

SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34-83702; File No. SR-NASDAQ-2018-057)

July 25, 2018

Self-Regulatory Organizations; The Nasdaq Stock Market LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Amend Fees and Credits Under Rule 7018(a)

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”),<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on July 12, 2018, 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 fees at Rule 7018(a) to amend qualification criteria for a credit tier applicable to securities of all three Tapes, and to reduce the charge assessed members applicable to DOT and LIST Orders in Tape A securities, as described further below.<sup>3</sup>

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

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<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 17 CFR 240.19b-4.

<sup>3</sup> Tape C securities are those that are listed on the Exchange, Tape A securities are those that are listed on NYSE, and Tape B securities are those that are listed on exchanges other than Nasdaq or NYSE.

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 Rule 7018(a), concerning the fees and credits provided for the use of the order execution and routing services of the Nasdaq Market Center by members for all securities priced at \$1 or more that it trades. Rule 7018(a)(1) sets forth the fees and credits for the execution and routing of orders in Nasdaq-listed securities (Tape C); Rule 7018(a)(2) sets forth the fees and credits for the execution and routing of securities listed on the New York Stock Exchange LLC (Tape A); and Rule 7018(a)(3) sets forth the fees and credits for the execution and routing of securities listed on exchanges other than Nasdaq and NYSE (Tape B).

The Exchange is proposing to amend the criteria required to qualify for credits provided to a member for displayed quotes/orders that provide liquidity, and to reduce a fee applicable to Tape A securities. Currently, under Rules 7018(a)(1) – (3) the Exchange provides credits to, and assesses fees on, members for execution of displayed quotes/orders (other than Supplemental Orders or Designated Retail Orders) if they qualify by meeting the requirements of the various credit and fee tiers under those rules. As described below, the Exchange is proposing to amend

the Exchange's transaction fees at Rule 7018(a)(1) – (3) to amend qualification criteria for a credit tier applicable to securities of all three Tapes, and to reduce a fee under Rule 7018(a)(2) applicable to only Tape A securities, as described further below.

#### First Change

The Exchange is proposing to amend the criteria required to qualify for a \$0.0030 per share executed credit, which will apply to securities of all three Tapes under Rules 7018(a)(1) – (3). Currently, the Exchange provides the credit if a member has shares of liquidity provided in all securities through one or more of its Nasdaq Market Center MPIDs that represent 0.575% or more of Consolidated Volume<sup>4</sup> during the month, including shares of liquidity provided with respect to securities that are listed on exchanges other than Nasdaq or NYSE that represent 0.10% or more of Consolidated Volume. The Exchange is proposing to increase the level of shares of liquidity required to be provided in all securities through one or more of its [sic] Nasdaq Market Center MPIDs from 0.575% to 0.625% or more of Consolidated Volume during the month. The Exchange is also proposing to increase the required level of shares of liquidity provided from 0.10% to 0.15% or more of Consolidated Volume with respect to securities that are listed on exchanges other than Nasdaq or NYSE.

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<sup>4</sup> Rule 7018(a) defines “Consolidated Volume” as 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.

## Second Change

The purpose of the second proposed change is to reduce the fee assessed for a DOT<sup>5</sup> or LIST<sup>6</sup> Order that executes in the NYSE opening or reopening process.<sup>7</sup> Currently, the Exchange assesses a \$0.0015 per share executed charge on a DOT or LIST Order in a Tape A security that executes in the NYSE opening or reopening process. DOT is a routing option for Orders that the entering firm wishes to route to NYSE or NYSE American. LIST is a routing option that allows an Order to participate in the opening and/or closing process of the primary listing market for a security. The Exchange is proposing to reduce the fee assessed members for DOT or LIST Order in a Tape A security that executes in the NYSE opening or reopening process from \$0.0015 to \$0.0010 per share executed.

### 2. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act,<sup>8</sup> in general, and furthers the objectives of Sections 6(b)(4) and 6(b)(5) of the Act,<sup>9</sup> 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.

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<sup>5</sup> See Rule 4758(a)(i)-(ii).

<sup>6</sup> See Rule 4758(a)(x).

<sup>7</sup> The Exchange is also making a minor technical correction to the rule.

<sup>8</sup> 15 U.S.C. 78f(b).

<sup>9</sup> 15 U.S.C. 78f(b)(4) and (5).

### First Change

The Exchange believes that changing the Consolidated Volume qualification criteria required to qualify for the \$0.0030 per share executed credit under Rules 7018(a)(1) – (3) is reasonable. Nasdaq believes that the changes to the volume thresholds are reasonable because the increased volume thresholds are more closely aligned to the corresponding credit than the current volume thresholds. This increase is also reflective of the Exchange's desire to provide incentives to attract order flow to the Exchange in return for significant market-improving behavior. By modestly increasing both the requirement that members add liquidity in all securities through one or more of its [sic] Nasdaq Market Center MPIDs from 0.575% to 0.625%, or more, of Consolidated Volume, and the requirement that the member provide shares of liquidity with respect to securities that are listed on exchanges other than Nasdaq or NYSE from 0.10% to 0.15%, or more, of Consolidated Volume, the Exchange is increasing the volume of liquidity that a member must add during the month in order to qualify for the corresponding credit. This change will help ensure that members are providing significant market-improving behavior in return for credits.

