

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-92300; File No. SR-NASDAQ-2021-053)

June 30, 2021

Self-Regulatory Organizations; The Nasdaq Stock Market LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Amend the Exchange's Transaction Credits and Charges at 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 June 22, 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 and charges at Equity 7, Section 118(a), as described further below. 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.

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

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

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 Exchange's schedule of credits and charges, at Equity 7, Section 118(a). Specifically, the Exchange proposes to: (1) add a new credit of \$0.0028 per share executed for members that add at least a certain threshold volume of liquidity in securities in Tape B; (2) add a new credit of \$0.0030 per share executed for members that add and remove liquidity, including adding at least a certain threshold volume of liquidity in securities in midpoint orders or Midpoint Extended Life Orders ("M-ELOs")³ for securities in any Tape; (3) raise the qualifying threshold for an existing credit of \$0.00305 per share executed for members that add and remove liquidity, including a certain volume of liquidity in midpoint orders or M-ELOs in securities in any Tape; (4) add new \$0.0026 and \$0.0027 per share executed credits for members that provide liquidity, grow their liquidity adding activity relative to a benchmark month, and achieve certain ratios of NBBO liquidity⁴ to displayed liquidity provided; (5) add two new supplemental credits for certain midpoint orders of \$0.0001 or \$0.0002 per share executed for members that provide at least certain thresholds of midpoint liquidity and grow their midpoint adding liquidity relative to a benchmark month; and (6) amend

³ Pursuant to Equity 4, Rule 4702(b)(14), a "Midpoint Extended Life Order" is an Order Type with a Non-Display Order Attribute that is priced at the midpoint between the NBBO and that will not be eligible to execute until a minimum period of 10 milliseconds has passed after acceptance of the Order by the System.

⁴ As defined in Equity 7, Section 114(g), "NBBO liquidity provided" means liquidity provided from orders (other than Designated Retail Orders, as that term is defined in Equity 7, Section 118), that establish the NBBO, and display a quantity of at least one round lot at the time of execution.

the applicability of two existing charges for members with orders that execute upon utilizing the “RTFY” routing option.⁵

New Credit for Adding Liquidity in Tape B Securities

The Exchange proposes to add a new credit of \$0.0028 per share executed to a member with shares of liquidity provided in all securities through one or more of its Nasdaq Market Center MPIDs that represent 0.45% or more of Consolidated Volume⁶ during the month, which includes shares of liquidity provided with respect to securities that are listed on exchanges other than Nasdaq or NYSE (“Tape B Securities”) that represent 0.10% or more of Consolidated Volume.

The Exchange notes that it presently offers three similarly structured credits, ranging from \$0.0029 to \$0.0030 per share executed, to members with orders that add liquidity to the Exchange representing more than certain threshold percentages of Consolidated Volumes (0.625% to 1.25%), including shares of liquidity provided with respect to securities in Tape B that represent at least certain threshold percentages of Consolidated Volume (0.15% to 0.40%).

⁵ Pursuant to Equity 4, Section 4758(a)(1)(A)(v)(b), “RTFY” is a routing option available for an order that qualifies as a Designated Retail Order under which orders check the System for available shares only if so instructed by the entering firm and are thereafter routed to destinations on the System routing table. If shares remain unexecuted after routing, they are posted to the Nasdaq Book. Once on the Nasdaq Book, should the order subsequently be locked or crossed by another market center, the Nasdaq System will not route the order to the locking or crossing market center. RTFY is designed to allow orders to participate in the opening, reopening and closing process of the primary listing market for a security.

⁶ Equity 7, Section 118(a) defines “Consolidated Volume” to 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 is excluded from both total Consolidated Volume and the member's trading activity.

The proposal will add to this series of credits a new lower credit for members that add corresponding lower threshold volumes of liquidity to the Exchange, and lower threshold volumes in securities in Tape B. In doing so, the Exchange intends to expand opportunities for participants to receive a credit if they add significant liquidity to the Exchange, including significant liquidity in Tape B. For those members that engage in significant liquidity adding activity on the Exchange, but do not have sufficient activity to qualify for the existing credits, the new credit may be more readily attainable. If so, then such members may seek to qualify for the new credit by increasing their liquidity adding activity on the Exchange. To the extent that they do so, the quality of the market will improve, to the benefit of all participants.

