.

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 proposals will place any category of Exchange participant at a competitive disadvantage. To the contrary, the proposed changes will provide opportunities for members to receive new credits based upon their market-improving behavior. Any member may elect to provide the levels of market

activity required in order to receive the new credits. Furthermore, all members of the Exchange will benefit from any increase in market activity that the proposals effectuates.

Moreover, members are free to trade on other venues to the extent they believe that the proposed credits are too low or the qualification criteria 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

The Exchange believes that its proposals will not burden competition because the Exchange's execution services are completely voluntary and subject to extensive competition both from the multitude of other live exchanges and from off-exchange venues. 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 in response, and because market participants may readily adjust their order routing practices, the Exchange believes that the degree to which fee and credit 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 has less than 20% 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 comprises upwards of 40% of industry volume.

The Exchange's proposals are pro-competitive in that the Exchange intends for them to increase liquidity on the Exchange and thereby render the Exchange a more attractive and vibrant venue to market participants.

In sum, if the changes proposed herein 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 proposed changes 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,¹⁰ 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

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

5. Text of the proposed rule change.

¹⁰ 15 U.S.C. 78s(b)(3)(A)(ii).

EXHIBIT 1

SECURITIES AND EXCHANGE COMMISSION
(Release No. _____ ; File No. SR-NASDAQ-2020-066)

October __, 2020

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 October 1, 2020, 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 the Exchange’s schedule of credits, as set forth in Equity 7, Section 118(a) of the Exchange’s Rulebook.

The text of the proposed rule change is available on the Exchange’s Website at <https://listingcenter.nasdaq.com/rulebook/nasdaq/rules>, at the principal office of the Exchange, and at the Commission’s Public Reference Room.

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

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

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

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

1. Purpose

The Exchange proposes to amend its schedule of credits at Equity 7, Section 118, to add several new credits.

New Supplemental Credit for Displayed Orders in Securities in Tape B

Presently, the Exchange offers a supplemental credit of \$0.0001 per share executed – in addition to the range of credits it normally offers – to members with displayed orders/quotes (other than Supplemental Orders³ or Designated Retail Orders⁴)

³ As set forth in Rule 4703(b)(6)(A), a "Supplemental Order" is an Order Type with a Non-Display Order Attribute that is held on the Nasdaq Book in order to provide liquidity at the NBBO through a special execution process described in Rule 4757(a)(1)(D).

⁴ As set forth in Equity 7, Section 118, a "Designated Retail Order" is an agency or riskless principal order that meets the criteria of FINRA Rule 5320.03 and that originates from a natural person and is submitted to Nasdaq by a member that designates it pursuant to this section, provided that no change is made to the terms of the order with respect to price or side of market and the order does not originate from a trading algorithm or any other computerized methodology. An order from a "natural person" can include orders on behalf of accounts that are held in a corporate legal form - such as an Individual Retirement Account, Corporation, or a Limited Liability Company - that has been established for the benefit of an individual or group of related family members, provided that the order is submitted by an individual. Members must submit a signed written

in securities in Tape B (securities listed on exchanges other than Nasdaq or NYSE) that provide liquidity to the Exchange, to the extent that such members add liquidity in securities in Tape B representing at least 0.10% of Consolidated Volume⁵ during the month through one or more of their Nasdaq Market Center MPIDs.

In addition to this credit the Exchange now proposes to add a new supplemental \$0.00005 per share executed credit for members that add displayed liquidity in securities in Tape B constituting Designated Retail Orders where members add liquidity in securities in Tape B representing at least 0.10% of Consolidated Volume during the month through one or more of their Nasdaq Market Center MPIDs.

Thus, under the proposal, to the extent that a member provides liquidity in securities in Tape B that represents more than 0.10% of Consolidated Volume during a month, then the member will qualify for the following: (i) any of the regular per share executed credits set forth in Equity 7, Section 118(a)(3) for which the member otherwise qualifies; (ii) a supplemental \$0.0001 per share executed credit applicable to the member's displayed add orders (other than its Supplemental Orders or Designated Retail Orders); and (iii) a supplemental \$0.00005 per share executed credit applicable to the

attestation, in a form prescribed by Nasdaq, that they have implemented policies and procedures that are reasonably designed to ensure that substantially all orders designated by the member as "Designated Retail Orders" comply with these requirements. Orders may be designated on an order by-order basis, or by designating all orders on a particular order entry port as Designated Retail Orders.

