

Required fields are shown with yellow backgrounds and asterisks.

| | | |
|---|--|---|
| Page 1 of * <input type="text" value="24"/> | SECURITIES AND EXCHANGE COMMISSION WASHINGTON, D.C. 20549 Form 19b-4 | File No.* SR - <input type="text" value="2017"/> - * <input type="text" value="050"/> |
| | | Amendment No. (req. for Amendments *) <input type="text"/> |

Filing by NASDAQ BX, Inc.
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"/> |
| | | | Rule | | |
| Pilot <input type="checkbox"/> | Extension of Time Period for Commission Action * <input type="checkbox"/> | Date Expires * <input type="text"/> | <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 | Security-Based Swap Submission pursuant to the Securities Exchange Act of 1934 |
| Section 806(e)(1) * <input type="checkbox"/> | Section 806(e)(2) * <input type="checkbox"/> |
| Section 3C(b)(2) * <input type="checkbox"/> | |

| | |
|--|--|
| Exhibit 2 Sent As Paper Document <input checked="" type="checkbox"/> | Exhibit 3 Sent As Paper Document <input checked="" type="checkbox"/> |
|--|--|

Description

Provide a brief description of the action (limit 250 characters, required when Initial is checked *).

A proposal to amend the Exchange transaction fees at Rule 7018 to change the amounts of certain credits for entering orders that access liquidity in the Exchange Equities System.

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 * <input type="text" value="Brett"/> | Last Name * <input type="text" value="Kitt"/> |
| Title * <input type="text" value="Senior Associate General Counsel"/> | |
| E-mail * <input type="text" value="Brett.Kitt@nasdaq.com"/> | |
| Telephone * <input type="text" value="(301) 978-8132"/> | Fax <input type="text"/> |

Signature

Pursuant to the requirements of the Securities Exchange Act of 1934,

has duly caused this filing to be signed on its behalf by the undersigned thereunto duly authorized.

(Title *)

| | |
|--|---|
| Date <input type="text" value="11/01/2017"/> | <input type="text" value="Executive Vice President and General Counsel"/> |
| By <input type="text" value="Edward S. Knight"/> | <input type="text" value="edward.knight@nasdaq.com"/> |

(Name *)

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

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

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

Form 19b-4 Information *

Add Remove View

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 *

Add Remove View

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 Advance Notice by Clearing Agencies *

Add Remove View

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, security-based swap submission, or advance notice 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

Add Remove View

Exhibit Sent As Paper Document

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 3 - Form, Report, or Questionnaire

Add Remove View

Exhibit Sent As Paper Document

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 4 - Marked Copies

Add Remove View

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

Add Remove View

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

Add Remove View

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) Nasdaq BX, Inc. (“BX” or “Exchange”), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)¹ and Rule 19b-4 thereunder,² is filing with the Securities and Exchange Commission (“SEC” or “Commission”) a proposal to amend the Exchange’s transaction fees at Rule 7018 to change the amounts of certain credits for entering orders that access liquidity in the Exchange’s Equities System, as described further below.

A notice of the proposed rule change for publication in the Federal Register is attached as Exhibit 1.

The text of the proposed rule change is attached as Exhibit 5.

(b) Not applicable.

(c) Not applicable.

2. Procedures of the Self-Regulatory Organization

The proposed rule change was approved by senior management of the Exchange pursuant to authority delegated by the Board of Directors (the “Board”) on September 19, 2017. Exchange staff will advise the Board of any action taken pursuant to delegated authority. No other action is necessary for the filing of the rule change.

Questions and comments on the proposed rule change may be directed to:

Brett Kitt
Senior Associate General Counsel
Nasdaq, Inc.
(301) 978-8132

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

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

a. Purpose

The purposes of the proposed rule changes are to amend the Exchange's transaction fees at Rule 7018 to: (1) increase from \$0.0016 to \$0.0017 its per share executed credit for orders that access liquidity (excluding orders with Midpoint pegging and excluding orders that receive price improvement and execute against an order with a Non-displayed price) entered by members that accesses liquidity equal to or exceeding 0.10% of total Consolidated Volume during a month; and (2) reduce its credit for entering an order that accesses liquidity in the Exchange's Equities System for "all other orders," i.e., orders that do not qualify for other available credits for removing liquidity.