New and Amended Credits for Adding and Removing Liquidity and Executing Midpoint and M-ELO Orders

The Exchange proposes to add a new credit of \$0.0030 per share executed to a member: (i) with shares of liquidity provided in all securities through one or more of its Nasdaq Market Center MPIDs that represent 0.875% or more of Consolidated Volume during the month; (ii) that executes 0.25% or more of Consolidated Volume during the month through providing midpoint orders and through MELO; and (iii) that removes at least 1.35% of Consolidated Volume during the month.

The proposed new credit will be situated between two similarly-structured credits that the Exchange presently provides to its members: (1) a \$0.00295 per share executed credit to a member that adds liquidity representing 0.70% or more of Consolidated Volume during the month, executes 0.20% or more of Consolidated Volume in midpoint and M-ELO Orders, and removes at least 1.10% of Consolidated Volume during the month; and (2) a \$0.00305 per share executed credit to a member that adds liquidity representing 1.20% or more of Consolidated Volume during the month, executes 0.40% or more of Consolidated Volume in midpoint and M-

ELO Orders, and removes at least 1.10% of Consolidated Volume during the month. As to the \$0.00305 credit, the Exchange proposes to raise the liquidity removal threshold from 1.10% to 1.45% of Consolidated Volume.

The Exchange intends for the new proposed credit to be more challenging for members to achieve than the existing \$0.00295 credit, but not quite as challenging to achieve as the \$0.00305 credit. If members that currently qualify for \$0.00295 credit assess that the new \$0.0030 credit is readily attainable, whereas the \$0.00305 is not so, then they may increase their liquidity adding and removing activities on the Exchange to qualify for it, and the quality of the market will improve, to the benefit of all participants.

Meanwhile, the proposal to increase the liquidity removal requirement for the \$0.00305 credit from 1.10% to 1.45% of Consolidated Volume will encourage those participants that already qualify for the credit to increase the extent of their liquidity removal activity on the Exchange in order to continue to qualify for it. From time to time, the Exchange believes it is reasonable to recalibrate the criteria for credits such as this one to ensure that the credits remain appropriately challenging for participants to attain in light of changes to their levels of activity on the Exchange.

New Growth Tiers for Adding Displayed Liquidity

The Exchange proposes to add two new credits that will encourage its members to add and grow the extent to which they add significant volumes on liquidity to the Exchange, including liquidity that establishes the NBBO. First, the Exchange proposes to provide a \$0.0026 per share executed credit to a member that, through one or more of its Nasdaq Market Center MPIDs: (i) provides shares of liquidity in all securities that represent equal to or greater than 0.15% of Consolidated Volume during the month; (ii) increases the extent to which it

provides liquidity in all securities by 20% or more as a percentage of Consolidated Volume during the month relative to the month of May 2021; and (iii) has a ratio of at least 50% NBBO liquidity provided to liquidity provided by displayed quotes/orders (other than Supplemental Orders or Designated Retail Orders) during the month. Second, the Exchange proposes to provide a higher credit to a member that engages in higher levels of this same activity. Namely, the Exchange proposes to provide a \$0.0027 per share executed credit to a member that, through one or more of its Nasdaq Market Center MPIDs: (i) provides shares of liquidity in all securities that represent equal to or greater than 0.20% of Consolidated Volume during the month; (ii) increases the extent to which it provides liquidity in all securities by 35% or more as a percentage of Consolidated Volume during the month relative to the month of May 2021; and (iii) has a ratio of at least 60% NBBO liquidity provided to liquidity provided by displayed quotes/orders (other than Supplemental Orders or Designated Retail Orders) during the month.

Again, the Exchange intends for these new credits to improve market quality by encouraging members to add significant volumes of liquidity during the month, by growing such activity over time, and by providing liquidity that is valued by participants because it sets the NBBO.

