

Required fields are shown with yellow backgrounds and asterisks.

Page 1 of \* 45

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549  
Form 19b-4

File No. \* SR 2023 - \* 037

Amendment No. (req. for Amendments \*)

Filing by The Nasdaq Stock Market LLC

Pursuant to Rule 19b-4 under the Securities Exchange Act of 1934

|   |                                      |                                     |   |   |  |
|---|--------------------------------------|-------------------------------------|---|---|--|
| Initial * <input checked="" type="checkbox"/> | Amendment * <input type="checkbox"/> | Withdrawal <input type="checkbox"/> | Section 19(b)(2) * <input type="checkbox"/> | Section 19(b)(3)(A) * <input checked="" type="checkbox"/> | Section 19(b)(3)(B) * <input type="checkbox"/> |
|---|--------------------------------------|-------------------------------------|---|---|--|

|                                |   |                                     |
|--------------------------------|---|-------------------------------------|
| Pilot <input type="checkbox"/> | Extension of Time Period for Commission Action * <input type="checkbox"/> | Date Expires * <input type="text"/> |
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Rule

|   |                                      |
|---|--------------------------------------|
| <input type="checkbox"/> 19b-4(f)(1)            | <input type="checkbox"/> 19b-4(f)(4) |
| <input checked="" type="checkbox"/> 19b-4(f)(2) | <input type="checkbox"/> 19b-4(f)(5) |
| <input type="checkbox"/> 19b-4(f)(3)            | <input type="checkbox"/> 19b-4(f)(6) |

Notice of proposed change pursuant to the Payment, Clearing, and Settlement Act of 2010  
Section 806(e)(1) \*

Section 806(e)(2) \*

Security-Based Swap Submission pursuant to the Securities Exchange Act of 1934  
Section 3C(b)(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 \*).

Amend NOM Options 7, Section 2

**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 \* Angela Last Name \* Dunn

Title \* Principal Associate General Counsel

E-mail \* Angela.Dunn@nasdaq.com

Telephone \* (215) 496-5692 Fax

**Signature**

Pursuant to the requirements of the Securities Exchange of 1934, The Nasdaq Stock Market LLC has duly caused this filing to be signed on its behalf by the undersigned thereunto duly authorized.

Date 09/13/2023


(Title \*)

By John Zecca

EVP and Chief Legal Officer

(Name \*)

NOTE: Clicking the signature block at right will initiate digitally signing the form. A digital signature is as legally binding as a physical signature, and once signed, this form cannot be changed.

 Date: 2023.09.13 11:01:37 -04'00'

Required fields are shown with yellow backgrounds and astericks.

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

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

**Form 19b-4 Information \***

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SR-NASDAQ-2023-037 19b-4.doc

The self-regulatory organization must provide all required information, presented in a clear and comprehensible manner, to enable the public to provide meaningful comment on the proposal and for the Commission to determine whether the proposal is consistent with the Act and applicable rules and regulations under the Act.

**Exhibit 1 - Notice of Proposed Rule Change \***

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SR-NASDAQ-2023-037 Exhibit 1.doc

The Notice section of this Form 19b-4 must comply with the guidelines for publication in the Federal Register as well as any requirements for electronic filing as published by the Commission (if applicable). The Office of the Federal Register (OFR) offers guidance on Federal Register publication requirements in the Federal Register Document Drafting Handbook, October 1998 Revision. For example, all references to the federal securities laws must include the corresponding cite to the United States Code in a footnote. All references to SEC rules must include the corresponding cite to the Code of Federal Regulations in a footnote. All references to Securities Exchange Act Releases must include the release number, release date, Federal Register cite, Federal Register date, and corresponding file number (e.g., SR-[SRO]-xx-xx). A material failure to comply with these guidelines will result in the proposed rule change being deemed not properly filed. See also Rule 0-3 under the Act (17 CFR 240.0-3)

**Exhibit 1A - Notice of Proposed Rule Change, Security-Based Swap Submission, or Advanced Notice by Clearing Agencies \***

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The Notice section of this Form 19b-4 must comply with the guidelines for publication in the Federal Register as well as any requirements for electronic filing as published by the Commission (if applicable). The Office of the Federal Register (OFR) offers guidance on Federal Register publication requirements in the Federal Register Document Drafting Handbook, October 1998 Revision. For example, all references to the federal securities laws must include the corresponding cite to the United States Code in a footnote. All references to SEC rules must include the corresponding cite to the Code of Federal Regulations in a footnote. All references to Securities Exchange Act Releases must include the release number, release date, Federal Register cite, Federal Register date, and corresponding file number (e.g., SR-[SRO]-xx-xx). A material failure to comply with these guidelines will result in the proposed rule change being deemed not properly filed. See also Rule 0-3 under the Act (17 CFR 240.0-3)

**Exhibit 2- Notices, Written Comments, Transcripts, Other Communications**

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Copies of notices, written comments, transcripts, other communications. If such documents cannot be filed electronically in accordance with Instruction F, they shall be filed in accordance with Instruction G.

Exhibit Sent As Paper Document

**Exhibit 3 - Form, Report, or Questionnaire**

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Copies of any form, report, or questionnaire that the self-regulatory organization proposes to use to help implement or operate the proposed rule change, or that is referred to by the proposed rule change.

Exhibit Sent As Paper Document

**Exhibit 4 - Marked Copies**

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The full text shall be marked, in any convenient manner, to indicate additions to and deletions from the immediately preceding filing. The purpose of Exhibit 4 is to permit the staff to identify immediately the changes made from the text of the rule with which it has been working.

**Exhibit 5 - Proposed Rule Text**

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SR-NASDAQ-2023-037 Exhibit 5.doc

The self-regulatory organization may choose to attach as Exhibit 5 proposed changes to rule text in place of providing it in Item I and which may otherwise be more easily readable if provided separately from Form 19b-4. Exhibit 5 shall be considered part of the proposed rule change

**Partial Amendment**

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If the self-regulatory organization is amending only part of the text of a lengthy proposed rule change, it may, with the Commission's permission, file only those portions of the text of the proposed rule change in which changes are being made if the filing (i.e. partial amendment) is clearly understandable on its face. Such partial amendment shall be clearly identified and marked to show deletions and additions.

1. Text of the Proposed Rule Change

(a) The Nasdaq Stock Market LLC (“Nasdaq” or “Exchange”), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> is filing with the Securities and Exchange Commission (“SEC” or “Commission”) a proposal to amend The Nasdaq Options Market LLC (“NOM”) Pricing Schedule at Options 7, Section 2.<sup>3</sup>

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”). 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:

Angela Saccomandi Dunn  
Principal Associate General Counsel  
Nasdaq, Inc.  
215-496-5692

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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> On September 13, 2023, the Exchange withdrew SR-NASDAQ-2023-033 and replaced it with the instant rule change.

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 NOM’s Pricing Schedule at Options 7, Section 2, Nasdaq Options Market - Fees and Rebates. Today, NOM Options 7, Section 2(1) provides for various fees and rebates applicable to NOM Participants.

Today, Customer,<sup>4</sup> Professional,<sup>5</sup> and NOM Market Maker<sup>6</sup> Rebates to Add Liquidity in Penny Symbols are paid per the highest tier achieved among the available tiers. The tiers for Customer and Professional Rebates to Add Liquidity in Penny Symbols are below.

**Monthly Volume**

- |               |  |
|---------------|--|
| <b>Tier 1</b> | Participant adds Customer, Professional, Firm, Non-NOM Market Maker and/or Broker-Dealer liquidity in Penny Symbols and/or Non-Penny Symbols of up to 0.10% of total industry customer equity and ETF option average daily volume (“ADV”) contracts per day in a month       |
| <b>Tier 2</b> | Participant adds Customer, Professional, Firm, Non-NOM Market Maker and/or Broker-Dealer liquidity in Penny Symbols and/or Non-Penny Symbols above 0.10% of total industry customer equity and ETF option ADV contracts per day in a month                                   |
| <b>Tier 3</b> | Participant: (a) adds Customer, Professional, Firm, Non-NOM Market Maker and/or Broker-Dealer liquidity in Penny Symbols and/or Non-Penny Symbols above 0.20% of total industry customer equity and ETF option ADV contracts per day in a month; or (b) adds Customer and/or |

<sup>4</sup> The term “Customer” or (“C”) applies to any transaction that is identified by a Participant for clearing in the Customer range at The Options Clearing Corporation (“OCC”) which is not for the account of broker or dealer or for the account of a “Professional” (as that term is defined in Options 1, Section 1(a)(47)). See Options 7, Section 1(a).

<sup>5</sup> The term “Professional” or (“P”) means any person or entity that (i) is not a broker or dealer in securities, and (ii) places more than 390 orders in listed options per day on average during a calendar month for its own beneficial account(s) pursuant to Options 1, Section 1(a)(47). All Professional orders shall be appropriately marked by Participants. See Options 7, Section 1(a).

<sup>6</sup> The term “NOM Market Maker” or (“M”) is a Participant that has registered as a Market Maker on NOM pursuant to Options 2, Section 1, and must also remain in good standing pursuant to Options 2, Section 9. In order to receive NOM Market Maker pricing in all securities, the Participant must be registered as a NOM Market Maker in at least one security. See Options 7, Section 1(a).

