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) *
☑ ☐ ☐ ☐ ☑ ☐

Pilot ☐ Extension of Time Period for Commission Action * Date Expires *
☐ ☐

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) * Section 806(e)(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 *).

A proposal to amend the Exchanges transaction credits at Equity 7, Section 118

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 * Brett Last Name * Kitt
Title * AVP, Principal Associate General Counsel
E-mail * brett.kitt@nasdaq.com
Telephone * (301) 978-8183 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 01/12/2021
By John Zecca

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.
| **Form 19b-4 Information** * | 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. |
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| **Exhibit 1 - Notice of Proposed Rule Change** * | 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) |
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| **Exhibit 1A- Notice of Proposed Rule Change, Security-Based Swap Submission, or Advance Notice by Clearing Agencies** * | 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) |
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| **Exhibit 2 - Notices, Written Comments, Transcripts, Other Communications** | 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. |
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| **Exhibit 3 - Form, Report, or Questionnaire** | 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. |
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| **Exhibit 4 - Marked Copies** | 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. |
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| **Exhibit 5 - Proposed Rule Text** | 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. |
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| **Partial Amendment** | 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. |
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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 November 5, 2020. 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

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

a. Purpose

The Exchange proposes to amend its schedule of credits at Equity 7, Section 118, to add a new credit for executing orders in securities in all three Tapes.

Presently, the Exchange offers a member a credit of $0.0030 per share of displayed orders/quotes (other than Supplemental Orders or Designated Retail Orders) to the extent such member has shares of liquidity provided in all securities through one or more of its Nasdaq Market Center MPIDs that represent 1.30% or more of Consolidated Volume during the month, which includes shares of liquidity provided with respect to securities that are listed on exchanges other than Nasdaq or NYSE that represent 0.40% or more of Consolidated Volume. The purpose of this credit is to incentivize members to add substantial liquidity to the Exchange, and to do so to a significant extent by adding liquidity in securities listed on exchanges other than Nasdaq or NYSE.

The Exchange now proposes to add a new, lower credit for members that meet similar criteria, albeit with less stringent volume requirements. Specifically, the Exchange proposes to provide a new credit of $0.00295 per share of displayed orders/quotes (other than Supplemental Orders or Designated Retail Orders) that provide liquidity for a member with shares of liquidity provided in all securities through one or more of its Nasdaq Market Center MPIDs that represent 0.90% or more of Consolidated Volume during the month.

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3 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.
more of its Nasdaq Market Center MPIDs that represent 0.90% or more of Consolidated
Volume during the month, which includes shares of liquidity provided with respect to
securities that are listed on exchanges other than Nasdaq or NYSE that represent 0.25%
or more of Consolidated Volume.

By proposing to add this new tier, the Exchange will provide a new means for its
members to qualify for a credit for adding significant liquidity to the Exchange in
securities listed on exchanges other than Nasdaq and NYSE. This new credit will be
lower than the existing credit for such activity, but members will also qualify for it by
satisfying less stringent criteria. By providing an additional incentive for members to add
liquidity to the Exchange in securities listed on exchanges other than Nasdaq and NYSE,
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 liquidity to the Exchange,
and who provide significant volumes of liquidity in securities listed on exchanges other
than Nasdaq and NYSE, will benefit directly from the proposed addition of the new
credit. Other participants will also benefit from the new credit insofar as any increase in
liquidity adding activity on the Exchange will improve the overall quality of the market,
to the benefit of all members.

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

The Proposal is Reasonable

The Exchange’s proposed change to its schedule of credits 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


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

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 proposal represents a reasonable attempt by the Exchange to increase its liquidity and market share relative to


its competitors.

The Exchange has designed its proposed new credit to provide an additional incentive to members to increase their liquidity adding activity on the Exchange, and in particular, their liquidity adding activity in securities listed on exchanges other than Nasdaq and NYSE. 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 credit are free to shift their order flow to competing venues that offer them lower charges or higher credits.

The Proposal is an Equitable Allocation of Credits

The Exchange believes its proposal will allocate its credits fairly among its market participants. It is equitable for the Exchange to establish the proposed new credit as a means of incentivizing members to provide meaningful amounts of liquidity to the Exchange, including in securities listed on exchanges other than Nasdaq and NYSE. To the extent that the Exchange succeeds in increasing liquidity on the Exchange, including liquidity adding activity in securities listed on exchanges other than Nasdaq and NYSE, then the Exchange would experience improvements in its market quality, which would benefit all market participants.

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

The Proposed Credit 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.

Moreover, the Exchange believes that its new proposed credit is not unfairly discriminatory because it stands 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, including in securities listed on exchanges other than Nasdaq and NYSE.

Finally, any participant that is dissatisfied with the proposed new credit 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 proposal will place any category of Exchange participant at a competitive disadvantage. To the contrary, the proposed change will provide an opportunity for members that do not qualify for the $0.0030 per share executed credit to receive a lower credit based upon achieving similar, albeit lower thresholds of liquidity adding activity. Any member may elect to provide the levels of market activity required in order to receive the new credit. Furthermore, all members of the Exchange will benefit from any increase in market activity that the proposal effectuates.

