I. Introduction

The Commission gives notice that the Postal Service filed request(s) for the Commission to consider matters related to negotiated service agreement(s). The request(s) may propose the addition or removal of a negotiated service agreement from the Market Dominant or the Competitive product list, or the modification of an existing product currently appearing on the Market Dominant or the Competitive product list.

Section II identifies the docket number(s) associated with each Postal Service request, the title of each Postal Service request, the request’s acceptance date, and the authority cited by the Postal Service for each request. For each request, the Commission appoints an officer of the Commission to represent the interests of the general public in the proceeding, pursuant to 39 U.S.C. 505 (Public Representative). Section II also establishes comment deadline(s) pertaining to each request.

The public portions of the Postal Service’s request(s) can be accessed via the Commission’s website (http://www.prc.gov). Non-public portions of the Postal Service’s request(s), if any, can be accessed through compliance with the requirements of 39 CFR 3011.301.1

The Commission invites comments on whether the Postal Service’s request(s) in the captioned docket(s) are consistent with the policies of title 39. For request(s) that the Postal Service states concern Market Dominant product(s), applicable statutory and regulatory requirements include 39 U.S.C. 3622, 39 U.S.C. 3642, 39 CFR part 3030, and 39 CFR part 3040, subpart B. For request(s) that the Postal Service states concern Competitive product(s), applicable statutory and regulatory requirements include 39 U.S.C. 3632, 39 U.S.C. 3633, 39 U.S.C. 3642, 39 CFR part 3035, and 39 CFR part 3040, subpart B. Comment deadline(s) for each request appear in section II.

II. Docketed Proceeding(s)


This Notice will be published in the Federal Register.
II. Self-Regulatory Organization’s Statement of the Purpose of, and Statutory Basis for, the Proposed Rule
Change

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

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

1. Purpose

The purpose of the proposed rule change is to amend the schedule of credits it provides to members, pursuant to Equity 7, Section 118(a), by establishing a new credit tier.

Specifically, the Exchange proposes to provide a new credit for displayed quotes/orders (other than Supplemental Orders or Designated Retail Orders) of $0.0030 per share executed to a member with: (i) shares of liquidity provided in all securities that represent 0.70% or more (in securities priced at or greater than $1) of Consolidated Volume (in securities priced at or greater than $1); (ii) shares of liquidity provided with respect to securities that are listed on exchanges other than Nasdaq or NYSE that represent 0.15% or more of Consolidated Volume; and (iii) shares of non-displayed liquidity (other than midpoint orders) provided in all securities that represent 0.10% or more of Consolidated Volume. The new credit of $0.0030 per share executed would apply to displayed quotes/orders (other than Supplemental Orders or Designated Retail Orders) in Tape A, Tape B, and Tape C. Members would not be permitted to combine the new $0.0030 per share executed with QMM credits set forth in Equity 7, Section 114(e).

The purpose of this credit is to provide members with a new incentive to add significant amounts of liquidity to the Exchange and, in particular, to add significant volumes of liquidity in securities in Tape B and in non-displayed liquidity (other than midpoint orders) in all Tapes. An increase in liquidity adding activity on the Exchange would help to improve the quality of the market for all participants.

2. Statutory Basis

The Exchange believes that its proposal is consistent with section 6(b) of the Act, in general, and furthers the objectives of sections 6(b)(4) and 6(b)(5) of the Act, in particular, in that it provides for the equitable allocation of reasonable dues, fees and other charges among members and issuers and other persons using any facility, and is not designed to permit unfair discrimination between customers, issuers, brokers, or dealers.

The 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 monopoly, regulatory or otherwise, in the execution of order flow from broker dealers.’ . . .”5

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.”6

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


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


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 enhances price discovery and improves the overall quality of the equity markets.

The Exchange believes that its proposed $0.0030 per share executed credit is not unfairly discriminatory because the credit is available to all members. Moreover, the proposed credit stands to improve the overall market quality of the Exchange, to the benefit of all participants, by incentivizing members to provide meaningful amounts of liquidity to the Exchange, including in securities in Tape B as well as in non-displayed orders (other than midpoint orders) in all Tapes, because the Exchange believes that the market for such securities and orders would benefit from additional liquidity. 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.

Any Participant that is dissatisfied with the proposal 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 proposed rule will place any category of Exchange participant at a competitive disadvantage. To the contrary, the proposed change will provide an opportunity for members to receive a new credit based on their market-improving behavior. Any member may elect to provide the levels of market activity required in order to receive the new credit.

The Exchange notes that its members are free to trade on other venues to the extent they believe that the Exchange’s schedule of credits is 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.

Intermarket Competition

In terms of inter-market competition, the Exchange notes that it operates in a highly competitive market in which market participants can readily favor competing venues if they deem fee levels at a particular venue to be excessive, or rebate opportunities available at other venues to be more favorable. In such an environment, the Exchange must continually adjust its fees 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.

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 more than 40% of industry volume.

The Exchange’s proposal is pro-competitive in that the Exchange intends for the proposal to increase liquidity on the Exchange and thereby render the Exchange a more attractive and vibrant venue to market participants.