The Exchange operates on the "taker-maker" model, whereby it pays credits to members that take liquidity and charges fees to members that provide liquidity. Currently, the Exchange offers five different credits for orders that access liquidity on the Exchange. First, the Exchange pays a credit of \$0.0016 per share executed for an order that accesses liquidity (excluding orders with Midpoint pegging and excluding orders that receive price improvement and execute against an order with a Non-displayed price) entered by a member that accesses liquidity equal to or exceeding 0.10% of total Consolidated Volume during a month. Second, the Exchange pays a credit of \$0.0015 per share executed to an order that accesses liquidity (excluding orders with Midpoint pegging and excluding orders that receive price improvement and execute against an order with a Non-displayed price) entered by a member that accesses liquidity equal to or exceeding 0.05% of total Consolidated Volume during month. Third, the Exchange pays a credit of \$0.0000 per share executed for an order that receives price improvement and

executes against an order with a Non-displayed price. Fourth, the Exchange pays a credit of \$0.0000 per share executed for an order with Midpoint pegging that removes liquidity. Finally, the Exchange pays a credit of \$0.0003 per share executed for “all other orders.”

The Exchange now proposes to increase from \$0.0016 to \$0.0017 its (per share executed) credit for orders that access liquidity (excluding orders with Midpoint pegging and excluding orders that receive price improvement and execute against an order with a Non-displayed price) entered by members that accesses liquidity equal to or exceeding 0.10% of total Consolidated Volume during a month. The Exchange also proposes to reduce the credit for “all other orders” from \$0.0003 per share executed to \$0.0001 per share executed. All of the other credits and charges will remain the same.

The Exchange is proposing the first of these changes to provide a greater incentive to member firms to remove liquidity from the Exchange.

The Exchange is proposing the second of these changes because it believes that a \$0.0001 credit is more closely aligned to the requirements necessary to qualify for that credit and the behavior that the credit is designed to incentivize. The Exchange notes that, unlike other credits the Exchange offers for accessing liquidity, a member does not have to meet any volume requirements in order to qualify for this credit. In contrast, the Exchange pays a credit of \$0.0000 per share executed for an order that receives price improvement and executes against an order with a Non-displayed price, and for an order with Midpoint pegging that removes liquidity. In comparison to these other credits and their attendant requirements, and given that the Exchange is limited in the amount of credits that it provides to members, the Exchange believes the new credit amount is appropriate.

b. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act,³ in general, and furthers the objectives of Sections 6(b)(4) and 6(b)(5) of the Act,⁴ in particular, in that it provides for the equitable allocation of reasonable dues, fees and other charges among members and issuers and other persons using any facility, and is not designed to permit unfair discrimination between customers, issuers, brokers, or dealers.

The Commission and the courts have repeatedly expressed their preference for competition over regulatory intervention in determining prices, products, and services in the securities markets. In Regulation NMS, while adopting a series of steps to improve the current market model, the Commission highlighted the importance of market forces in determining prices and SRO revenues and, also, recognized that current regulation of the market system “has been remarkably successful in promoting market competition in its broader forms that are most important to investors and listed companies.”⁵

Likewise, in NetCoalition v. Securities and Exchange Commission⁶ (“NetCoalition”) the D.C. Circuit upheld the Commission’s use of a market-based approach in evaluating the fairness of market data fees against a challenge claiming that Congress mandated a cost-based approach.⁷ As the court emphasized, the Commission “intended in Regulation NMS that ‘market forces, rather than regulatory requirements’

³ 15 U.S.C. 78f(b).

⁴ 15 U.S.C. 78f(b)(4) and (5).

⁵ Securities Exchange Act Release No. 51808 (June 9, 2005), 70 FR 37496, 37499 (June 29, 2005) (“Regulation NMS Adopting Release”).

⁶ NetCoalition v. SEC, 615 F.3d 525 (D.C. Cir. 2010).

⁷ See NetCoalition, at 534 - 535.

play a role in determining the market data . . . to be made available to investors and at what cost.”⁸

Further, “[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’”⁹ Although the court and the SEC were discussing the cash equities markets, the Exchange believes that these views apply with equal force to the options markets.