Moreover, members are free to trade on other venues to the extent they believe that the proposed credit is 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 proposal 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 credit is 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 proposal is pro-competitive in that the Exchange intends for it to increase liquidity adding activity on the Exchange and thereby render the Exchange a more attractive and vibrant venue to market participants.

In sum, if the change proposed herein is 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 change will impair the ability of members or competing order execution venues to maintain their competitive standing in the financial markets.

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

No written comments were either solicited or received.
6. **Extension of Time Period for Commission Action**

Not applicable.

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

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

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

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

Not applicable.

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

Not applicable.

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

Not applicable.

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11. **Exhibits**


5. Text of the proposed rule change.
Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”), and Rule 19b-4 thereunder, notice is hereby given that on January 12, 2021, 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 transaction credits at Equity 7, Section 118, as described further below.


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 a new credit for executing orders in securities in all three Tapes.

Presently, the Exchange offers a member a credit of $0.0030 per share of displayed orders/quotes (other than Supplemental Orders or Designated Retail Orders) to the extent such member has shares of liquidity provided in all securities through one or more of its Nasdaq Market Center MPIDs that represent 1.30% or more of Consolidated Volume\(^3\) during the month, which includes shares of liquidity provided with respect to securities that are listed on exchanges other than Nasdaq or NYSE that represent 0.40% or more of Consolidated Volume. The purpose of this credit is to incentivize members to

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\(^3\) 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.
add substantial liquidity to the Exchange, and to do so to a significant extent by adding
liquidity in securities listed on exchanges other than Nasdaq or NYSE.

The Exchange now proposes to add a new, lower credit for members that meet
similar criteria, albeit with less stringent volume requirements. Specifically, the
Exchange proposes to provide a new credit of $0.00295 per share of displayed
orders/quotes (other than Supplemental Orders or Designated Retail Orders) that provide
liquidity for a member with shares of liquidity provided in all securities through one or
more of its Nasdaq Market Center MPIDs that represent 0.90% or more of Consolidated
Volume during the month, which includes shares of liquidity provided with respect to
securities that are listed on exchanges other than Nasdaq or NYSE that represent 0.25%
or more of Consolidated Volume.

By proposing to add this new tier, the Exchange will provide a new means for its
members to qualify for a credit for adding significant liquidity to the Exchange in
securities listed on exchanges other than Nasdaq and NYSE. This new credit will be
lower than the existing credit for such activity, but members will also qualify for it by
satisfying less stringent criteria. By providing an additional incentive for members to add
liquidity to the Exchange in securities listed on exchanges other than Nasdaq and NYSE,
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 liquidity to the Exchange,
and who provide significant volumes of liquidity in securities listed on exchanges other
than Nasdaq and NYSE, will benefit directly from the proposed addition of the new
credit. Other participants will also benefit from the new credit insofar as any increase in
liquidity adding activity on the Exchange will improve the overall quality of the market, to the benefit of all members.

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

**The Proposal is Reasonable**

The Exchange’s proposed change to its schedule of credits 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

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5 15 U.S.C. 78f(b)(4) and (5).
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’…”

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.”

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 order flow among the Exchange and competing venues in response to changes in their

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respective pricing schedules. Within the foregoing context, the proposal represents a reasonable attempt by the Exchange to increase its liquidity and market share relative to its competitors.

The Exchange has designed its proposed new credit to provide an additional incentive to members to increase their liquidity adding activity on the Exchange, and in particular, their liquidity adding activity in securities listed on exchanges other than Nasdaq and NYSE. 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 credit are free to shift their order flow to competing venues that offer them lower charges or higher credits.

The Proposal is an Equitable Allocation of Credits

The Exchange believes its proposal will allocate its credits fairly among its market participants. It is equitable for the Exchange to establish the proposed new credit as a means of incentivizing members to provide meaningful amounts of liquidity to the Exchange, including in securities listed on exchanges other than Nasdaq and NYSE. To the extent that the Exchange succeeds in increasing liquidity on the Exchange, including liquidity adding activity in securities listed on exchanges other than Nasdaq and NYSE, then the Exchange would experience improvements in its market quality, which would benefit all market participants.
Any participant that is dissatisfied with the proposed new credit is free to shift their order flow to competing venues that provide more generous pricing or less stringent qualifying criteria.

**The Proposed Credit 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.

Moreover, the Exchange believes that its new proposed credit is not unfairly discriminatory because it stands 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, including in securities listed on exchanges other than Nasdaq and NYSE.

Finally, any participant that is dissatisfied with the proposed new credit 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 proposal will place any category of Exchange participant at a competitive disadvantage. To the contrary, the proposed change will provide an opportunity for members that do not qualify for the $0.0030 per share executed credit to receive a lower credit based upon achieving similar, albeit lower thresholds of liquidity adding activity. Any member may elect to provide the levels of market activity required in order to receive the new credit. Furthermore, all members of the Exchange will benefit from any increase in market activity that the proposal effectuates.