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.7 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 (https://www.sec.gov/rules/sro.shtml);
• Send an email to rule-comments@sec.gov. Please include file number SR–NASDAQ–2023–028 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–2023–028. This file number should be included on the subject line if email 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 website (https://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 a.m. and 3 p.m. Copies of the filing also will be available for inspection and copying at the principal office of the Exchange. Do not include personal identifiable information in submissions; you should submit only information that you wish to make available publicly. We may redact in part or withhold entirely from publication submitted material that is obscene or subject to copyright protection. All submissions should refer to file number SR–NASDAQ–2023–028 and should be submitted on or before September 8, 2023.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.8 Sherry R. Haywood, Assistant Secretary.

[FR Doc. 2023–17758 Filed 8–17–23; 8:45 am]
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SECURITIES AND EXCHANGE COMMISSION


Self-Regulatory Organizations; Nasdaq BX, Inc.; Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Amend the Exchange’s Schedule of Fees and Credits at Equity 7, Section 118

August 14, 2023

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 August 1, 2023, Nasdaq BX, Inc. (“BX” or “Exchange”) filed with the Securities and Exchange Commission (“SEC” or “Commission”) the proposed rule change as described in Items I, II, and III, below, which Items have been prepared by the Exchange. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

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

The Exchange proposes to amend the Exchange’s schedule of fees and credits at Equity 7, Section 118(e), as described further below.

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

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

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

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

1. Purpose

The Exchange operates on the “taker-maker” model, whereby it generally pays credits to members that take liquidity and charges fees to members that provide liquidity. Currently, the Exchange has a schedule, at Equity 7, Section 118(e), which consists of several different credits and fees for Retail Orders1 and Retail Price Improvement Orders2 under Rule 4780 (Retail Price Improvement Program).

The purpose of the proposed rule change is to amend the Exchange’s schedule of fees and credits, at Equity 7, Section 118(e). Specifically, the Exchange proposes to (1) establish a new fee for certain RPI Orders that provide liquidity to the Exchange; and (2) specify that certain Retail Orders that access liquidity shall be excluded in the calculation of a member’s volume for purposes of Equity 7, Section 118.

Currently, the Exchange charges certain fees for RPI Orders that provide liquidity, ranging from $0.0018 per share executed to $0.0025 per share executed. The Exchange proposes to adopt a new fee of $0.0003 per share executed for RPI Orders that provide liquidity for accepted Retail Orders greater than or equal to $10,000. The Exchange hopes that the proposed fee will encourage members to increase liquidity providing activity in RPI Orders greater than or equal to $10,000 on the Exchange. If the proposal is effective in achieving this purpose, then the quality of the Exchange’s market will improve, particularly with respect to RPI and Retail Orders to the benefit of all participants, especially those who submit RPI and Retail Orders.

The Exchange also proposes to exclude accepted Retail Orders greater than or equal to $10,000 that access liquidity provided by RPI Orders for purposes of determining a member’s volume for Equity 7, Section 118.3 The Exchange has limited resources to devote to incentive programs, and it is appropriate for the Exchange to reallocate these incentives periodically in a manner that best achieves the Exchange’s overall mix of objectives.

2. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act,4 in general, and further the objectives of Sections 6(b)(4) and 6(b)(5) of the Act,5 in particular, 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

1 Retail Orders shall mean an order type with a Non-Display Order Attribute submitted to the Exchange by a Retail Member Organization (as defined in Rule 4780). A Retail Order must be an agency Order, or riskless principal Order that satisfies the criteria of FINRA Rule 5320.03. The Retail Order must reflect trading interest of a natural person with no change made to the terms of the underlying order of the natural person with respect to price (except in the case of a market order that is changed to a marketable limit order) or side of market and that does not originate from a trading algorithm or any other computerized methodology. See Equity 4, Rule 4702(b)(6).

2 Retail Price Improving (“RPI”) Orders shall mean an Order Type with a Non-Display Order Attribute that is held on the Exchange Book in order to provide liquidity at a price at least $0.001 better than the NBBO through a special execution process described in Rule 4780. A Retail Price Improving Order may be entered in price increments of $0.001. RPI Orders collectively may be referred to as “RPI Interest.” See Equity 4, Rule 4702(b)(5).

3 For example, pursuant to Equity 7, Section 118(a), the Exchange provides a credit of $0.0018 per share executed for an Order that accesses liquidity (excluding orders with Midpoint pegging and excluding orders that receive price improvement and execute against an order with a Non-displayed price) entered by a member: (i) whose combined liquidity removing and adding activities equal or exceed 0.15% of total Consolidated Volume during a month; (ii) that accesses liquidity equal to or exceeding 0.05% of total Consolidated Volume during a month; and (iii) that adds liquidity equal to or exceeding an average daily volume of 50,000 shares in a month. The proposed change would exclude accepted Retail Orders greater than or equal to $10,000 that access liquidity provided by RPI Orders from the volume calculations for purposes of determining whether or not a member qualifies for this $0.0018 per share executed credit.