The Exchange believes that it is reasonable to increase from \$0.0016 to \$0.0017 its (per share executed) credit for orders that access liquidity (excluding orders with Midpoint pegging and excluding orders that receive price improvement and execute against an order with Midpoint pegging) entered by members that access liquidity equal to or exceeding 0.10% of total Consolidated Volume during a month. The Exchange must, from time to time, assess the effectiveness of its credits in achieving their intended objectives and adjust the levels of such credits based on the Exchange’s observations of market participant behavior. In this instance, the Exchange determined that the level of the credit should be increased to provide a stronger incentive to market participants to improve the market. The Exchange believes that the proposed credit increase is equitable

⁸ Id. at 537.

⁹ 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)).

and is not unfairly discriminatory it will apply to all member firms that achieve the minimum level of Consolidated Volume required by the tier.

The Exchange believes that reducing the credit for “all other orders” from \$0.0003 to \$0.0001 is reasonable because the amount of the new credit is more closely aligned to the requirements necessary to qualify for the credit and the behavior that it is designed to incentivize, especially given that the Exchange is limited in the amount of credits that it provides to members. Unlike other credits the Exchange offers for accessing liquidity, a member does not have to meet any volume requirements in order to qualify for this credit. While the Exchange does presently pay credits of \$0.0015 and \$0.0016 per share executed for accessing liquidity, a member must also meet a volume threshold of accessing liquidity equal to or exceeding 0.05% or 0.10% of total Consolidated Volume during a month, respectively. In contrast, the Exchange pays a credit of \$0.0000 for an order that receives price improvement and executes against an order with a Non-displayed price, and for an order with Midpoint pegging that removes liquidity. The Exchange believes that the new credit amount is more closely aligned to the requirements for qualifying for that credit, especially in comparison to the other credits offered by the Exchange and their attendant requirements.

The Exchange believes that the second proposed change is equitably allocated among members, and is not designed to permit unfair discrimination. BX notes that participation on the Exchange, and eligibility for this credit, is voluntary, and that the Exchange continues to offer other credits for which members may attempt to qualify instead of the proposed credit. Additionally, the proposed change to the credit amount applies to all members that otherwise qualify for the credit.

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

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

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

In this instance, the changes to credits do not impose a burden on competition because participation in the Exchange is optional and is the subject of competition from other exchanges. The proposed changes to the credits are reflective of the Exchange's overall efforts to provide greater incentives to market participants in the form of credits for market participation it believes needs improvement to the benefit of all participants. For these reasons, the Exchange does not believe that any of the proposed changes will impair the ability of members or competing order execution venues to maintain their competitive standing in the financial markets. Moreover, because there are numerous competitive alternatives to the use of the Exchange, it is likely that BX will lose market share as a result of the changes if they are unattractive to market participants.

Accordingly, BX does not believe that the proposed rule changes will impair the ability of members or competing order execution venues to maintain their competitive standing in the financial markets.

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

No written comments were either solicited or received.

6. Extension of Time Period for Commission Action

Not applicable.

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

Pursuant to Section 19(b)(3)(A)(ii) of the Act,¹⁰ 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.

¹⁰ 15 U.S.C. 78s(b)(3)(A)(ii).

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.

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-BX-2017-050)

November __, 2017

Self-Regulatory Organizations; Nasdaq BX, Inc.; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Amend the Exchange's Transaction Fees at Rule 7018 to Change the Amounts of Certain Credits for Entering Orders that Access Liquidity in the Exchange's Equities System

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act")¹, and Rule 19b-4 thereunder,² notice is hereby given that on November 1, 2017, Nasdaq BX, Inc. ("BX" or "Exchange") filed with the Securities and Exchange Commission ("SEC" or "Commission") the proposed rule change as described in Items I, II, and III, below, which Items have been prepared by the Exchange. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

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

The Exchange proposes to amend the Exchange's transaction fees at Rule 7018 to change the amounts of certain credits for entering orders that access liquidity in the Exchange's Equities System.