⁵ Pursuant to Equity 7, Section 118(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. 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 is excluded from both total Consolidated Volume and the member's trading activity.

member's displayed add orders that constitute Designated Retail Orders (other than Supplemental Orders).

The Exchange intends for the new supplemental credit to provide a further incentive to its members to add displayed liquidity to the Exchange in securities in Tape B. Moreover, the Exchange intends for the proposal to broaden the availability of its supplemental credits to members that add displayed retail liquidity to the Exchange, as the existing supplemental credit excludes Designated Retail Orders. In incentivizing members to increase the extent of their displayed liquidity adding activity on the Exchange, and the extent of their retail liquidity adding activity on the Exchange, the Exchange intends to improve the overall quality and attractiveness of the market.

New Credits for Non-Displayed Orders

Presently, the Exchange offers a range of credits for non-displayed orders (other than Supplemental Orders) that provide liquidity to the Exchange. For example, for orders in securities in Tapes A and B, the Exchange presently offers a member a \$0.0015 per share executed credit 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. For orders in securities in Tape C, these same qualification requirements presently entitle a member to receive a credit of \$0.0010 per share executed.

The Exchange proposes to add two additional credit tiers for orders in securities in each Tape. For orders in securities in Tapes A and B, the Exchange proposes to offer the following credits:

- \$0.00175 per share executed for other nondisplayed orders if the member (i) provides 0.225% or more of Consolidated Volume through non-displayed orders (other than midpoint orders) and (ii) provides 0.165% or more of Consolidated Volume through midpoint orders during the month; and
- \$0.0020 per share executed for other nondisplayed orders if the member (i) provides 0.275% or more of Consolidated Volume through non-displayed orders (other than midpoint orders) and (ii) provides 0.175% or more of Consolidated Volume through midpoint orders during the month

For orders in securities in Tape C, these same qualification requirements described above would entitle a member to receive credits of \$0.00125 per share executed and \$0.0015 per share executed, respectively.

The Exchange intends for these new credits to provide increased incentives to its members to add significant amounts of non-displayed liquidity to the Exchange, including in both midpoint and non-midpoint orders. Although the Exchange intends to provide such incentives to members who add non-displayed liquidity in securities in all Tapes, it intends to provide a higher incentive to members who add non-displayed liquidity in orders in securities in Tapes A and B, where the Exchange has determined that the market would benefit most from additional such liquidity. In incentivizing members to increase the extent of their non-displayed liquidity adding activity on the Exchange, the Exchange intends to improve the overall quality and attractiveness of the market.

Impact of the Changes

Those participants that act as significant providers of displayed retail liquidity to the Exchange in securities in Tape B will benefit directly from the proposed addition of

the new supplemental credit, while participants that act as significant providers of non-displayed liquidity will benefit directly from the new non-displayed credits. Other participants will also benefit from the new credits insofar as any increase in liquidity adding activity on the Exchange will improve the overall quality of the market, to the benefit of all member organizations.

The Exchange notes that its proposals are not otherwise targeted at or expected to be limited in their applicability to a specific segment of market participants nor will they apply differently to different types of market participants.

2. Statutory Basis

The Exchange believes that its proposals are consistent with Section 6(b) of the Act,⁶ in general, and further the objectives of Sections 6(b)(4) and 6(b)(5) of the Act,⁷ in particular, in that they provide for the equitable allocation of reasonable dues, fees and other charges among members and issuers and other persons using any facility, and are not designed to permit unfair discrimination between customers, issuers, brokers, or dealers. The proposals are also consistent with Section 11A of the Act relating to the establishment of the national market system for securities.

The Proposals are Reasonable

The Exchange's proposed changes to its schedule of credits are 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

⁶ 15 U.S.C. 78f(b).

⁷ 15 U.S.C. 78f(b)(4) and (5).

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’”⁸

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.”⁹

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

⁸ 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)).