The Exchange believes that the increase in the Consolidated Volume thresholds needed to qualify for the \$0.0030 per share executed credit under Rules 7018(a)(1) – (3) is an equitable allocation and is not unfairly discriminatory because the Exchange will apply the same credit to all similarly-situated members that meet its requirements. The credit and its corresponding volume requirements will apply equally to transactions in securities of all the Tapes. The Exchange believes that the new volume requirements will not significantly impact the number of members that will likely qualify for the corresponding credit, since the new volume thresholds are a modest increase over the current volume thresholds. Participation in the Exchange's

various credit tiers is completely voluntary, and members may always elect to either qualify for the corresponding credit by adding sufficient liquidity to the Exchange to meet the new volume requirement, or by electing to qualify for a different credit. Finally, by modestly increasing the total volume of liquidity as well as the liquidity provided with respect to securities that are listed on exchanges other than Nasdaq or NYSE that a member must add during the month in order to qualify for the corresponding credit, the proposed change will help ensure that members are providing significant market-improving behavior in return for credits.

### Second Change

The Exchange believes that reducing the fee assessed for a DOT or LIST Order in a Tape A security that executes in the NYSE opening or reopening process from \$0.0015 to \$0.0010 per share executed is reasonable. The Exchange notes that it currently assesses a charge of \$0.00095 per share executed for the execution of a LIST Order in a Tape B security in the NYSEAmex closing process.<sup>10</sup> This fee decrease is reflective of the Exchange's desire to provide incentives to market participants to use the routing function of the Exchange. When routing Orders to non-Nasdaq exchanges such as NYSE, the Exchange incurs costly connectivity charges related to telecommunication lines, membership and access fees, and other related costs when routing orders. Although the Exchange may realize less overall fees from [sic] proposed fee decrease for DOT and LIST Orders that execute in the NYSE opening or reopening processes, the Exchange believes that it will continue to be able to recover the costs it incurs to route such Orders to NYSE.

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<sup>10</sup> See Rule 7018(a)(3).

The Exchange believes that reducing the fee assessed for a DOT or LIST Order that executes in the NYSE opening or reopening process is an equitable allocation and is not unfairly discriminatory because the Exchange will apply the same fee to all similarly situated members that meet its requirements. The proposed fee is only available to Tape A securities because DOT and LIST Orders include Tape A securities, whereas the Exchange's fee tiers for routing and execution of Tape C and B securities are covered under Rules 7018(a)(1) and (3), respectively. These rules provide the fees assessed for execution of Tape C and B securities on the primary listing exchange, which have previously been found to be equitably allocated.<sup>11</sup> Moreover, the fee is more closely aligned with the fee that the Exchange assesses for the execution of LIST Orders in Tape B securities that execute in the NYSEAmex closing process. The Exchange believes that the lower fee may attract more Orders in Tape A securities to the Exchange and promote the use of the Exchange's routing functionality, while also providing all members with reduced fees for the execution of their DOT and LIST Orders. Last, the Exchange notes that participation in the Exchange's various fee and credit tiers is completely voluntary, and members may always elect to enter Orders in Tape A securities that they wish to execute on NYSE either directly or through intermediaries.

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

The Exchange does not believe that the proposed rule change will impose any burden on competition not necessary or appropriate in furtherance of the purposes of the Act. In terms of inter-market competition, the Exchange notes that it operates in a highly competitive market in which market participants can readily favor competing venues if they deem fee levels at a particular venue to be excessive, or rebate opportunities available at other venues to be more

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<sup>11</sup> The Commission notes that these fees were filed effective on filing pursuant to Section 19(b)(3)(A) of the Act and thus the Commission made no findings regarding the fees.

favorable. In such an environment, the Exchange must continually adjust its fees to remain competitive with other exchanges and with alternative trading systems that have been exempted from compliance with the statutory standards applicable to exchanges. Because competitors are free to modify their own fees in response, and because market participants may readily adjust their order routing practices, the Exchange believes that the degree to which fee changes in this market may impose any burden on competition is extremely limited.

In this instance, the proposed rule change does not impose a burden on competition because the Exchange's execution services are completely voluntary and subject to extensive competition both from other exchanges and from off-exchange venues. With respect to the first proposed change, the Exchange will apply the same volume thresholds to all members for transactions in the securities of all three of the Tapes. As noted, participation in the Exchange's various credit tiers is completely voluntary, and the Exchange does not believe that the new Consolidated Volume thresholds will significantly impact the number of members that will likely qualify for the corresponding credit. Members may always elect to either qualify for the new Consolidated Volume thresholds by adding sufficient liquidity to the Exchange to meet the new volume requirement, or by electing to qualify for a different credit. As such, the Exchange believes that the proposed Consolidated Volume thresholds will not negatively impact who will qualify for the corresponding credits, but will rather have a positive impact on overall market quality as members increase their participation in the market to qualify for the particular credit. With respect to the second proposed change, the Exchange does not believe that the reduction in the fee assessed for execution of DOT and LIST Orders in Tape A securities burdens competition, but it rather promotes competition by making the Exchange a more attractive venue to enter such Orders. If, however, the Exchange is incorrect and the changes proposed herein are



unattractive to members, it is likely that Nasdaq will lose market share as a result. Accordingly, Nasdaq 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.<sup>12</sup>

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:

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<sup>12</sup> 15 U.S.C. 78s(b)(3)(A)(ii).

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](mailto:rule-comments@sec.gov). Please include File Number SR-NASDAQ-2018-057 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-2018-057. 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 website (<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. Persons submitting comments are cautioned that we do not redact or edit personal identifying information from comment submissions. You should submit only information that you wish to

make available publicly. All submissions should refer to File Number SR-NASDAQ-2018-057, 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.<sup>13</sup>

Eduardo A. Aleman  
Assistant Secretary

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<sup>13</sup> 17 CFR 200.30-3(a)(12).