- Professional liquidity in Penny Symbols and/or Non-Penny Symbols above 0.05% of total industry customer equity and ETF option ADV contracts per day in a month and qualifies for MARS
- Tier 4** Participant adds Customer, Professional, Firm, Non-NOM Market Maker and/or Broker-Dealer liquidity in Penny Symbols and/or Non-Penny Symbols above 0.30% of total industry customer equity and ETF option ADV contracts per day in a month
- Tier 5** Participant adds Customer, Professional, Firm, Non-NOM Market Maker and/or Broker-Dealer liquidity in Penny Symbols and/or Non-Penny Symbols above 0.40% of total industry customer equity and ETF option ADV contracts per day in a month
- Tier 6<sup>##</sup>** Participant adds Customer, Professional, Firm, Non-NOM Market Maker and/or Broker-Dealer liquidity in Penny Symbols and/or Non-Penny Symbols above 0.70% or more of total industry customer equity and ETF option ADV contracts per day in a month, or Participant : (1) adds Customer and/or Professional liquidity in Penny Symbols and/or Non-Penny Symbols of 0.10% or more of total industry customer equity and ETF option ADV contracts per day in a month, and (2) has added liquidity in all securities through one or more of its Nasdaq Market Center MPIDs that represent 1.00% or more of Consolidated Volume in a month or qualifies for MARS (defined below)

To determine the applicable percentage of total industry customer equity and ETF option average daily volume for a Customer and Professional Rebate to Add Liquidity in Penny Symbols, unless otherwise stated, the Participant's Penny Symbol and Non-Penny Symbol Customer and/or Professional volume that adds liquidity will be included.<sup>7</sup>

With respect to the NOM Market Maker Rebates to Add Liquidity in Penny Symbols, today, rebates are paid on the below tier qualifications.

### Monthly Volume

- Tier 1** Participant adds NOM Market Maker liquidity in Penny Symbols and/or Non-Penny Symbols of up to 0.10% of total industry customer equity and ETF option average daily volume ("ADV") contracts per day in a month
- Tier 2** Participant adds NOM Market Maker liquidity in Penny Symbols and/or Non-Penny Symbols above 0.10% of total industry customer equity and ETF option ADV contracts per day in a month

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<sup>7</sup> See note 1 in Options 7, Section 2.

- Tier 3** Participant: (a) adds NOM Market Maker liquidity in Penny Symbols and/or Non-Penny Symbols above 0.20% of total industry customer equity and ETF option ADV contracts per day in a month; or (b)(1) adds NOM Market Maker liquidity in Penny Symbols and/or Non-Penny Symbols above 0.07% of total industry customer equity and ETF option ADV contracts per day in a month, (2) transacts in all securities through one or more of its Nasdaq Market Center MPIDs that represent (i) 0.70% or more of Consolidated Volume (“CV”) which adds liquidity in the same month on The Nasdaq Stock Market or (ii) 70 million shares or more ADV which adds liquidity in the same month on The Nasdaq Stock Market, (3) transacts in Tape B securities through one or more of its Nasdaq Market Center MPIDs that represent 0.10% or more of CV which adds liquidity in the same month on The Nasdaq Stock Market, and (4) executes greater than 0.01% of CV via Market-on- Close/Limit-on-Close (“MOC/LOC”) volume within The Nasdaq Stock Market Closing Cross in the same month
- Tier 4** Participant adds NOM Market Maker liquidity in Penny Symbols and/or Non-Penny Symbols of above 0.60% of total industry customer equity and ETF option ADV contracts per day in a month
- Tier 5** Participant adds NOM Market Maker liquidity in Penny Symbols and/or Non-Penny Symbols of above 0.40% of total industry customer equity and ETF option ADV contracts per day in a month and transacts in all securities through one or more of its Nasdaq Market Center MPIDs that represent 0.40% or more of Consolidated Volume (“CV”) which adds liquidity in the same month on The Nasdaq Stock Market
- Tier 6** Participant: (a)(1) adds NOM Market Maker liquidity in Penny Symbols and/or Non-Penny Symbols above 0.95% of total industry customer equity and ETF option ADV contracts per day in a month, (2) executes Total Volume of 250,000 or more contracts per day in a month, of which 30,000 or more contracts per day in a month must be removing liquidity, and (3) adds Firm, Broker-Dealer and Non-NOM Market Maker liquidity in Non-Penny Symbols of 10,000 or more contracts per day in a month; or (b)(1) adds NOM Market Maker liquidity in Penny Symbols and/or Non-Penny Symbols above 1.50% of total industry customer equity and ETF option ADV contracts per day in a month, and (2) executes Total Volume of 250,000 or more contracts per day in a month, of which 15,000 or more contracts per day in a month must be removing liquidity

Total Volume” is defined as Customer, Professional, Firm, Broker-Dealer, Non-NOM Market Maker and NOM Market Maker volume in Penny Symbols and/or Non-Penny Symbols which either adds or removes liquidity on NOM. Finally, today, Broker-

Dealers,<sup>8</sup> Firms<sup>9</sup> and Non-NOM Market Makers<sup>10</sup> are paid a \$0.10 per contract Rebate to Add Liquidity in Penny Symbols regardless of the tier.

*Proposal*

NOM Market Maker - Note 4

At this time, the Exchange proposes to amend note 4 of Options 7, Section 2 which currently applies to Participants who achieve the NOM Market Maker Tier 3 or Tier 4 Rebate to Add Liquidity in Penny Symbols. Note 4 of Options 7, Section 2 currently states, “Participants who achieve the NOM Market Maker Tier 3 or Tier 4 Rebate to Add Liquidity will receive \$0.40 per contract to add liquidity in the following symbols: AAPL, SPY, QQQ, IWM, and VXX.” The Exchange proposes to amend this rebate in note 4 of Options 7, Section 2 and also offer a second additional rebate.

First, the Exchange proposes to amend the existing rebate of \$0.40 per contract in note 4 of Options 7, Section 2, which is paid to Participants who achieve the NOM Market Maker Tier 3 or Tier 4 Rebate to Add Liquidity in Penny Symbols to \$0.39 per contract. Second, the Exchange proposes to remove the symbols “AAPL” and “VXX” as eligible for the existing rebate. Third, the Exchange proposes to offer an additional rebate, in note 4 of Options 7, Section 2, of \$0.33 per contract to add liquidity in SPY, QQQ, and IWM to Participants who achieve the NOM Market Maker Tier 2 Rebate to Add Liquidity in Penny Symbols **and** execute 1 million shares or more ADV in the same

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<sup>8</sup> The term “Broker-Dealer” or (“B”) applies to any transaction which is not subject to any of the other transaction fees applicable within a particular category. See Options 7, Section 1(a).

<sup>9</sup> The term “Firm” or (“F”) applies to any transaction that is identified by a Participant for clearing in the Firm range at OCC. See Options 7, Section 1(a).

<sup>10</sup> The term “Non-NOM Market Maker” or (“O”) is a registered market maker on another options exchange that is not a NOM Market Maker. A Non-NOM Market Maker must append the proper Non-NOM Market Maker designation to orders routed to NOM. See Options 7, Section 1(a).

month utilizing the M-ELO order type<sup>11</sup> on The Nasdaq Stock Market, provided the Participant also transacts in all securities through one or more of its Nasdaq Market Center MPIDs that represent (i) 0.45% or more of Consolidated Volume (“CV”) which adds liquidity in the same month on The Nasdaq Stock Market **or** (ii) 45 million shares or more ADV which adds liquidity in the same month on The Nasdaq Stock Market.

Therefore, in order to qualify for the new \$0.33 per contract rebate to add liquidity in SPY, QQQ, and IWM, in note 4 of Options 7, Section 2, a Participant must first qualify for the NOM Market Maker Tier 2 Rebate to Add Liquidity in Penny Symbols **and** execute 1 million shares or more ADV in the same month utilizing the M-ELO order type on The Nasdaq Stock Market. Further, a Participant must transact in all securities through one or more of its Nasdaq Market Center MPIDs that represent either (i) 0.45% or more of CV which adds liquidity in the same month<sup>12</sup> on The Nasdaq Stock Market; **or** (ii) 45 million shares or more ADV which adds liquidity in the same month on The Nasdaq Stock Market to receive a \$0.33 per contract to add liquidity in SPY, QQQ, and IWM.

The Exchange believes the amendment to the current rebate in note 4 of Options 7, Section 2 will continue to incentivize Participants to add liquidity to NOM to qualify for the \$0.39 per contract rebate to add liquidity in SPY, QQQ, and IWM despite the

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<sup>11</sup> The M-ELO order type, also known as the “Midpoint Extended Life Order,” is a Non-Displayed Order priced at the midpoint between the National Best Bid and Offer (“NBBO”) and is eligible for execution only against other eligible M-ELOs and only after a minimum period of 10 milliseconds (“Holding Period”) has passed after acceptance of the Order by the System. All market participants on The Nasdaq Stock Market LLC may utilize this order type. See Nasdaq Equities 4, Rule 4702(b)(14). Of note, the Commission recently approved a rule proposal amending the Holding Period of the M-ELO order type so that it may adjust dynamically between .025 and 2.5 milliseconds upon real-time assessments of market conditions. See Securities and Exchange Act Release No. 98321 (September 7, 2003), 88 FR 62850 (September 13, 2023) (SR-NASDAQ-2022-079). This rule change has not yet been implemented.