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

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

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 purposes of the proposed rule changes are to amend the Exchange's transaction fees at Rule 7018 to: (1) increase from \$0.0016 to \$0.0017 its per share executed credit for orders that access liquidity (excluding orders with Midpoint pegging and excluding orders that receive price improvement and execute against an order with a Non-displayed price) entered by members that accesses liquidity equal to or exceeding 0.10% of total Consolidated Volume during a month; and (2) reduce its credit for entering an order that accesses liquidity in the Exchange's Equities System for "all other orders," i.e., orders that do not qualify for other available credits for removing liquidity.

The Exchange operates on the "taker-maker" model, whereby it pays credits to members that take liquidity and charges fees to members that provide liquidity. Currently, the Exchange offers five different credits for orders that access liquidity on the Exchange. First, the Exchange pays a credit of \$0.0016 per share executed for an order that accesses liquidity (excluding orders with Midpoint pegging and excluding orders that receive price improvement and execute against an order with a Non-displayed price) entered by a member that accesses liquidity equal to or exceeding 0.10% of total

Consolidated Volume during a month. Second, the Exchange pays a credit of \$0.0015 per share executed to an order that accesses liquidity (excluding orders with Midpoint pegging and excluding orders that receive price improvement and execute against an order with a Non-displayed price) entered by a member that accesses liquidity equal to or exceeding 0.05% of total Consolidated Volume during month. Third, the Exchange pays a credit of \$0.0000 per share executed for an order that receives price improvement and executes against an order with a Non-displayed price. Fourth, the Exchange pays a credit of \$0.0000 per share executed for an order with Midpoint pegging that removes liquidity. Finally, the Exchange pays a credit of \$0.0003 per share executed for “all other orders.”

The Exchange now proposes to increase from \$0.0016 to \$0.0017 its (per share executed) credit for orders that access liquidity (excluding orders with Midpoint pegging and excluding orders that receive price improvement and execute against an order with a Non-displayed price) entered by members that accesses liquidity equal to or exceeding 0.10% of total Consolidated Volume during a month. The Exchange also proposes to reduce the credit for “all other orders” from \$0.0003 per share executed to \$0.0001 per share executed. All of the other credits and charges will remain the same.

The Exchange is proposing the first of these changes to provide a greater incentive to member firms to remove liquidity from the Exchange.

The Exchange is proposing the second of these changes because it believes that a \$0.0001 credit is more closely aligned to the requirements necessary to qualify for that credit and the behavior that the credit is designed to incentivize. The Exchange notes that, unlike other credits the Exchange offers for accessing liquidity, a member does not have to meet any volume requirements in order to qualify for this credit. In contrast, the

Exchange pays a credit of \$0.0000 per share executed for an order that receives price improvement and executes against an order with a Non-displayed price, and for an order with Midpoint pegging that removes liquidity. In comparison to these other credits and their attendant requirements, and given that the Exchange is limited in the amount of credits that it provides to members, the Exchange believes the new credit amount is appropriate.

2. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act,³ in general, and furthers the objectives of Sections 6(b)(4) and 6(b)(5) of the Act,⁴ in particular, in that it provides for the equitable allocation of reasonable dues, fees and other charges among members and issuers and other persons using any facility, and is not designed to permit unfair discrimination between customers, issuers, brokers, or dealers.

The Commission and the courts have repeatedly expressed their preference for competition over regulatory intervention in determining prices, products, and services in the securities markets. In Regulation NMS, while adopting a series of steps to improve the current market model, the Commission highlighted the importance of market forces in determining prices and SRO revenues and, also, recognized that current regulation of the market system “has been remarkably successful in promoting market competition in its broader forms that are most important to investors and listed companies.”⁵

³ 15 U.S.C. 78f(b).

⁴ 15 U.S.C. 78f(b)(4) and (5).

⁵ Securities Exchange Act Release No. 51808 (June 9, 2005), 70 FR 37496, 37499 (June 29, 2005) (“Regulation NMS Adopting Release”).

Likewise, in NetCoalition v. Securities and Exchange Commission⁶ (“NetCoalition”) the D.C. Circuit upheld the Commission’s use of a market-based approach in evaluating the fairness of market data fees against a challenge claiming that Congress mandated a cost-based approach.⁷ As the court emphasized, the Commission “intended in Regulation NMS that ‘market forces, rather than regulatory requirements’ play a role in determining the market data . . . to be made available to investors and at what cost.”⁸

Further, “[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’....”⁹ Although the court and the SEC were discussing the cash equities markets, the Exchange believes that these views apply with equal force to the options markets.