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

apply based upon members achieving certain volume thresholds.

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. Within the foregoing context, the proposals represent a reasonable attempt by the Exchange to increase its liquidity and market share relative to its competitors.

The Exchange has designed its proposed new supplemental displayed credit to provide increased overall incentives to members to increase their retail displayed liquidity adding activity on the Exchange in securities in Tape B, and it has designed its proposed new non-displayed credits to increase incentives to members to increase their non-displayed liquidity adding activity on the Exchange. An increase in liquidity adding activity on the Exchange will, in turn, improve the quality of the Nasdaq market and increase its attractiveness to existing and prospective participants.

The Exchange notes that those market participants that are dissatisfied with the new credits are free to shift their order flow to competing venues that offer them lower charges or higher credits.

The Proposals are an Equitable Allocation of Credits

The Exchange believes its proposals will allocate its credits fairly among its market participants. It is equitable for the Exchange to establish the proposed new supplemental credit as a means of incentivizing members to provide meaningful amounts of liquidity to the Exchange in securities, including both displayed and non-displayed liquidity. To the extent that the Exchange succeeds in increasing liquidity activity on the Exchange and in attracting additional retail order flow, then the Exchange would

experience improvements in its market quality, which would benefit all market participants.

The Exchange also believes it is equitable for the Exchange to target its proposed supplemental credit to members with displayed orders in securities in Tape B, and to Designated Retail Orders, in particular, due to the Exchange's assessment that the market would benefit from an increase in displayed liquidity in securities in Tape B as well as additional retail liquidity in securities in Tape B. Likewise, the Exchange believes that it is equitable for it to provide higher new non-displayed credits to members with non-displayed orders in securities in Tapes A and B, because the Exchange has determined that the market would specifically benefit from additional non-displayed liquidity in securities in those Tapes.

Any participant that is dissatisfied with the proposed new credits is free to shift their order flow to competing venues that provide more generous pricing or less stringent qualifying criteria.

The Proposed Credits are not Unfairly Discriminatory

The Exchange believes that the proposals are 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.

Moreover, the Exchange believes that its new proposed supplemental displayed credit and its new proposed non-displayed credits are not unfairly discriminatory because they stand to improve the overall market quality of the Exchange, to the benefit of all market participants, by incentivizing members to provide meaningful amounts of liquidity. Additionally, it is not unfairly discriminatory to target the new supplemental credit to orders in securities in Tape B and to provide higher non-displayed credits to orders in securities in Tapes A and B because the Exchange believes that the market would benefit from additional liquidity in those areas. The Exchange notes that it has limited funds to apply in the form of incentives, and thus must deploy those limited funds to incentives that it believes will be the most effective at improving market quality in areas that the Exchange determines are in need of improvement.

Finally, any participant that is dissatisfied with the proposed new credits is free to shift their order flow to competing venues that provide more generous pricing or less stringent qualifying criteria.

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 proposals will place any category of Exchange participant at a competitive disadvantage. To the contrary, the proposed changes will provide opportunities for members to receive new credits based upon their

market-improving behavior. Any member may elect to provide the levels of market activity required in order to receive the new credits. Furthermore, all members of the Exchange will benefit from any increase in market activity that the proposals effectuates.

Moreover, members are free to trade on other venues to the extent they believe that the proposed credits are too low or the qualification criteria 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

The Exchange believes that its proposals will not burden competition because the Exchange's execution services are completely voluntary and subject to extensive competition both from the multitude of other live exchanges and from off-exchange venues. 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 in response, and because market participants may readily adjust their order routing practices, the Exchange believes that the degree to which fee and credit 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 has less than 20% 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 comprises upwards of 40% of industry volume.

The Exchange's proposals are pro-competitive in that the Exchange intends for them to increase liquidity on the Exchange and thereby render the Exchange a more attractive and vibrant venue to market participants.

In sum, if the changes proposed herein 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 proposed changes 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.¹⁰

¹⁰ 15 U.S.C. 78s(b)(3)(A)(ii).

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-NASDAQ-2020-066 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-2020-066. 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-2020-066 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.¹¹

J. Matthew DeLesDernier
Assistant Secretary

¹¹ 17 CFR 200.30-3(a)(12).