<sup>12</sup> The Exchange notes that 0.45% or more of Consolidated Volume (“CV”) is approximately \$44 million.



lower rebate (\$0.40 to \$0.39 per contract) and removal of AAPL and VXX. Additionally, the Exchange believes that introducing a new \$0.33 rebate for Participants who achieve the NOM Market Maker Tier 2 Rebate to Add Liquidity in Penny Symbols, in addition to other qualifications, will create an additional opportunity for Market Makers to increase their liquidity adding activity on the Exchange's equity market. The Exchange believes that the new note 4 rebate qualifying criteria will incentivize participation in greater volume from cross asset activity, which would improve the overall quality of the Exchange's marketplace to the benefit of all market participants, both on NOM and The Nasdaq Stock Market.

#### NOM Market Maker - Tier 3 Qualifier

The Exchange also proposes to amend the qualifications in the Tier 3 NOM Market Maker Rebate to Add Liquidity in Penny Symbol that currently state,

Participant: (a) adds NOM Market Maker liquidity in Penny Symbols and/or Non-Penny Symbols above 0.20% of total industry customer equity and ETF option ADV contracts per day in a month; or (b)(1) adds NOM Market Maker liquidity in Penny Symbols and/or Non-Penny Symbols above 0.07% of total industry customer equity and ETF option ADV contracts per day in a month, (2) transacts in all securities through one or more of its Nasdaq Market Center MPIDs that represent (i) 0.70% or more of Consolidated Volume ("CV") which adds liquidity in the same month on The Nasdaq Stock Market or (ii) 70 million shares or more ADV which adds liquidity in the same month on The Nasdaq Stock Market, (3) transacts in Tape B securities through one or more of its Nasdaq Market Center MPIDs that represent 0.10% or more of CV which adds liquidity in the same month on The Nasdaq Stock Market, and (4) executes greater than 0.01% of CV via Market-on- Close/Limit-on-Close ("MOC/LOC") volume within The Nasdaq Stock Market Closing Cross in the same month.

The Exchange proposes to amend the Tier 3 NOM Market Maker Rebate to Add Liquidity in Penny Symbol qualifications in several ways. First, the Exchange proposes to amend the (b)(1) qualifier to require NOM Market Maker liquidity in

Penny Symbols and/or Non-Penny Symbols above 0.15% of total industry customer equity and ETF option ADV contracts per day in a month (a change from 0.07% to 0.15%). Second, the Exchange proposes to amend the (b)(2)(i) qualifier to require 0.50% or more of CV which adds liquidity in the same month on The Nasdaq Stock Market (a change from 0.70% to 0.50%). Third, the Exchange proposes to amend the (b)(2)(ii) qualifier to require 50 million shares or more ADV which adds liquidity in the same month on The Nasdaq Stock Market (a change from 70 million to 50 million shares). Fourth, the Exchange proposes to remove the current (b)(3) and (4) qualifiers and replace those qualifiers with a new (b)(3) qualifier that requires a Participant to execute 1.5 million shares or more ADV in the same month utilizing the M-ELO order type on The Nasdaq Stock Market. In order to qualify for the Tier 3 NOM Market Maker Rebate to Add Liquidity a Participant must meet either the Tier 3 (a) or (b) requirements. To the extent a Participant desires to qualify for the Tier 3 (b) requirements, all 3 parts of the requirement must be met. The proposed new language of the Tier 3 NOM Market Maker Rebate to Add Liquidity would provide,

Participant: (a) adds NOM Market Maker liquidity in Penny Symbols and/or Non-Penny Symbols above 0.20% of total industry customer equity and ETF option ADV contracts per day in a month; or (b)(1) adds NOM Market Maker liquidity in Penny Symbols and/or Non-Penny Symbols above 0.15% of total industry customer equity and ETF option ADV contracts per day in a month, (2) transacts in all securities through one or more of its Nasdaq Market Center MPIDs that represent (i) 0.50% or more of Consolidated Volume (“CV”) which adds liquidity in the same month on The Nasdaq Stock Market or (ii) 50 million shares or more ADV which adds liquidity in the same month on The Nasdaq Stock Market, and (3) executes 1.5 million shares or more ADV in the same month utilizing the M-ELO order type on The Nasdaq Stock Market.

The Exchange believes that the proposed Tier 3 NOM Market Maker Rebate to

Add Liquidity will continue to provide NOM Participants an opportunity to qualify for the NOM Market Maker Tier 3 Rebate to Add Liquidity in more than one way. The proposed new Tier 3 NOM Market Maker Rebate to Add Liquidity (b) qualifiers will incentivize greater options participation with the amendment to (b)(1) increasing the percentage of total industry customer equity and ETF option ADV contracts per day in a month from 0.07% to 0.15%; decreasing the (b)(2)(i) percentage of CV required to add liquidity on The Nasdaq Stock Market from 0.70% to 0.50%; lowering the current share requirement for participation in The Nasdaq Stock Market as part of (b)(2)(ii) from 70 to 50 million shares; and adding a new (b)(3) requirement to utilize M-ELO to execute 1.5 million shares or more ADV on The Nasdaq Stock Market. The amended qualifiers for (b) within Tier 3 will incentivize participation in greater volume from cross asset activity, which would improve the overall quality of the Exchange's marketplace to the benefit of all market participants, both on NOM and The Nasdaq Stock Market.

b. Statutory Basis

The proposed changes to its Pricing Schedule are reasonable in several respects. As a threshold matter, the Exchange is subject to significant competitive forces in the market for options 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<sup>13</sup> ("NetCoalition"), the D.C. Circuit stated, "[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

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<sup>13</sup> NetCoalition v. SEC, 615 F.3d 525 (D.C. Cir. 2010).

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’....”<sup>14</sup>

Numerous indicia demonstrate the competitive nature of this market. For example, clear substitutes to the Exchange exist in the market for options transaction services. The Exchange is only one of sixteen options exchanges to which market participants may direct their order flow. 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 attract additional order flow to the Exchange and increase its market share relative to its competitors.

#### NOM Market Maker - Note 4

Amending note 4 of Options 7, Section 2, which currently applies to Participants who achieve the NOM Market Maker Tier 3 or Tier 4 Rebate to Add Liquidity in Penny Symbols is reasonable in several ways. The Exchange believes the amendment to the current rebate in note 4 of Options 7, Section 2 will continue to incentivize Participants to add liquidity to NOM to qualify for the \$0.39 per contract rebate to add liquidity in SPY, QQQ, and IWM despite the lower rebate (\$0.40 to \$0.39 per contract) and removal of AAPL and VXX. The Exchange notes that it proposes to limit the rebate to adding liquidity in SPY, QQQ, and IWM, and not AAPL and VXX, because options on these broad-based Exchange-Traded Funds collectively have large volumes. The amended

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<sup>14</sup> Id. at 539 (quoting Securities Exchange Act Release No. 59039 (December 2, 2008), 73 FR 74770, 74782-83 (December 9, 2008) (SR-NYSEArca-2006-21)).

\$0.39 per contract rebate remains higher than the NOM Market Maker Tier 3 or Tier 4 Rebates to Add Liquidity of \$0.30 and \$0.32 per contract, respectively. Additionally, amending note 4 of Options 7, Section 2 to introduce an additional rebate for Participants who achieve the NOM Market Maker Tier 2 Rebate to Add Liquidity in Penny Symbols is reasonable because it will create an additional opportunity for Market Makers to increase their liquidity adding activity on the Exchange's equity market. The Exchange believes that the new note 4 rebate qualifying criteria will incentivize participation in greater volume from cross asset activity, which would improve the overall quality of the Exchange's marketplace to the benefit of all market participants, both on NOM and The Nasdaq Stock Market. The proposed new Tier 2 NOM Market Maker Rebate to Add Liquidity in Penny Symbols of \$0.33 per contract is higher than the Tier 2 NOM Market Maker Rebate to Add Liquidity of \$0.25 per contract. Finally, the Exchange notes that all NOM Participants are required to become members of The Nasdaq Stock Market pursuant to General 3 Membership and Access rules. Therefore, a NOM Participant is able to transact the requisite volume on NOM as an Options Participant and also utilize the M-ELO order type as a member of The Nasdaq Stock Market. All members of The Nasdaq Stock Market LLC may utilize the M-ELO order type.

Amending note 4 of Options 7, Section 2, which currently applies to Participants who achieve the NOM Market Maker Tier 3 or Tier 4 Rebate to Add Liquidity in Penny Symbols is equitable and not unfairly discriminatory because the Exchange will pay the Tier 3 and 4 NOM Market Maker rebates uniformly to any qualifying Participants. Additionally, amending note 4 of Options 7, Section 2 to introduce an additional rebate for Participants who achieve the NOM Market Maker Tier 2 Rebate to Add Liquidity in

Penny Symbols is equitable and not unfairly discriminatory because the Exchange will pay the new Tier 2 NOM Market Maker rebate uniformly to any qualifying Participants. The Exchange notes that all NOM Participants are required to become members of The Nasdaq Stock Market pursuant to General 3 Membership and Access rules. Therefore, a NOM Participant is able to transact the requisite volume on NOM as an Options Participant and also utilize the M-ELO order type as a member of The Nasdaq Stock Market. All members of The Nasdaq Stock Market LLC may utilize the M-ELO order type. Additionally, Market Makers add value through continuous quoting and the commitment of capital.<sup>15</sup> Because Market Makers have these obligations to the market and regulatory requirements that normally do not apply to other market participants, the Exchange believes that offering these rebates to Market Makers is equitable and not unfairly discriminatory in light of their obligations. Finally, encouraging Market Makers to add greater liquidity benefits all market participants, both on NOM and The Nasdaq Stock Market, in the quality of order interaction.