Supplemental Credits for Midpoint Orders

The Exchange proposes to provide two new supplemental credits for midpoint orders (excluding buy (sell) orders with Midpoint pegging that receive an execution price that is lower (higher) than the midpoint of the NBBO) that provide liquidity to the Exchange. These credits will be in addition to other credits otherwise available to members for adding non-displayed liquidity to the Exchange, but a member's activity will qualify it to receive only one of the two new supplemental credits at a time, meaning that they are not cumulative. Additionally,

members that receive a supplemental credit will be entitled to a combined credit (regular and supplemental) up to a maximum of \$0.0027 per share executed, meaning that if a member is entitled to a regular credit of \$0.0026 per share executed as well as the \$0.002 [sic] per share executed supplemental credit, the total combined credit provided to the member will be \$0.0027 per share executed, rather than the full \$0.0028 per share executed.

Specifically, the Exchange proposes to provide supplemental credits for midpoint orders (excluding buy (sell) orders with Midpoint pegging that receive an execution price that is lower (higher) than the midpoint of the NBBO) as follows: (1) \$0.0001 per share executed if the member, during the month (i) provides at least 15 million shares of midpoint liquidity per day during the month; and (ii) increases providing liquidity through midpoint orders by 10% or more relative to the member's May 2021 average daily volume provided through midpoint orders; or (2) \$0.0002 per share executed if the member, during the month (i) provides at least 15 million shares of midpoint liquidity per day during the month; and (ii) increases providing liquidity through midpoint orders by 30% or more relative to the member's May 2021 average daily volume provided through midpoint orders.

The purpose of these new credits is to provide extra incentives to members that provide non-displayed liquidity to the Exchange to do so through midpoint orders, as well as to grow substantially the extent to which they provide midpoint orders to the Exchange relative to a recent benchmark month. The Exchange believes that if such incentives are effective, then any ensuing increase in midpoint liquidity to the Exchange will once again improve market quality, to the benefit of all participants.

The Exchange notes that it proposes to cap combined regular and supplemental credits at \$0.0027 per share executed to manage the costs to the Exchange of providing these incentives.

The Exchange has only limited resources available to it for incentive programs, and it must ensure that it allocates such resources appropriately to optimize their intended impacts.

Amend Applicability of Existing Charges for Routed Orders Using RTFY

Additionally, the Exchange proposes to amend the applicability of two of its existing transaction fees. First, it proposes to amend the existing \$0.0030 per share executed fee that it assesses to members that use the RTFY order routing option to execute orders which remove more than 4 million shares of liquidity from the Exchange or execute in a venue with a protected quotation under Regulation NMS other than Nasdaq. Second, it proposes to amend the \$0.00 per share executed fee that it applies to members that use the RTFY order routing option to execute orders which remove up to 4 million shares of liquidity from the Exchange or execute in a venue with a protected quotation under Regulation NMS other than Nasdaq. The Exchange proposes to amend these charges by stating that it will not count RTFY-routed shares that execute in so-called “taker-maker” venues when it calculates whether a member has exceeded the 4 million share threshold that applies to both charges. The Exchange also proposes to exclude taker-maker RTFY executions from any fees that a member incurs for RTFY executions to the extent that the member exceeds the 4 million share threshold through executions at non-taker-maker venues.

The Exchange proposes to exclude RTFY-routed shares executed at taker-maker venues from the fee qualification calculations and from the fees themselves because taker-maker venues typically do not charge fees to Nasdaq for RTFY to access their liquidity, whereas maker-taker venues do so. In other words, the Exchange charges a fee to participants that use RTFY to execute large volumes of shares at venues other than Nasdaq to help Nasdaq to recover the costs it incurs for when such shares access liquidity at maker-taker venues. Because taker-maker venues do not contribute substantially to Nasdaq’s RTFY routing costs, Nasdaq believes that it is

reasonable to exclude RTFY shares that execute on taker-maker venues from Nasdaq's determination as to whether a participant's RTFY activity during a month meets the 4 million share threshold to incur the \$0.0030 per share executed fee. For the same reason, it is also reasonable to exclude RTFY shares executed on taker-maker venues from any RTFY execution fees otherwise incurred.