EXHIBIT 5

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

The Nasdaq Stock Market 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) No change.

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

...

<p>Credit for non-displayed orders (other than Supplemental Orders) that provide liquidity:</p>	<p>...</p> <p>\$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</p> <p><u>\$0.00125 per share executed for other non-displayed orders if the member (i) provides 0.225% or more of Consolidated Volume through non-displayed orders (other than midpoint orders) and (ii) provides 0.165% or more of Consolidated Volume through midpoint</u></p>
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	<p><u>orders during the month</u></p> <p><u>\$0.0015 per share executed for other non-displayed orders if the member (i) provides 0.275% or more of Consolidated Volume through non-displayed orders (other than midpoint orders) and (ii) provides 0.175% or more of Consolidated Volume through midpoint orders during the month</u></p> <p>...</p>
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...

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

...

<p>Credit for non-displayed orders (other than Supplemental Orders) that provide liquidity:</p>	<p>...</p> <p>\$0.0015 per share executed for other non-displayed orders if the member (i) provides 0.10% or more of Consolidated Volume through nondisplayed orders (other than midpoint orders) and (ii) provides 0.15% or more of Consolidated Volume through midpoint orders during the month</p> <p><u>\$0.00175 per share executed for other non-displayed orders if the member (i) provides 0.225% or more of Consolidated Volume through non-displayed</u></p>
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	<p><u>orders (other than midpoint orders) and (ii) provides 0.165% or more of Consolidated Volume through midpoint orders during the month</u></p> <p><u>\$0.0020 per share executed for other non-displayed orders if the member (i) provides 0.275% or more of Consolidated Volume through non-displayed orders (other than midpoint orders) and (ii) provides 0.175% or more of Consolidated Volume through midpoint orders during the month</u></p> <p>...</p>
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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")

...

<p>Credit to member for displayed quotes/orders (other than Supplemental Orders or Designated Retail Orders, <u>except as provided below</u>) that provide liquidity:</p>	
<p>in addition to the credits provided for displayed quotes/orders (other than Supplemental Orders or Designated Retail Orders) that provide liquidity, a member with shares of liquidity provided in all securities through one or more of its Nasdaq Market Center MPIDs that represent at least 1.75% of Consolidated Volume during the month, including shares of liquidity provided with respect to securities that are listed on exchanges other than Nasdaq or NYSE that represent at least 0.60% of Consolidated Volume:</p>	<p>\$0.00005 per share executed</p>
<p>in addition to the credits provided for displayed quotes/orders (other than Supplemental Orders or</p>	<p>\$0.0001 per share executed</p>

<p>Designated Retail Orders) that provide liquidity, a member with shares of liquidity provided in securities that are listed on exchanges other than Nasdaq or NYSE during the month representing at least 0.10% of Consolidated Volume during the month through one or more of its Nasdaq Market Center MPIDs:</p>	
<p><u>in addition to the credits provided for displayed quotes/orders constituting Designated Retail Orders (other than Supplemental Orders) that provide liquidity, a member with shares of liquidity provided in securities that are listed on exchanges other than Nasdaq or NYSE during the month representing at least 0.10% of Consolidated Volume during the month through one or more of its Nasdaq Market Center MPIDs:</u></p>	<p><u>\$0.00005 per share executed</u></p>
<p>...</p>	
<p>Credit for non-displayed orders (other than Supplemental Orders) that provide liquidity:</p>	<p>...</p> <p>\$0.0015 per share executed for other nondisplayed 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</p> <p><u>\$0.00175 per share executed for other non-displayed orders if the member (i) provides 0.225% or more of Consolidated Volume through non-displayed orders (other than midpoint orders) and (ii) provides 0.165% or more of Consolidated Volume through midpoint orders during the month</u></p> <p><u>\$0.0020 per share executed</u></p>

	<p><u>for other non-displayed orders if the member (i) provides 0.275% or more of Consolidated Volume through non-displayed orders (other than midpoint orders) and (ii) provides 0.175% or more of Consolidated Volume through midpoint orders during the month</u></p> <p>...</p>
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