#### NOM Market Maker - Tier 3 Qualifier

Amending the Tier 3 NOM Market Maker Rebate to Add Liquidity qualifications in several ways<sup>16</sup> is reasonable because Participants will continue to have more than one way to qualify for the Tier 3 NOM Market Maker Rebate to Add Liquidity in Penny

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<sup>15</sup> See Options 2, Sections 4 and 5.

<sup>16</sup> First, the Exchange proposes to amend the (b)(1) qualifier to require NOM Market Maker liquidity in Penny Symbols and/or Non-Penny Symbols above 0.15% of total industry customer equity and ETF option ADV contracts per day in a month (a change from 0.07% to 0.15%). Second, the Exchange proposes to amend the (b)(2)(i) qualifier to require 0.50% or more of CV which adds liquidity in the same month on The Nasdaq Stock Market (a change from 0.70% to 0.50%). Third, the Exchange proposes to amend the (b)(2)(ii) qualifier to require 50 million shares or more ADV which adds liquidity in the same month on The Nasdaq Stock Market (a change from 70 million to 50 million shares). Fourth, the Exchange proposes to remove the current (b)(3) and (4) qualifiers and replace those qualifiers with a new (b)(3) qualifier that requires a Participant to execute 1.5 million shares or more ADV in the same month utilizing the M-ELO order type on The Nasdaq Stock Market.

Symbols.<sup>17</sup> The proposed new Tier 3 NOM Market Maker Rebate to Add Liquidity in Penny Symbols part (b) qualifier will incentivize greater options participation with the amendment to (b)(1) as it increases the percentage of total industry customer equity and ETF option ADV contracts per day in a month from 0.07% to 0.15%. Further part (b)(2)(i) decreases the percentage of CV required to add liquidity on The Nasdaq Stock Market from 0.70% to 0.50%, lowers the current share requirement for participation in The Nasdaq Stock Market as part of (b)(2)(ii) from 70 to 50 million shares, and adds a new (b)(3) requirement to utilize M-ELO to execute 1.5 million shares or more ADV on The Nasdaq Stock Market. The amended qualifiers for (b) within Tier 3 will incentivize participation in greater volume from cross asset activity, which would improve the overall quality of the Exchange's marketplace to the benefit of all market participants, both on NOM and The Nasdaq Stock Market. All NOM Participants are required to become members of The Nasdaq Stock Market pursuant to General 3 Membership and Access rules. Therefore, a NOM Participant is able to transact the requisite volume on NOM as an Options Participant and also utilize the M-ELO order type as a member of The Nasdaq Stock Market.

Amending the Tier 3 NOM Market Maker Rebate to Add Liquidity in Penny Symbols qualifications in several ways<sup>18</sup> is equitable and not unfairly discriminatory because the Exchange will pay the Tier 3 NOM Market Maker Rebate to Add Liquidity uniformly to all Participants that qualify for this tier. All NOM Participants are required to become members of The Nasdaq Stock Market pursuant to General 3 Membership and

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<sup>17</sup> In order to qualify for the Tier 3 NOM Market Maker Rebate to Add Liquidity a Participant must meet the (a) or (b) requirements within the tier.

<sup>18</sup> See supra note 14.

Access rules. Therefore, a NOM Participant is able to transact the requisite volume on NOM as an Options Participant and also utilize the M-ELO order type as a member of The Nasdaq Stock Market. Additionally, Market Makers add value through continuous quoting and the commitment of capital.<sup>19</sup> Because Market Makers have these obligations to the market and regulatory requirements that normally do not apply to other market participants, the Exchange believes that offering the rebate to only Market Makers is equitable and not unfairly discriminatory in light of their obligations. Finally, encouraging Market Makers to add greater liquidity on both NOM and The Nasdaq Stock Market benefits all market participants, both on NOM and The Nasdaq Stock Market, in the quality of order interaction.

The Exchange believes that it is reasonable, equitable, and not unfairly discriminatory to pay a rebate to add liquidity in SPY, QQQ, and IWM, as compared to other options, because pricing by symbol is a common practice on many U.S. options exchanges as a means to incentivize order flow to be sent to an exchange for execution in the most actively traded options classes, in this case actively traded Penny Symbols. SPY, QQQ, and IWM are among the most actively traded options in the U.S. The Exchange believes that this pricing will incentivize members to transact options in SPY, QQQ, and IWM on NOM in order to obtain higher NOM Market Maker rebates in Penny Symbols.

#### 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

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<sup>19</sup> See Options 2, Sections 4 and 5.



Act.

#### Intermarket Competition

The Exchange 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 pricing to remain competitive with other exchanges. Because competitors are free to modify their pricing in response, and because market participants may readily adjust their order routing practices, the Exchange believes that the degree to which pricing changes in this market may impose any burden on competition is extremely limited because other options exchanges offer similar pricing.

Moreover, as noted above, price competition between exchanges is fierce, with liquidity and market share moving freely between exchanges in reaction to fee and rebate changes. 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.

#### Intramarket Competition

The proposed rule change does not impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act.

Amending note 4 of Options 7, Section 2, which currently applies to Participants who achieve the NOM Market Maker Tier 3 or Tier 4 Rebate to Add Liquidity in Penny

Symbols does not impose an undue burden on competition because the Exchange will pay the Tier 3 and 4 NOM Market Maker rebates uniformly to any qualifying Participants. Additionally, amending note 4 of Options 7, Section 2 to introduce an additional rebate for Participants who achieve the NOM Market Maker Tier 2 Rebate to Add Liquidity in Penny Symbols does not impose an undue burden on competition because the Exchange will pay the new Tier 2 NOM Market Maker rebate uniformly to any qualifying Participants. The Exchange notes that all NOM Participants are required to become members of The Nasdaq Stock Market pursuant to General 3 Membership and Access rules. Therefore, a NOM Participant is able to transact the requisite volume on NOM as an Options Participant and also utilize the M-ELO order type as a member of The Nasdaq Stock Market. All members of The Nasdaq Stock Market LLC may utilize the M-ELO order type. Additionally, Market Makers add value through continuous quoting and the commitment of capital.<sup>20</sup> Because Market Makers have these obligations to the market and regulatory requirements that normally do not apply to other market participants, the Exchange believes that offering these rebates to Market Makers does not impose an undue burden on competition in light of their obligations. Finally, encouraging Market Makers to add greater liquidity benefits all market participants, both on NOM and The Nasdaq Stock Market, in the quality of order interaction.

Amending the Tier 3 NOM Market Maker Rebate to Add Liquidity in Penny Symbols qualifications in several ways<sup>21</sup> does not impose an undue burden on competition because the Exchange will pay the Tier 3 NOM Market Maker Rebate to Add Liquidity in Penny Symbols uniformly to all Participants that qualify for this tier.

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<sup>20</sup> See Options 2, Sections 4 and 5.

<sup>21</sup> See supra note 14.

All NOM Participants are required to become members of The Nasdaq Stock Market pursuant to General 3 Membership and Access rules. Therefore, a NOM Participant is able to transact the requisite volume on NOM as an Options Participant and also utilize the M-ELO order type as a member of The Nasdaq Stock Market. Additionally, Market Makers add value through continuous quoting and the commitment of capital.<sup>22</sup> Because Market Makers have these obligations to the market and regulatory requirements that normally do not apply to other market participants, the Exchange believes that offering the rebate to only Market Makers does not impose an undue burden on competition in light of their obligations. Finally, encouraging Market Makers to add greater liquidity on both NOM and The Nasdaq Stock Market benefits all market participants, both on NOM and The Nasdaq Stock Market, in the quality of order interaction.

The Exchange believes that paying a rebate to add liquidity in SPY, QQQ, and IWM, as compared to other options, does not impose an undue burden on competition because pricing by symbol is a common practice on many U.S. options exchanges as a means to incentivize order flow to be sent to an exchange for execution in the most actively traded options classes, in this case actively traded Penny Symbols. SPY, QQQ, and IWM are among the most actively traded options in the U.S. The Exchange believes that this pricing will incentivize members to transact options in SPY, QQQ, and IWM on NOM in order to obtain higher NOM Market Maker rebates in Penny Symbols.

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.

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<sup>22</sup> See Options 2, Sections 4 and 5.

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,<sup>23</sup> 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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<sup>23</sup> 15 U.S.C. 78s(b)(3)(A)(ii).

11. Exhibits

1. Notice of Proposed Rule Change for publication in the Federal Register.
5. Text of the proposed rule change.

**EXHIBIT 1**

SECURITIES AND EXCHANGE COMMISSION  
(Release No. \_\_\_\_\_ ; File No. SR-NASDAQ-2023-037)

September \_\_, 2023

Self-Regulatory Organizations; The Nasdaq Stock Market LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Amend NOM Options 7, Section 2

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 September 13, 2023, 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 Nasdaq Options Market LLC (“NOM”) Pricing Schedule at Options 7, Section 2.<sup>3</sup>

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.

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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> On September 13, 2023, the Exchange withdrew SR-NASDAQ-2023-033 and replaced it with the instant rule change.

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 NOM’s Pricing Schedule at Options 7, Section 2, Nasdaq Options Market - Fees and Rebates. Today, NOM Options 7, Section 2(1) provides for various fees and rebates applicable to NOM Participants.

Today, Customer,<sup>4</sup> Professional,<sup>5</sup> and NOM Market Maker<sup>6</sup> Rebates to Add Liquidity in Penny Symbols are paid per the highest tier achieved among the available tiers. The tiers for Customer and Professional Rebates to Add Liquidity in Penny Symbols are below.