2. Statutory Basis

The Exchange believes that its proposals are consistent with Section 6(b) of the Act,⁷ in general, and further the objectives of Sections 6(b)(4) and 6(b)(5) of the Act,⁸ 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 proposals 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, buyers and sellers of securities, and the broker-dealers that act as their order-routing agents, have a wide

⁷ 15 U.S.C. 78f(b).

⁸ 15 U.S.C. 78f(b)(4) and (5).

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’....”⁹

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.”¹⁰

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 proposals represent reasonable attempts by the Exchange to increase its liquidity and market share relative to its competitors.

⁹ 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)).

¹⁰ Securities Exchange Act Release No. 51808 (June 9, 2005), 70 FR 37496, 37499 (June 29, 2005) (“Regulation NMS Adopting Release”).

The Exchange believes that it is reasonable to establish new transaction credits, at Equity 7, Section 118(a), because each of these new credits will encourage the addition of and/or growth in the addition of various types of displayed and non-displayed liquidity to the Exchange, including M-ELO, midpoint, Tape B securities, and NBBO-setting liquidity, as well as the removal of liquidity in one instance.

First, the proposed new credit of \$0.0028 per share executed – which will apply to members that add liquidity representing 0.45% or more of Consolidated Volume during the month, and add shares of liquidity in Tape B Securities of 0.10% or more of Consolidated Volume – will provide a new opportunity to members to earn a credit for providing significant volumes of liquidity to the Exchange without having to meet the more stringent qualifying criteria that apply to existing similarly-structured \$0.00295 and \$0.0030 per share credits. Similarly, the proposed new credit of \$0.0030 per share executed – which will apply to members that (i) add liquidity to the Exchange representing 0.875% or more of Consolidated Volume during the month, (ii) execute 0.25% or more of Consolidated Volume during the month in providing midpoint or M-ELO Orders, and (iii) remove from the Exchange liquidity representing at least 1.35% of Consolidated Volume during the month – will encourage members that currently qualify for an existing \$0.00295 per share executed credit for providing a significant amount of liquidity to the Exchange, including midpoint and M-ELO orders, and for removing a significant amount of liquidity from the Exchange, to further increase the extent of these activities on the Exchange to earn a higher \$0.0030 credit, particularly if they deem the criteria for the new credit to be more readily achievable than are the criteria to qualify for the existing \$0.00305 per share executed credit.

Meanwhile, the proposal to increase the liquidity removal requirement for the \$0.00305 credit from 1.10% to 1.45% of Consolidated Volume will encourage those participants that already qualify for the credit to increase the extent of their liquidity removal activity on the Exchange in order to continue to qualify for it. From time to time, the Exchange believes it is reasonable to recalibrate the criteria for credits such as this one to ensure that the credits remain appropriately challenging for participants to attain in light of changes to their levels of activity on the Exchange.

It is also reasonable for the Exchange to establish \$0.0026 and \$0.0027 per share executed credits to members that: (i) provide liquidity greater than certain threshold percentages of Consolidated Volume during the month; (ii) increase their liquidity providing activity in all securities by specified percentages of Consolidated Volume during the month relative to the month of May 2021; and (iii) achieve specified ratios of NBBO liquidity provided to liquidity provided by displayed quotes/orders (other than Supplemental Orders or Designated Retail Orders) during the month. These two new credits will encourage its members to add and grow the extent to which they add significant volumes of liquidity to the Exchange, including liquidity that establishes the NBBO.

Next, the Exchange believes it is reasonable to establish two new supplemental credits for midpoint orders (other than buy (sell) orders with Midpoint Pegging that receive execution prices that are lower (higher) than the midpoint of the NBBO) as follows: (1) \$0.0001 per share executed if the member, during the month (i) provides at least 15 million shares of midpoint liquidity per day during the month; and (ii) increases providing liquidity through midpoint orders by 10% or more relative to the member's May 2021 average daily volume provided through midpoint orders; or (2) \$0.0002 per share executed if the member, during the month (i) provides

at least 15 million shares of midpoint liquidity per day during the month; and (ii) increases providing liquidity through midpoint orders by 30% or more relative to the member's May 2021 average daily volume provided through midpoint orders. These proposals are reasonable because they will provide extra incentives to members that provide non-displayed liquidity to the Exchange to do so through midpoint orders, as well as to grow substantially the extent to which they provide midpoint orders to the Exchange relative to a recent benchmark month. The Exchange believes that if such incentives are effective, then any ensuing increase in midpoint liquidity to the Exchange will once again improve market quality, to the benefit of all participants.