The Exchange believes that it is reasonable to increase from \$0.0016 to \$0.0017 its (per share executed) credit for orders that access liquidity (excluding orders with Midpoint pegging and excluding orders that receive price improvement and execute against an order with Midpoint pegging) entered by members that access liquidity equal

⁶ NetCoalition v. SEC, 615 F.3d 525 (D.C. Cir. 2010).

⁷ See NetCoalition, at 534 - 535.

⁸ Id. at 537.

⁹ 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)).

to or exceeding 0.10% of total Consolidated Volume during a month. The Exchange must, from time to time, assess the effectiveness of its credits in achieving their intended objectives and adjust the levels of such credits based on the Exchange's observations of market participant behavior. In this instance, the Exchange determined that the level of the credit should be increased to provide a stronger incentive to market participants to improve the market. The Exchange believes that the proposed credit increase is equitable and is not unfairly discriminatory it will apply to all member firms that achieve the minimum level of Consolidated Volume required by the tier.

The Exchange believes that reducing the credit for "all other orders" from \$0.0003 to \$0.0001 is reasonable because the amount of the new credit is more closely aligned to the requirements necessary to qualify for the credit and the behavior that it is designed to incentivize, especially given that the Exchange is limited in the amount of credits that it provides to members. Unlike other credits the Exchange offers for accessing liquidity, a member does not have to meet any volume requirements in order to qualify for this credit. While the Exchange does presently pay credits of \$0.0015 and \$0.0016 per share executed for accessing liquidity, a member must also meet a volume threshold of accessing liquidity equal to or exceeding 0.05% or 0.10% of total Consolidated Volume during a month, respectively. In contrast, the Exchange pays a credit of \$0.0000 for an order that receives price improvement and executes against an order with a Non-displayed price, and for an order with Midpoint pegging that removes liquidity. The Exchange believes that the new credit amount is more closely aligned to the requirements for qualifying for that credit, especially in comparison to the other credits offered by the Exchange and their attendant requirements.

The Exchange believes that the second proposed change is equitably allocated among members, and is not designed to permit unfair discrimination. BX notes that participation on the Exchange, and eligibility for this credit, is voluntary, and that the Exchange continues to offer other credits for which members may attempt to qualify instead of the proposed credit. Additionally, the proposed change to the credit amount applies to all members that otherwise qualify for the credit.

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

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

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

In this instance, the changes to credits do not impose a burden on competition because participation in the Exchange is optional and is the subject of competition from other exchanges. The proposed changes to the credits are reflective of the Exchange's overall efforts to provide greater incentives to market participants in the form of credits

for market participation it believes needs improvement to the benefit of all participants. For these reasons, the Exchange does not believe that any of the proposed changes will impair the ability of members or competing order execution venues to maintain their competitive standing in the financial markets. Moreover, because there are numerous competitive alternatives to the use of the Exchange, it is likely that BX will lose market share as a result of the changes if they are unattractive to market participants.

Accordingly, BX does not believe that the proposed rule changes will impair the ability of members or competing order execution venues to maintain their competitive standing in the financial markets.

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

No written comments were either solicited or received.

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A)(ii) of the Act.¹⁰

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.

¹⁰ 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 (<http://www.sec.gov/rules/sro.shtml>); or
- Send an e-mail to rule-comments@sec.gov. Please include File Number SR-BX-2017-050 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-BX-2017-050. This file number should be included on the subject line if e-mail is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet Web site (<http://www.sec.gov/rules/sro.shtml>).

Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for website viewing and printing in the Commission's Public Reference Room, 100 F Street, NE, Washington, DC 20549, on official business days between the hours of 10:00 a.m. and 3:00 p.m. Copies of the filing

also will be available for inspection and copying at the principal office of the Exchange. All comments received will be posted without change; the Commission does not edit personal identifying information from submissions. You should submit only information that you wish to make available publicly.

All submissions should refer to File Number SR-BX-2017-050 and should be submitted on or before [insert date 21 days from publication in the Federal Register].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.¹¹

Eduardo A. Aleman
Assistant Secretary

¹¹ 17 CFR 200.30-3(a)(12).