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<sup>4</sup> The term “Customer” or (“C”) applies to any transaction that is identified by a Participant for clearing in the Customer range at The Options Clearing Corporation (“OCC”) which is not for the account of broker or dealer or for the account of a “Professional” (as that term is defined in Options 1, Section 1(a)(47)). See Options 7, Section 1(a).

<sup>5</sup> The term “Professional” or (“P”) means any person or entity that (i) is not a broker or dealer in securities, and (ii) places more than 390 orders in listed options per day on average during a calendar month for its own beneficial account(s) pursuant to Options 1, Section 1(a)(47). All Professional orders shall be appropriately marked by Participants. See Options 7, Section 1(a).

<sup>6</sup> The term “NOM Market Maker” or (“M”) is a Participant that has registered as a Market Maker on NOM pursuant to Options 2, Section 1, and must also remain in good standing pursuant to Options 2, Section 9. In order to receive NOM Market Maker pricing in all securities, the Participant must be registered as a NOM Market Maker in at least one security. See Options 7, Section 1(a).

**Monthly Volume**

- Tier 1** Participant adds Customer, Professional, Firm, Non-NOM Market Maker and/or Broker-Dealer liquidity in Penny Symbols and/or Non-Penny Symbols of up to 0.10% of total industry customer equity and ETF option average daily volume (“ADV”) contracts per day in a month
- Tier 2** Participant adds Customer, Professional, Firm, Non-NOM Market Maker and/or Broker-Dealer liquidity in Penny Symbols and/or Non-Penny Symbols above 0.10% of total industry customer equity and ETF option ADV contracts per day in a month
- Tier 3** Participant: (a) adds Customer, Professional, Firm, Non-NOM Market Maker and/or Broker-Dealer liquidity in Penny Symbols and/or Non-Penny Symbols above 0.20% of total industry customer equity and ETF option ADV contracts per day in a month; or (b) adds Customer and/or Professional liquidity in Penny Symbols and/or Non-Penny Symbols above 0.05% of total industry customer equity and ETF option ADV contracts per day in a month and qualifies for MARS
- Tier 4** Participant adds Customer, Professional, Firm, Non-NOM Market Maker and/or Broker-Dealer liquidity in Penny Symbols and/or Non-Penny Symbols above 0.30% of total industry customer equity and ETF option ADV contracts per day in a month
- Tier 5** Participant adds Customer, Professional, Firm, Non-NOM Market Maker and/or Broker-Dealer liquidity in Penny Symbols and/or Non-Penny Symbols above 0.40% of total industry customer equity and ETF option ADV contracts per day in a month
- Tier 6<sup>##</sup>** Participant adds Customer, Professional, Firm, Non-NOM Market Maker and/or Broker-Dealer liquidity in Penny Symbols and/or Non-Penny Symbols above 0.70% or more of total industry customer equity and ETF option ADV contracts per day in a month, or Participant : (1) adds Customer and/or Professional liquidity in Penny Symbols and/or Non-Penny Symbols of 0.10% or more of total industry customer equity and ETF option ADV contracts per day in a month, and (2) has added liquidity in all securities through one or more of its Nasdaq Market Center MPIDs that represent 1.00% or more of Consolidated Volume in a month or qualifies for MARS (defined below)

To determine the applicable percentage of total industry customer equity and ETF option average daily volume for a Customer and Professional Rebate to Add Liquidity in Penny



Symbols, unless otherwise stated, the Participant's Penny Symbol and Non-Penny Symbol Customer and/or Professional volume that adds liquidity will be included.<sup>7</sup>

With respect to the NOM Market Maker Rebates to Add Liquidity in Penny Symbols, today, rebates are paid on the below tier qualifications.

### Monthly Volume

- Tier 1** Participant adds NOM Market Maker liquidity in Penny Symbols and/or Non-Penny Symbols of up to 0.10% of total industry customer equity and ETF option average daily volume ("ADV") contracts per day in a month
- Tier 2** Participant adds NOM Market Maker liquidity in Penny Symbols and/or Non-Penny Symbols above 0.10% of total industry customer equity and ETF option ADV contracts per day in a month
- Tier 3** Participant: (a) adds NOM Market Maker liquidity in Penny Symbols and/or Non-Penny Symbols above 0.20% of total industry customer equity and ETF option ADV contracts per day in a month; or (b)(1) adds NOM Market Maker liquidity in Penny Symbols and/or Non-Penny Symbols above 0.07% of total industry customer equity and ETF option ADV contracts per day in a month, (2) transacts in all securities through one or more of its Nasdaq Market Center MPIDs that represent (i) 0.70% or more of Consolidated Volume ("CV") which adds liquidity in the same month on The Nasdaq Stock Market or (ii) 70 million shares or more ADV which adds liquidity in the same month on The Nasdaq Stock Market, (3) transacts in Tape B securities through one or more of its Nasdaq Market Center MPIDs that represent 0.10% or more of CV which adds liquidity in the same month on The Nasdaq Stock Market, and (4) executes greater than 0.01% of CV via Market-on- Close/Limit-on-Close ("MOC/LOC") volume within The Nasdaq Stock Market Closing Cross in the same month
- Tier 4** Participant adds NOM Market Maker liquidity in Penny Symbols and/or Non-Penny Symbols of above 0.60% of total industry customer equity and ETF option ADV contracts per day in a month
- Tier 5** Participant adds NOM Market Maker liquidity in Penny Symbols and/or Non-Penny Symbols of above 0.40% of total industry customer equity and ETF option ADV contracts per day in a month and transacts in all securities through one or more of its Nasdaq Market Center MPIDs that represent 0.40% or more of Consolidated Volume ("CV") which adds liquidity in the same month on The Nasdaq Stock Market
- Tier 6** Participant: (a)(1) adds NOM Market Maker liquidity in Penny Symbols and/or Non-Penny Symbols above 0.95% of total industry

<sup>7</sup> See note 1 in Options 7, Section 2.

customer equity and ETF option ADV contracts per day in a month, (2) executes Total Volume of 250,000 or more contracts per day in a month, of which 30,000 or more contracts per day in a month must be removing liquidity, and (3) adds Firm, Broker-Dealer and Non-NOM Market Maker liquidity in Non-Penny Symbols of 10,000 or more contracts per day in a month; or (b)(1) adds NOM Market Maker liquidity in Penny Symbols and/or Non-Penny Symbols above 1.50% of total industry customer equity and ETF option ADV contracts per day in a month, and (2) executes Total Volume of 250,000 or more contracts per day in a month, of which 15,000 or more contracts per day in a month must be removing liquidity

Total Volume” is defined as Customer, Professional, Firm, Broker-Dealer, Non-NOM Market Maker and NOM Market Maker volume in Penny Symbols and/or Non-Penny Symbols which either adds or removes liquidity on NOM. Finally, today, Broker-Dealers,<sup>8</sup> Firms<sup>9</sup> and Non-NOM Market Makers<sup>10</sup> are paid a \$0.10 per contract Rebate to Add Liquidity in Penny Symbols regardless of the tier.

### *Proposal*

#### NOM Market Maker - Note 4

At this time, the Exchange proposes to amend note 4 of Options 7, Section 2 which currently applies to Participants who achieve the NOM Market Maker Tier 3 or Tier 4 Rebate to Add Liquidity in Penny Symbols. Note 4 of Options 7, Section 2 currently states, “Participants who achieve the NOM Market Maker Tier 3 or Tier 4 Rebate to Add Liquidity will receive \$0.40 per contract to add liquidity in the following

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<sup>8</sup> The term “Broker-Dealer” or (“B”) applies to any transaction which is not subject to any of the other transaction fees applicable within a particular category. See Options 7, Section 1(a).

<sup>9</sup> The term “Firm” or (“F”) applies to any transaction that is identified by a Participant for clearing in the Firm range at OCC. See Options 7, Section 1(a).

<sup>10</sup> The term “Non-NOM Market Maker” or (“O”) is a registered market maker on another options exchange that is not a NOM Market Maker. A Non-NOM Market Maker must append the proper Non-NOM Market Maker designation to orders routed to NOM. See Options 7, Section 1(a).

symbols: AAPL, SPY, QQQ, IWM, and VXX.” The Exchange proposes to amend this rebate in note 4 of Options 7, Section 2 and also offer a second additional rebate.

First, the Exchange proposes to amend the existing rebate of \$0.40 per contract in note 4 of Options 7, Section 2, which is paid to Participants who achieve the NOM Market Maker Tier 3 or Tier 4 Rebate to Add Liquidity in Penny Symbols to \$0.39 per contract. Second, the Exchange proposes to remove the symbols “AAPL” and “VXX” as eligible for the existing rebate. Third, the Exchange proposes to offer an additional rebate, in note 4 of Options 7, Section 2, of \$0.33 per contract to add liquidity in SPY, QQQ, and IWM to Participants who achieve the NOM Market Maker Tier 2 Rebate to Add Liquidity in Penny Symbols **and** execute 1 million shares or more ADV in the same month utilizing the M-ELO order type<sup>11</sup> on The Nasdaq Stock Market, provided the Participant also transacts in all securities through one or more of its Nasdaq Market Center MPIDs that represent (i) 0.45% or more of Consolidated Volume (“CV”) which adds liquidity in the same month on The Nasdaq Stock Market **or** (ii) 45 million shares or more ADV which adds liquidity in the same month on The Nasdaq Stock Market.