Moreover, members are free to trade on other venues to the extent they believe that the proposed credit is 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 proposal 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 credit is 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 proposal is pro-competitive in that the Exchange intends for it to
increase liquidity adding activity on the Exchange and thereby render the Exchange a
more attractive and vibrant venue to market participants.

In sum, if the change proposed herein is 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 change 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.8

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](http://www.sec.gov/rules/sro.shtml); or

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• Send an e-mail to rule-comments@sec.gov. Please include File Number SR-NASDAQ-2020-003 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-2020-003. 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-2020-003 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.\textsuperscript{9}

J. Matthew DeLesDernier
Assistant Secretary

\textsuperscript{9} 17 CFR 200.30-3(a)(12).
The Nasdaq Stock Market LLC Rules

* * * * *

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

<table>
<thead>
<tr>
<th>Credit to member for displayed quotes/orders (other than Supplemental Orders or Designated Retail Orders) that provide liquidity:</th>
<th>$0.00305 per share executed</th>
</tr>
</thead>
<tbody>
<tr>
<td>member (i) with shares of liquidity provided in all securities through one or more of its Nasdaq Market Center MPIDs that represent 1.20% or more of Consolidated Volume during the month; (ii) executes 0.40% or more of Consolidated Volume during the month through providing midpoint orders and through MELO; and (iii) removes at least 1.10% of Consolidated Volume during the month:</td>
<td>$0.00295 per share executed</td>
</tr>
<tr>
<td>member with shares of liquidity provided in all securities through one or more of its Nasdaq Market Center MPIDs</td>
<td></td>
</tr>
</tbody>
</table>
that represent 0.90% or more of Consolidated Volume during the month, which includes shares of liquidity provided with respect to securities that are listed on exchanges other than Nasdaq or NYSE that represent 0.25% or more of Consolidated Volume:

| Member with shares of liquidity provided in all securities through one or more of its Nasdaq Market Center MPIDs that represent 1.30% or more of Consolidated Volume during the month, which includes shares of liquidity provided with respect to securities that are listed on exchanges other than Nasdaq or NYSE that represent 0.40% or more of Consolidated Volume: | $0.0030 per share executed |

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

<table>
<thead>
<tr>
<th>Credit to member for displayed quotes/orders (other than Supplemental Orders or Designated Retail Orders) that provide liquidity:</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>...</td>
<td>...</td>
</tr>
<tr>
<td>member (i) with shares of liquidity provided in all securities through one or more of its Nasdaq Market Center MPIDs that represent 1.20% or more of Consolidated Volume during the month; (ii) executes 0.40% or more of Consolidated Volume during the month through providing midpoint orders and through MELO; and (iii) removes at least 1.10% of Consolidated Volume during the month:</td>
<td>$0.00305 per share executed</td>
</tr>
<tr>
<td>member with shares of liquidity provided in all securities through one or more of its Nasdaq Market Center MPIDs that represent 0.90% or more of Consolidated Volume during the month, which includes shares of liquidity provided with respect to securities that are listed on exchanges other than Nasdaq or NYSE that represent 0.25% or more of Consolidated Volume:</td>
<td>$0.00295 per share executed</td>
</tr>
<tr>
<td>member with shares of liquidity provided in all securities through one or more of its Nasdaq Market Center MPIDs that represent 1.30% or more of Consolidated Volume during the month, of which includes shares of liquidity provided with respect to securities that are listed on exchanges other than Nasdaq or NYSE that represent 0.40% or more of Consolidated Volume:</td>
<td>$0.0030 per share executed</td>
</tr>
</tbody>
</table>
or more of Consolidated Volume:

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

Credit to member for displayed quotes/orders (other than Supplemental Orders or Designated Retail Orders, except as provided below) that provide liquidity:

member (i) with shares of liquidity provided in all securities through one or more of its Nasdaq Market Center MPIDs that represent 1.20% or more of Consolidated Volume during the month; (ii) executes 0.40% or more of Consolidated Volume during the month through providing midpoint orders and through MELO; and (iii) removes at least 1.10% of Consolidated Volume during the month: $0.00305 per share executed

member with shares of liquidity provided in all securities through one or more of its Nasdaq Market Center MPIDs that represent 0.90% or more of Consolidated Volume during the month, which includes shares of liquidity provided with respect to securities that are listed on exchanges other than Nasdaq or NYSE that represent 0.25% or more of Consolidated Volume: $0.00295 per share executed

member with shares of liquidity provided in all securities through one or more of its Nasdaq Market Center MPIDs that represent 1.30% or more of Consolidated Volume during the month, of which includes shares of liquidity provided with respect to securities that are listed on exchanges other than Nasdaq or NYSE that represent 0.40% or more of Consolidated Volume: $0.0030 per share executed

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