The Exchange believes that it is reasonable to exclude from the supplemental credits orders with Midpoint Pegging which execute at prices less aggressive than the midpoint of the NBBO because such orders already receive price improvements, such that members do not require additional inducements to enter these orders on the Exchange.

Furthermore, the Exchange believes that it is reasonable to cap the amount of combined regular and supplemental credits it proposes to offer members under this program to \$0.0027 per share executed. This cap will allow the Exchange to manage its costs of providing these incentives. The Exchange has only limited resources available to it for incentive programs, and it must ensure that it allocates such resources appropriately to optimize their intended impacts.

Finally, the Exchange believes that it is reasonable to exclude RTFY-routed shares that are executed at taker-maker venues from its calculations for determining whether RTFY participants will incur a \$0.0030 per share executed fee when their shares execute at away venues as well as from the fee itself, to the extent it is otherwise applicable to a member. Taker-maker venues typically do not charge fees to Nasdaq for RTFY to access their liquidity, whereas

maker-taker venues do so. The Exchange charges a fee to participants that use RTFY to execute large volumes of shares at venues other than Nasdaq to help Nasdaq to recover the costs it incurs for such shares to access liquidity at maker-taker venues. Because taker-maker venues do not contribute substantially to Nasdaq's RTFY routing costs, Nasdaq believes that it is reasonable to exclude RTFY shares that execute on taker-maker venues from Nasdaq's determination as to whether a participant's RTFY activity during a month meets the 4 million share threshold to incur the \$0.0030 per share executed fee. For the same reason, it is also reasonable to exclude RTFY shares executed on taker-maker venues from any RTFY execution fees otherwise incurred.

The Exchange notes that those market participants that are dissatisfied with the proposals are free to shift their order flow to competing venues that offer more generous pricing or less stringent qualifying criteria.

The Proposals are Equitable Allocations of Credits

The Exchange believes that it is an equitable allocation to establish new transaction credits and otherwise modify the eligibility requirements for its transaction credits because the proposals will encourage members to increase the extent to which they add liquidity to or remove liquidity from the Exchange. To the extent that the Exchange succeeds in increasing the levels of liquidity addition or removal activity on the Exchange, including in categories of liquidity for which there is an observed need or demand, such as midpoint, M-ELO, and Tape B securities, and NBBO-setting liquidity, then the Exchange will experience improvements in its market quality, which stands to benefit all market participants. The Exchange also believes it is equitable to recalibrate existing criteria for its credits to ensure that the credits remain

appropriately challenging for participants to attain in light of changes to their levels of activity on the Exchange.

Finally, the Exchange believes that it is equitable to exclude RTFY-routed shares that are executed at taker-maker venues from the Exchange's determinations as to whether RTFY participants will incur a \$0.0030 per share executed fee when their shares execute at away venues, as well as from the fee itself, to the extent that it is otherwise applicable to a member. Taker-maker venues typically do not charge fees to Nasdaq for RTFY to access their liquidity, whereas maker-taker venues do so. Because taker-maker venues do not contribute substantially to Nasdaq's RTFY routing costs, which the \$0.0030 fee exists to defray, Nasdaq believes that it is equitable to exclude shares that execute on taker-maker venues from Nasdaq's determination as to whether a participant's RTFY activity during a month meets the 4 million share threshold to incur the \$0.0030 per share executed fee. For the same reason, it is also equitable to exclude RTFY shares executed on taker-maker venues from any RTFY execution fees otherwise incurred.

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

The Proposals are not Unfairly Discriminatory

The Exchange believes that its 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.

The Exchange believes that its proposals to adopt new credits or otherwise amend the qualifying criteria for its transaction credits are not unfairly discriminatory because these credits are available to all members. Moreover, these proposals stand to improve the overall market quality of the Exchange, to the benefit of all market participants, by incentivizing members to increase the extent of their liquidity adding or removal activity on the Exchange, including in categories of liquidity for which there is an observed need or demand, such as midpoint, M-ELO, and Tape B securities, and NBBO-setting liquidity. The Exchange also believes it is not unfairly discriminatory to recalibrate existing criteria for its credits to ensure that the credits remain appropriately challenging for participants to attain in light of changes to their levels of activity on the Exchange.