Therefore, in order to qualify for the new \$0.33 per contract rebate to add liquidity in SPY, QQQ, and IWM, in note 4 of Options 7, Section 2, a Participant must first qualify for the NOM Market Maker Tier 2 Rebate to Add Liquidity in Penny Symbols **and** execute 1 million shares or more ADV in the same month utilizing the M-

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<sup>11</sup> The M-ELO order type, also known as the “Midpoint Extended Life Order,” is a Non-Displayed Order priced at the midpoint between the National Best Bid and Offer (“NBBO”) and is eligible for execution only against other eligible M-ELOs and only after a minimum period of 10 milliseconds (“Holding Period”) has passed after acceptance of the Order by the System. All market participants on The Nasdaq Stock Market LLC may utilize this order type. See Nasdaq Equities 4, Rule 4702(b)(14). Of note, the Commission recently approved a rule proposal amending the Holding Period of the M-ELO order type so that it may adjust dynamically between .025 and 2.5 milliseconds upon real-time assessments of market conditions. See Securities and Exchange Act Release No. 98321 (September 7, 2003), 88 FR 62850 (September 13, 2023) (SR-NASDAQ-2022-079). This rule change has not yet been implemented.

ELO order type on The Nasdaq Stock Market. Further, a Participant must transact in all securities through one or more of its Nasdaq Market Center MPIDs that represent either (i) 0.45% or more of CV which adds liquidity in the same month<sup>12</sup> on The Nasdaq Stock Market; **or** (ii) 45 million shares or more ADV which adds liquidity in the same month on The Nasdaq Stock Market to receive a \$0.33 per contract to add liquidity in SPY, QQQ, and IWM.

The Exchange believes the amendment to the current rebate in note 4 of Options 7, Section 2 will continue to incentivize Participants to add liquidity to NOM to qualify for the \$0.39 per contract rebate to add liquidity in SPY, QQQ, and IWM despite the lower rebate (\$0.40 to \$0.39 per contract) and removal of AAPL and VXX. Additionally, the Exchange believes that introducing a new \$0.33 rebate for Participants who achieve the NOM Market Maker Tier 2 Rebate to Add Liquidity in Penny Symbols, in addition to other qualifications, will create an additional opportunity for Market Makers to increase their liquidity adding activity on the Exchange's equity market. The Exchange believes that the new note 4 rebate qualifying criteria will incentivize participation in greater volume from cross asset activity, which would improve the overall quality of the Exchange's marketplace to the benefit of all market participants, both on NOM and The Nasdaq Stock Market.

#### NOM Market Maker - Tier 3 Qualifier

The Exchange also proposes to amend the qualifications in the Tier 3 NOM Market Maker Rebate to Add Liquidity in Penny Symbol that currently state,

Participant: (a) adds NOM Market Maker liquidity in Penny Symbols

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<sup>12</sup> The Exchange notes that 0.45% or more of Consolidated Volume ("CV") is approximately \$44 million.

and/or Non-Penny Symbols above 0.20% of total industry customer equity and ETF option ADV contracts per day in a month; or (b)(1) adds NOM Market Maker liquidity in Penny Symbols and/or Non-Penny Symbols above 0.07% of total industry customer equity and ETF option ADV contracts per day in a month, (2) transacts in all securities through one or more of its Nasdaq Market Center MPIDs that represent (i) 0.70% or more of Consolidated Volume (“CV”) which adds liquidity in the same month on The Nasdaq Stock Market or (ii) 70 million shares or more ADV which adds liquidity in the same month on The Nasdaq Stock Market, (3) transacts in Tape B securities through one or more of its Nasdaq Market Center MPIDs that represent 0.10% or more of CV which adds liquidity in the same month on The Nasdaq Stock Market, and (4) executes greater than 0.01% of CV via Market-on-Close/Limit-on-Close (“MOC/LOC”) volume within The Nasdaq Stock Market Closing Cross in the same month.

The Exchange proposes to amend the Tier 3 NOM Market Maker Rebate to Add Liquidity in Penny Symbol qualifications in several ways. First, the Exchange proposes to amend the (b)(1) qualifier to require NOM Market Maker liquidity in Penny Symbols and/or Non-Penny Symbols above 0.15% of total industry customer equity and ETF option ADV contracts per day in a month (a change from 0.07% to 0.15%). Second, the Exchange proposes to amend the (b)(2)(i) qualifier to require 0.50% or more of CV which adds liquidity in the same month on The Nasdaq Stock Market (a change from 0.70% to 0.50%). Third, the Exchange proposes to amend the (b)(2)(ii) qualifier to require 50 million shares or more ADV which adds liquidity in the same month on The Nasdaq Stock Market (a change from 70 million to 50 million shares). Fourth, the Exchange proposes to remove the current (b)(3) and (4) qualifiers and replace those qualifiers with a new (b)(3) qualifier that requires a Participant to execute 1.5 million shares or more ADV in the same month utilizing the M-ELO order type on The Nasdaq Stock Market. In order to qualify for the Tier 3 NOM Market Maker Rebate to Add Liquidity a Participant must meet either the Tier 3 (a) or (b) requirements.

To the extent a Participant desires to qualify for the Tier 3 (b) requirements, all 3 parts of the requirement must be met. The proposed new language of the Tier 3 NOM Market Maker Rebate to Add Liquidity would provide,

Participant: (a) adds NOM Market Maker liquidity in Penny Symbols and/or Non-Penny Symbols above 0.20% of total industry customer equity and ETF option ADV contracts per day in a month; or (b)(1) adds NOM Market Maker liquidity in Penny Symbols and/or Non-Penny Symbols above 0.15% of total industry customer equity and ETF option ADV contracts per day in a month, (2) transacts in all securities through one or more of its Nasdaq Market Center MPIDs that represent (i) 0.50% or more of Consolidated Volume (“CV”) which adds liquidity in the same month on The Nasdaq Stock Market or (ii) 50 million shares or more ADV which adds liquidity in the same month on The Nasdaq Stock Market, and (3) executes 1.5 million shares or more ADV in the same month utilizing the M-ELO order type on The Nasdaq Stock Market.

The Exchange believes that the proposed Tier 3 NOM Market Maker Rebate to Add Liquidity will continue to provide NOM Participants an opportunity to qualify for the NOM Market Maker Tier 3 Rebate to Add Liquidity in more than one way. The proposed new Tier 3 NOM Market Maker Rebate to Add Liquidity (b) qualifiers will incentivize greater options participation with the amendment to (b)(1) increasing the percentage of total industry customer equity and ETF option ADV contracts per day in a month from 0.07% to 0.15%; decreasing the (b)(2)(i) percentage of CV required to add liquidity on The Nasdaq Stock Market from 0.70% to 0.50%; lowering the current share requirement for participation in The Nasdaq Stock Market as part of (b)(2)(ii) from 70 to 50 million shares; and adding a new (b)(3) requirement to utilize M-ELO to execute 1.5 million shares or more ADV on The Nasdaq Stock Market. The amended qualifiers for (b) within Tier 3 will incentivize participation in greater volume from cross asset activity, which would improve the overall quality of the Exchange’s marketplace to the benefit of all market participants, both on NOM and The Nasdaq Stock Market.

## 2. Statutory Basis

The proposed changes to its Pricing Schedule are reasonable in several respects. As a threshold matter, the Exchange is subject to significant competitive forces in the market for options 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<sup>13</sup> (“NetCoalition”), the D.C. Circuit stated, “[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’ ....”<sup>14</sup>

Numerous indicia demonstrate the competitive nature of this market. For example, clear substitutes to the Exchange exist in the market for options transaction services. The Exchange is only one of sixteen options exchanges to which market participants may direct their order flow. 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 attract additional order flow to the Exchange and increase its market share relative to its competitors.

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<sup>13</sup> NetCoalition v. SEC, 615 F.3d 525 (D.C. Cir. 2010).

<sup>14</sup> Id. at 539 (quoting Securities Exchange Act Release No. 59039 (December 2, 2008), 73 FR 74770, 74782-83 (December 9, 2008) (SR-NYSEArca-2006-21)).

NOM Market Maker - Note 4

Amending note 4 of Options 7, Section 2, which currently applies to Participants who achieve the NOM Market Maker Tier 3 or Tier 4 Rebate to Add Liquidity in Penny Symbols is reasonable in several ways. The Exchange believes the amendment to the current rebate in note 4 of Options 7, Section 2 will continue to incentivize Participants to add liquidity to NOM to qualify for the \$0.39 per contract rebate to add liquidity in SPY, QQQ, and IWM despite the lower rebate (\$0.40 to \$0.39 per contract) and removal of AAPL and VXX. The Exchange notes that it proposes to limit the rebate to adding liquidity in SPY, QQQ, and IWM, and not AAPL and VXX, because options on these broad-based Exchange-Traded Funds collectively have large volumes. The amended \$0.39 per contract rebate remains higher than the NOM Market Maker Tier 3 or Tier 4 Rebates to Add Liquidity of \$0.30 and \$0.32 per contract, respectively. Additionally, amending note 4 of Options 7, Section 2 to introduce an additional rebate for Participants who achieve the NOM Market Maker Tier 2 Rebate to Add Liquidity in Penny Symbols is reasonable because it will create an additional opportunity for Market Makers to increase their liquidity adding activity on the Exchange's equity market. The Exchange believes that the new note 4 rebate qualifying criteria will incentivize participation in greater volume from cross asset activity, which would improve the overall quality of the Exchange's marketplace to the benefit of all market participants, both on NOM and The Nasdaq Stock Market. The proposed new Tier 2 NOM Market Maker Rebate to Add Liquidity in Penny Symbols of \$0.33 per contract is higher than the Tier 2 NOM Market Maker Rebate to Add Liquidity of \$0.25 per contract. Finally, the Exchange notes that all NOM Participants are required to become members of The Nasdaq Stock Market



pursuant to General 3 Membership and Access rules. Therefore, a NOM Participant is able to transact the requisite volume on NOM as an Options Participant and also utilize the M-ELO order type as a member of The Nasdaq Stock Market. All members of The Nasdaq Stock Market LLC may utilize the M-ELO order type.