EXHIBIT 5

Deleted text is [bracketed]. New text is underlined>.

Rules of Nasdaq BX

* * * * *

7000. Charges for Membership, Services, and Equipment

* * * * *

7018. Nasdaq BX Equities System Order Execution and Routing

(a) The following charges and credits shall apply to the use of the order execution and routing services of the Nasdaq BX Equities System by members for all securities priced at \$1 or more per share that it trades. As used in this rule, the term "Consolidated Volume" shall mean the total consolidated volume reported to all consolidated transaction reporting plans by all exchanges and trade reporting facilities during a month in equity securities, excluding executed orders with a size of less than one round lot. For purposes of calculating Consolidated Volume and the extent of a member's trading activity the date of the annual reconstitution of the Russell Investments Indexes shall be excluded from both total Consolidated Volume and the member's trading activity. As used in this rule, "price improvement" shall mean instances when the accepted price of an order differs from the executed price of an order.

Credit for entering order that accesses liquidity in the Nasdaq BX Equities System:

Order that receives price improvement and executes against an order with a Non-displayed price: \$0.0000 per share executed

Order with Midpoint pegging that removes liquidity: \$0.0000 per share executed

Order that accesses liquidity (excluding orders with Midpoint pegging and excluding orders that receive price improvement and execute against an order with a Non-displayed price) entered by a member that accesses liquidity equal to or exceeding 0.10% of total Consolidated Volume during a month: \$0.001[6]7 per share executed

Order that accesses liquidity (excluding orders with Midpoint

pegging and excluding orders that receive price improvement and execute against an order with a Non-displayed price) entered by a member that accesses liquidity equal to or exceeding 0.05% of total Consolidated Volume during month:

All other orders: \$0.000[3]1 per share executed

Charge for providing liquidity through the Nasdaq BX Equities System:

Displayed order entered by a member \$0.0013 per share executed that adds liquidity equal to or exceeding 0.55% of total Consolidated Volume during a month:

Displayed order entered by a member \$0.0014 per share executed that adds liquidity equal to or exceeding 0.25% of total Consolidated Volume during a month:

Displayed order entered by a member \$0.0017 per share executed that adds liquidity equal to or exceeding 0.15% of total Consolidated Volume during a month:

Displayed order entered by a member \$0.0018 per share executed that adds liquidity equal to or exceeding the member's Growth Target. The Growth Target is the liquidity the member added in January 2017 as a percent of total Consolidated Volume plus 0.04% of total Consolidated Volume:

Order with Midpoint pegging entered \$0.0005 per share executed by a member that adds 0.02% of total Consolidated Volume of non-displayed liquidity:

Order with Midpoint pegging entered \$0.0015 per share executed by other member:

Non-displayed orders (other than orders with Midpoint pegging) \$0.0024 per share executed

entered by a member that adds 0.06% of total Consolidated Volume of non-displayed liquidity:

| | |
|---|--|
| All other non-displayed orders: | \$0.0030 per share executed |
| All other orders: | \$0.0020 per share executed |
| Charge for BSTG or BSCN order that executes in a venue other than the Nasdaq BX Equities System: | \$0.0030 per share executed at NYSE |
| | \$0.0030 per share executed at venues other than NYSE |
| Charge for BMOP order that executes in a venue other than the Nasdaq BX Equities System: | \$0.0035 per share executed at NYSE |
| | \$0.0035 per share executed at venues other than NYSE |
| Charge for BTFY order that executes in a venue other than the Nasdaq BX Equities System: | \$0.0030 per share executed at NYSE |
| | \$0.0030 per share executed at Nasdaq |
| | \$0.0030 per share executed at Nasdaq PSX |
| | \$0.0007 per share executed at venues other than NYSE, Nasdaq and Nasdaq PSX |
| Charge for BCRT order that executes in a venue other than the Nasdaq BX Equities System: | \$0.0030 per share executed at Nasdaq PSX |
| | \$0.0030 per share executed at Nasdaq |
| Charge for BDRK and BCST order that executes in a venue other than the Nasdaq BX Equities System: | \$0.0010 per share executed |
| (b) – (e) No change. | |

* * * * *