Meanwhile, the Exchange's proposal is not unfairly discriminatory to exclude RTFY-routed shares that are executed at taker-maker venues from the Exchange's determination as to whether RTFY participants will incur a \$0.0030 per share executed fee when their shares execute at away venues, as well as from the fee itself, to the extent it is otherwise applicable to a member. Although the proposal stands to benefit RTFY participants that execute large volumes of shares at taker-maker venues, insofar as such participants will no longer stand to pay a routing fee because of such execution activity, the Exchange believes it is fair to provide this benefit because taker-maker venues typically do not charge fees to Nasdaq for RTFY to access their liquidity, whereas maker-taker venues do so. Because taker-maker venues do not contribute

substantially to Nasdaq's RTFY routing costs, which the \$0.0030 fee exists to defray, Nasdaq believes that it is fair to exclude shares that execute on taker-maker venues from Nasdaq's determination as to whether a participant's RTFY activity during a month meets the 4 million share threshold to incur the \$0.0030 per share executed fee. For the same reason, it is also not unfairly discriminatory to exclude RTFY shares executed on taker-maker venues from any RTFY execution fees otherwise incurred.

Any participant that is dissatisfied with the proposals 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 changes 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.

As noted above, Nasdaq's proposals to add and amend its transaction credits are intended to have market-improving effects, to the benefit of all members. Any member may elect to achieve the levels of liquidity required in order to qualify for the new or amended credits.

Likewise, the Exchange's proposal will not duly burden competition to exclude RTFY-routed shares that are executed at taker-maker venues from the Exchange's determinations as to whether RTFY participants will incur a \$0.0030 per share executed routing fee, and from the fee itself, to the extent that it is otherwise applicable to a member. Although the proposal stands to benefit RTFY participants that execute large volumes of shares at taker-maker venues, insofar as such participants will no longer stand to pay a routing fee because of such execution activity, the Exchange believes it is fair to provide this benefit because taker-maker venues typically do not

charge fees to Nasdaq for RTFY to access their liquidity, whereas maker-taker venues do so. Because taker-maker venues do not substantially contribute to Nasdaq's RTFY routing costs, which the \$0.0030 fee exists to defray, Nasdaq believes that it is fair to exclude shares that execute on taker-maker venues from Nasdaq's determination as to whether a participant's RTFY activity during a month meets the 4 million share threshold to incur the \$0.0030 per share executed fee. For the same reason, it is also fair to exclude RTFY shares executed on taker-maker venues from any RTFY execution fees otherwise incurred.

The Exchange notes that its members are free to trade on other venues to the extent they believe that the proposed qualification criteria for or amounts of these credits or fees 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 its pricing tier structure is consistent with broker-dealer fee practices as well as the other industries, as described above.

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 credits and 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 credits and fees in response, and because market participants may readily adjust their order routing practices, the Exchange believes that

the degree to which credit or fee changes in this market may impose any burden on competition is extremely limited.

The proposed new and amended credits and fees 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 44% of industry volume.

The Exchange's proposals to add new and amend its transaction credits are pro-competitive in that the Exchange intends for them to increase liquidity addition or removal activity on the Exchange, thereby rendering the Exchange a more attractive and vibrant venue to market participants. Meanwhile, the Exchange's proposal to exclude from the RTFY routing fees and fee calculation shares executed in taker-maker venues is pro-competitive in that it will render the Exchange's RTFY routing option more attractive to 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.¹¹

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

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-2021-053 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-2021-053. This file number should be included on the subject line if e-mail is used. To help the Commission process and review

¹¹ 15 U.S.C. 78s(b)(3)(A)(ii).

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-2021-053 and should be submitted on or before [insert date 21 days from publication in the Federal Register].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.¹²

J. Matthew DeLesDernier
Assistant Secretary

¹² 17 CFR 200.30-3(a)(12).