Amending note 4 of Options 7, Section 2, which currently applies to Participants who achieve the NOM Market Maker Tier 3 or Tier 4 Rebate to Add Liquidity in Penny Symbols is equitable and not unfairly discriminatory because the Exchange will pay the Tier 3 and 4 NOM Market Maker rebates uniformly to any qualifying Participants. Additionally, amending note 4 of Options 7, Section 2 to introduce an additional rebate for Participants who achieve the NOM Market Maker Tier 2 Rebate to Add Liquidity in Penny Symbols is equitable and not unfairly discriminatory because the Exchange will pay the new Tier 2 NOM Market Maker rebate uniformly to any qualifying Participants. The Exchange notes that all NOM Participants are required to become members of The Nasdaq Stock Market pursuant to General 3 Membership and Access rules. Therefore, a NOM Participant is able to transact the requisite volume on NOM as an Options Participant and also utilize the M-ELO order type as a member of The Nasdaq Stock Market. All members of The Nasdaq Stock Market LLC may utilize the M-ELO order type. Additionally, Market Makers add value through continuous quoting and the commitment of capital.<sup>15</sup> Because Market Makers have these obligations to the market and regulatory requirements that normally do not apply to other market participants, the Exchange believes that offering these rebates to Market Makers is equitable and not unfairly discriminatory in light of their obligations. Finally, encouraging Market Makers

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<sup>15</sup> See Options 2, Sections 4 and 5.

to add greater liquidity benefits all market participants, both on NOM and The Nasdaq Stock Market, in the quality of order interaction.

NOM Market Maker - Tier 3 Qualifier

Amending the Tier 3 NOM Market Maker Rebate to Add Liquidity qualifications in several ways<sup>16</sup> is reasonable because Participants will continue to have more than one way to qualify for the Tier 3 NOM Market Maker Rebate to Add Liquidity in Penny Symbols.<sup>17</sup> The proposed new Tier 3 NOM Market Maker Rebate to Add Liquidity in Penny Symbols part (b) qualifier will incentivize greater options participation with the amendment to (b)(1) as it increases the percentage of total industry customer equity and ETF option ADV contracts per day in a month from 0.07% to 0.15%. Further part (b)(2)(i) decreases the percentage of CV required to add liquidity on The Nasdaq Stock Market from 0.70% to 0.50%, lowers the current share requirement for participation in The Nasdaq Stock Market as part of (b)(2)(ii) from 70 to 50 million shares, and adds a new (b)(3) requirement to utilize M-ELO to execute 1.5 million shares or more ADV on The Nasdaq Stock Market. The amended qualifiers for (b) within Tier 3 will incentivize participation in greater volume from cross asset activity, which would improve the overall quality of the Exchange's marketplace to the benefit of all market participants,

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<sup>16</sup> First, the Exchange proposes to amend the (b)(1) qualifier to require NOM Market Maker liquidity in Penny Symbols and/or Non-Penny Symbols above 0.15% of total industry customer equity and ETF option ADV contracts per day in a month (a change from 0.07% to 0.15%). Second, the Exchange proposes to amend the (b)(2)(i) qualifier to require 0.50% or more of CV which adds liquidity in the same month on The Nasdaq Stock Market (a change from 0.70% to 0.50%). Third, the Exchange proposes to amend the (b)(2)(ii) qualifier to require 50 million shares or more ADV which adds liquidity in the same month on The Nasdaq Stock Market (a change from 70 million to 50 million shares). Fourth, the Exchange proposes to remove the current (b)(3) and (4) qualifiers and replace those qualifiers with a new (b)(3) qualifier that requires a Participant to execute 1.5 million shares or more ADV in the same month utilizing the M-ELO order type on The Nasdaq Stock Market.

<sup>17</sup> In order to qualify for the Tier 3 NOM Market Maker Rebate to Add Liquidity a Participant must meet the (a) or (b) requirements within the tier.

both on NOM and The Nasdaq Stock Market. All NOM Participants are required to become members of The Nasdaq Stock Market pursuant to General 3 Membership and Access rules. Therefore, a NOM Participant is able to transact the requisite volume on NOM as an Options Participant and also utilize the M-ELO order type as a member of The Nasdaq Stock Market.

Amending the Tier 3 NOM Market Maker Rebate to Add Liquidity in Penny Symbols qualifications in several ways<sup>18</sup> is equitable and not unfairly discriminatory because the Exchange will pay the Tier 3 NOM Market Maker Rebate to Add Liquidity uniformly to all Participants that qualify for this tier. All NOM Participants are required to become members of The Nasdaq Stock Market pursuant to General 3 Membership and Access rules. Therefore, a NOM Participant is able to transact the requisite volume on NOM as an Options Participant and also utilize the M-ELO order type as a member of The Nasdaq Stock Market. Additionally, Market Makers add value through continuous quoting and the commitment of capital.<sup>19</sup> Because Market Makers have these obligations to the market and regulatory requirements that normally do not apply to other market participants, the Exchange believes that offering the rebate to only Market Makers is equitable and not unfairly discriminatory in light of their obligations. Finally, encouraging Market Makers to add greater liquidity on both NOM and The Nasdaq Stock Market benefits all market participants, both on NOM and The Nasdaq Stock Market, in the quality of order interaction.

The Exchange believes that it is reasonable, equitable, and not unfairly discriminatory to pay a rebate to add liquidity in SPY, QQQ, and IWM, as compared to

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<sup>18</sup> See supra note 14.

<sup>19</sup> See Options 2, Sections 4 and 5.

other options, because pricing by symbol is a common practice on many U.S. options exchanges as a means to incentivize order flow to be sent to an exchange for execution in the most actively traded options classes, in this case actively traded Penny Symbols. SPY, QQQ, and IWM are among the most actively traded options in the U.S. The Exchange believes that this pricing will incentivize members to transact options in SPY, QQQ, and IWM on NOM in order to obtain higher NOM Market Maker rebates in Penny Symbols.

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.

Intermarket Competition

The Exchange 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 pricing to remain competitive with other exchanges. Because competitors are free to modify their pricing in response, and because market participants may readily adjust their order routing practices, the Exchange believes that the degree to which pricing changes in this market may impose any burden on competition is extremely limited because other options exchanges offer similar pricing.

Moreover, as noted above, price competition between exchanges is fierce, with liquidity and market share moving freely between exchanges in reaction to fee and rebate

changes. 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.

#### Intramarket Competition

The proposed rule change does not impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act.

Amending note 4 of Options 7, Section 2, which currently applies to Participants who achieve the NOM Market Maker Tier 3 or Tier 4 Rebate to Add Liquidity in Penny Symbols does not impose an undue burden on competition because the Exchange will pay the Tier 3 and 4 NOM Market Maker rebates uniformly to any qualifying Participants. Additionally, amending note 4 of Options 7, Section 2 to introduce an additional rebate for Participants who achieve the NOM Market Maker Tier 2 Rebate to Add Liquidity in Penny Symbols does not impose an undue burden on competition because the Exchange will pay the new Tier 2 NOM Market Maker rebate uniformly to any qualifying Participants. The Exchange notes that all NOM Participants are required to become members of The Nasdaq Stock Market pursuant to General 3 Membership and Access rules. Therefore, a NOM Participant is able to transact the requisite volume on NOM as an Options Participant and also utilize the M-ELO order type as a member of The Nasdaq Stock Market. All members of The Nasdaq Stock Market LLC may utilize the M-ELO order type. Additionally, Market Makers add value through continuous

quoting and the commitment of capital.<sup>20</sup> Because Market Makers have these obligations to the market and regulatory requirements that normally do not apply to other market participants, the Exchange believes that offering these rebates to Market Makers does not impose an undue burden on competition in light of their obligations. Finally, encouraging Market Makers to add greater liquidity benefits all market participants, both on NOM and The Nasdaq Stock Market, in the quality of order interaction.

Amending the Tier 3 NOM Market Maker Rebate to Add Liquidity in Penny Symbols qualifications in several ways<sup>21</sup> does not impose an undue burden on competition because the Exchange will pay the Tier 3 NOM Market Maker Rebate to Add Liquidity in Penny Symbols uniformly to all Participants that qualify for this tier. All NOM Participants are required to become members of The Nasdaq Stock Market pursuant to General 3 Membership and Access rules. Therefore, a NOM Participant is able to transact the requisite volume on NOM as an Options Participant and also utilize the M-ELO order type as a member of The Nasdaq Stock Market. Additionally, Market Makers add value through continuous quoting and the commitment of capital.<sup>22</sup> Because Market Makers have these obligations to the market and regulatory requirements that normally do not apply to other market participants, the Exchange believes that offering the rebate to only Market Makers does not impose an undue burden on competition in light of their obligations. Finally, encouraging Market Makers to add greater liquidity on both NOM and The Nasdaq Stock Market benefits all market participants, both on NOM and The Nasdaq Stock Market, in the quality of order interaction.

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<sup>20</sup> See Options 2, Sections 4 and 5.

<sup>21</sup> See supra note 14.

<sup>22</sup> See Options 2, Sections 4 and 5.

The Exchange believes that paying a rebate to add liquidity in SPY, QQQ, and IWM, as compared to other options, does not impose an undue burden on competition because pricing by symbol is a common practice on many U.S. options exchanges as a means to incentivize order flow to be sent to an exchange for execution in the most actively traded options classes, in this case actively traded Penny Symbols. SPY, QQQ, and IWM are among the most actively traded options in the U.S. The Exchange believes that this pricing will incentivize members to transact options in SPY, QQQ, and IWM on NOM in order to obtain higher NOM Market Maker rebates in Penny Symbols.

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>23</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.

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<sup>23</sup> 15 U.S.C. 78s(b)(3)(A)(ii).

#### 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>); or
- Send an email to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include file number SR-NASDAQ-2023-037 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-2023-037. 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-2023-037 and should be submitted on or before [INSERT DATE 21 DAYS AFTER DATE OF PUBLICATION IN THE *FEDERAL REGISTER*].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>24</sup>

**Sherry R. Haywood,**

*Assistant Secretary.*

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<sup>24</sup> 17 CFR 200.30-3(a)(12).

**EXHIBIT 5**

*New text is underlined>; deleted text is in brackets.*

**The Nasdaq Stock Market LLC Rules**

\* \* \* \* \*

**Options Rules**

\* \* \* \* \*

**Options 7 Pricing Schedule**

\* \* \* \* \*

**Section 2 Nasdaq Options Market - Fees and Rebates**

The following charges shall apply to the use of the order execution and routing services of The Nasdaq Options Market for all securities.

(1) Fees and Rebates for Execution of Contracts on The Nasdaq Options Market\*

**Rebates to Add Liquidity  
in Penny Symbols**

|                                       | <b>Tier 1</b> | <b>Tier 2</b>         | <b>Tier 3</b>         | <b>Tier 4</b>         | <b>Tier 5</b>          | <b>Tier 6</b>         |
|---------------------------------------|---------------|-----------------------|-----------------------|-----------------------|------------------------|-----------------------|
| <b>Customer</b> <sup>1,8,9,10</sup>   | (\$0.20)      | (\$0.25)              | (\$0.43)              | (\$0.44)              | (\$0.45)               | (\$0.48) <sup>7</sup> |
| <b>Professional</b> <sup>1,9,10</sup> | (\$0.20)      | (\$0.25)              | (\$0.43)              | (\$0.44)              | (\$0.45)               | (\$0.47)              |
| <b>Broker-Dealer</b>                  | (\$0.10)      | (\$0.10)              | (\$0.10)              | (\$0.10)              | (\$0.10)               | (\$0.10)              |
| <b>Firm</b>                           | (\$0.10)      | (\$0.10)              | (\$0.10)              | (\$0.10)              | (\$0.10)               | (\$0.10)              |
| <b>Non-NOM Market Maker</b>           | (\$0.10)      | (\$0.10)              | (\$0.10)              | (\$0.10)              | (\$0.10)               | (\$0.10)              |
| <b>NOM Market Maker</b> <sup>3</sup>  | (\$0.20)      | (\$0.25) <sup>4</sup> | (\$0.30) <sup>4</sup> | (\$0.32) <sup>4</sup> | (\$0.44) <sup>11</sup> | (\$0.48)              |

**Fees and Rebates to Add Liquidity in Non-Penny Symbols**

|                                    |          |
|------------------------------------|----------|
| <b>Customer</b> <sup>9,10,12</sup> | (\$0.80) |
|------------------------------------|----------|

|  |                 |
|--|-----------------|
| <b>Professional</b> <sup>9,10,12</sup> | (\$0.80)        |
| <b>Broker-Dealer</b>                   | \$0.45          |
| <b>Firm</b>                            | \$0.45          |
| <b>Non-NOM Market Maker</b>            | \$0.45          |
| <b>NOM Market Maker</b> <sup>5,6</sup> | \$0.35/(\$0.30) |

**Fees to Remove Liquidity in Penny and Non-Penny Symbols**

|  | <b>Penny Symbols</b> | <b>Non-Penny Symbols</b> |
|--|----------------------|--------------------------|
| <b>Customer</b>                          | \$0.49               | \$0.85                   |
| <b>Professional</b>                      | \$0.49               | \$0.85                   |
| <b>Broker-Dealer</b>                     | \$0.50               | \$1.10                   |
| <b>Firm</b>                              | \$0.50               | \$1.10                   |
| <b>Non-NOM Market Maker</b> <sup>2</sup> | \$0.50               | \$1.10                   |
| <b>NOM Market Maker</b> <sup>2</sup>     | \$0.50               | \$1.10                   |

\*Orders executed in the Opening Cross per Options 3, Section 8 are not subject to Options 7, Section 2(1) pricing, instead, these orders are subject to the pricing within Options 7, Section 2(2).

\* \* \* \* \*

<sup>3</sup> The NOM Market Maker Rebates to Add Liquidity in Penny Symbols will be paid per the highest tier achieved below.

**Monthly Volume**

- Tier 1** Participant adds NOM Market Maker liquidity in Penny Symbols and/or Non-Penny Symbols of up to 0.10% of total industry customer equity and ETF option average daily volume (“ADV”) contracts per day in a month
- Tier 2** Participant adds NOM Market Maker liquidity in Penny Symbols and/or Non-Penny Symbols above 0.10% of total industry customer equity and ETF option ADV contracts per day in a month

- Tier 3** Participant: (a) adds NOM Market Maker liquidity in Penny Symbols and/or Non-Penny Symbols above 0.20% of total industry customer equity and ETF option ADV contracts per day in a month; or (b)(1) adds NOM Market Maker liquidity in Penny Symbols and/or Non-Penny Symbols above 0.~~[07]~~15% of total industry customer equity and ETF option ADV contracts per day in a month, (2) transacts in all securities through one or more of its Nasdaq Market Center MPIDs that represent (i) 0.~~[7]~~50% or more of Consolidated Volume (“CV”) which adds liquidity in the same month on The Nasdaq Stock Market or (ii) ~~[70]~~50 million shares or more ADV which adds liquidity in the same month on The Nasdaq Stock Market, and (3) executes 1.5 million shares or more ADV in the same month utilizing the M-ELO order type on The Nasdaq Stock Market[transacts in Tape B securities through one or more of its Nasdaq Market Center MPIDs that represent 0.10% or more of CV which adds liquidity in the same month on The Nasdaq Stock Market, and (4) executes greater than 0.01% of CV via Market-on- Close/Limit-on-Close (“MOC/LOC”) volume within The Nasdaq Stock Market Closing Cross in the same month]
- Tier 4** Participant adds NOM Market Maker liquidity in Penny Symbols and/or Non-Penny Symbols of above 0.60% of total industry customer equity and ETF option ADV contracts per day in a month
- Tier 5** Participant adds NOM Market Maker liquidity in Penny Symbols and/or Non-Penny Symbols of above 0.40% of total industry customer equity and ETF option ADV contracts per day in a month and transacts in all securities through one or more of its Nasdaq Market Center MPIDs that represent 0.40% or more of Consolidated Volume (“CV”) which adds liquidity in the same month on The Nasdaq Stock Market
- Tier 6** Participant: (a)(1) adds NOM Market Maker liquidity in Penny Symbols and/or Non-Penny Symbols above 0.95% of total industry customer equity and ETF option ADV contracts per day in a month, (2) executes Total Volume of 250,000 or more contracts per day in a month, of which 30,000 or more contracts per day in a month must be removing liquidity, and (3) adds Firm, Broker-Dealer and Non-NOM Market Maker liquidity in Non-Penny Symbols of 10,000 or more contracts per day in a month; or (b)(1) adds NOM Market Maker liquidity in Penny Symbols and/or Non-Penny Symbols above 1.50% of total industry customer equity and ETF option ADV contracts per day in a month, and (2) executes Total Volume of 250,000 or more

contracts per day in a month, of which 15,000 or more contracts per day in a month must be removing liquidity

\*“Total Volume” shall be defined as Customer, Professional, Firm, Broker-Dealer, Non-NOM Market Maker and NOM Market Maker volume in Penny Symbols and/or Non-Penny Symbols which either adds or removes liquidity on NOM.

<sup>4</sup>Participants who achieve the NOM Market Maker Tier 2 Rebate to Add Liquidity and execute 1 million shares or more ADV in the same month utilizing the M-ELO order type on The Nasdaq Stock Market will receive a \$0.33 per contract to add liquidity in SPY, QQQ, and IWM, provided the Participant also transacts in all securities through one or more of its Nasdaq Market Center MPIDs that represent (i) 0.45% or more of Consolidated Volume (“CV”) which adds liquidity in the same month on The Nasdaq Stock Market or (ii) 45 million shares or more ADV which adds liquidity in the same month on The Nasdaq Stock Market. Participants who achieve the NOM Market Maker Tier 3 or Tier 4 Rebate to Add Liquidity will receive \$0.[40]39 per contract to add liquidity in the following symbols: [AAPL, ]SPY, QQQ, and IWM[, and VXX].

\* \* \* \* \*