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

File No.* SR - 2020 - * 067
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 * ☑ Amendment * ☐ Withdrawal ☐

Section 19(b)(2) * ☐ Section 19(b)(3)(A) * ☑ Section 19(b)(3)(B) * ☐

Rule

☐ 19b-4(f)(1) ☐ 19b-4(f)(4)
☑ 19b-4(f)(2) ☐ 19b-4(f)(5)
☐ 19b-4(f)(3) ☐ 19b-4(f)(6)

Pilot ☐

Extension of Time Period for Commission Action * ☐

Date Expires *

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 *).

A proposal to (i) amend the Exchange additional rebate to Qualified Market Maker at Equity 7, Section 114(e); (ii) remove a rebate provided through the Nasdaq Growth Program at Equity 7, Section 114(j); and (iii) establish and amend certain credits and fees at Equity 7, Section 118.

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 * Marsha Last Name * Dixon

Title * Assistant General Counsel

E-mail * marsha.dixon@nasdaq.com

Telephone * (301) 978-8183 Fax

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.

Date 10/01/2020

By John Zecca

(Name *)

(Title *)

EVP and Chief Legal Officer

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.

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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

For complete Form 19b-4 instructions please refer to the EFFS 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) The Nasdaq Stock Market LLC ("Nasdaq" 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 (i) amend the Exchange's additional rebate to Qualified Market Maker ("QMM") at Equity 7, Section 114(e); (ii) remove a rebate provided through the Nasdaq Growth Program at Equity 7, Section 114(j); and (iii) establish and amend certain credits and fees at Equity 7, Section 118, 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 26, 2019. 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:

Marsha T. Dixon
Assistant General Counsel
Nasdaq, Inc.
(301) 978-8183

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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 purpose of the proposed rule change is to make modifications to the Exchange's pricing schedule in a further attempt to improve the attractiveness of the market to new and existing market participants. Accordingly, the Exchange proposes to amend its schedule of fees and credits pursuant to Equity 7, Section 114 and Section 118 in several respects. The Exchange also proposes to make certain non-substantive changes to Equity 7, Section 118.

Changes to Section 114

Currently, the Exchange provides an additional rebate of $0.00005 per share executed when a QMM's MPID meets certain requirements in Section 114(e). The Exchange is proposing to amend the rebate to provide $0.000075 per share executed in Tapes A and C, while maintaining the current rebate amount for Tape B in order to incentivize firms to increase their liquidity providing activity on the Exchange, thereby encouraging market quality.

The Nasdaq Growth Program discussed in Section 114(j), which was established in 2016,[3] presently provides a member with credits of $0.0025 per share executed and a $0.0027 per share executed to qualified members. The credit of $0.0027 per share executed was introduced in 2017 to provide members with additional flexibility in qualifying for the Growth Program and incentive to provide greater Consolidated Volume, thereby furthering the Growth Program's goal of incentivizing participation on

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3 See Securities Exchange Act Release No. 78977 (September 29, 2016), 81 FR 69140 (October 5, 2016) (SR-NASDAQ-2016-132).

the Exchange.[4] The Exchange proposes to eliminate the credit of $0.0027 per share executed because the thresholds for the pricing incentive is no longer effective in incentivizing liquidity adding activity.

Changes to Section 118(a)

The Exchange is also proposing to amend the schedule of fees and credits provided to member organizations, pursuant to Equity 7, Section 118(a), in several respects.

First, by way of background, when the Exchange initially established the RTFY order type,[5] the Exchange explained that it would allow Designated Retail Orders to post on the exchange or be routed externally to seek price improvement. The Exchange routes to several destinations that are ineligible for a protected quotation under Regulation NMS when seeking price improvement. Over time the Exchange has seen more orders remove liquidity on Nasdaq and route to other exchanges. When introduced, the fees associated with removing liquidity on Nasdaq and routing away were covered by the Exchange as a promotion to incentivize usage of the order type. Since its inception, RTFY has become

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4 See Securities Exchange Act Release No. 80997 (June 22, 2017), 82 FR 29348 (June 28, 2017) (SR-NASDAQ-2017-060).

5 RTFY is a routing option designed to enhance execution quality and benefit retail investors by providing price improvement opportunities to retail order flows. This routing strategy is available for an order that qualifies as a Designated Retail Order under which orders check the System for available shares only if so instructed by the entering firm and are thereafter routed to destinations on the System routing table. If shares remain unexecuted after routing, they are posted to the book. Once on the book, should the order subsequently be locked or crossed by another market center, the System will not route the order to the locking or crossing market center. RTFY is designed to allow orders to participate in the opening, reopening and closing process of the primary listing market for a security. See Rule 4748(a)(1)(A)(v)(b).

more widely used and the Exchange has waived more fees for removing liquidity on Nasdaq and incurred more fees for routing to other exchanges. As a result, the Exchange established a $0.0020 per share executed fee in August 2020.[6]

Currently, the Exchange charges a fee of $0.0020 per share executed to a member entering RTFY orders that remove liquidity from the Nasdaq Market Center or that execute in a venue other than the Nasdaq Market Center and has less than a 75% ratio of its RTFY liquidity adding activity to its RTFY total volume. The fee is applicable to Tape A, Tape B and Tape C and only applies to orders submitted with the RTFY routing option. The Exchange continued to charge a $0.0000 per share executed fee to other members entering a RTFY order that removes liquidity on the Nasdaq Market Center or executes in a venue other than the Nasdaq Market Center.

The Exchange is proposing to increase the fee to $0.0030 per share executed and to amend the requirement by charging a member for shares executed above 4 million shares during the month for RTFY orders that remove liquidity from the Nasdaq Market Center or that execute in a venue with a protected quotation under Regulation NMS other than the Nasdaq Market Center. Although the Exchange will continue to not charge a fee for RTFY orders in all other instances, the Exchange is also proposing to amend the descriptions of its two RTFY fees of $0.0000 per share executed, to reflect that members will not incur a fee for shares up to 4 million, during the month, that remove from the Exchange or a venue with a protected quotation under Regulation NMS, or if executed in a venue ineligible for a protected quotation under Regulation NMS.

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6 See Securities Exchange Act Release No. 89781 (September 8, 2020), 85 FR 56663 (September 14, 2020) (SR-NASDAQ-2020-059).

Second, the Exchange currently provides a $0.0029 per share credit to members with shares of liquidity provided in all securities through one or more of its Nasdaq Market Center MPIDs that represent more than 0.40% of Consolidated Volume during the month, including shares of liquidity provided with respect to securities that are listed on exchanges other than Nasdaq or NYSE that represent more than 0.10% of Consolidated Volume. The Exchange is proposing to amend the threshold for the $0.0029 per share executed credit to apply to a member (i) with shares of liquidity provided in all securities through one or more of its Nasdaq Market Center MPIDs that represent more than 0.50% of Consolidated Volume during the month, including shares of liquidity provided with respect to securities that are listed on exchanges other than Nasdaq or NYSE that represent more than 0.10% of Consolidated Volume, and (ii) with a ratio of at least 15% volume that sets the NBBO provided through one or more of its Nasdaq Market Center MPIDs to all displayed volume that provides liquidity through one or more of its Nasdaq Market Center MPIDs during the month. This change will apply to Tapes A, B and C. The Exchange hopes that this proposed amendment will incentivize firms to increase their liquidity providing activity on Nasdaq, to set the NBBO, and will promote tighter spreads and improve market quality.

Third, the Exchange proposes to add a new supplemental credit for displayed quotes/orders (other than Supplemental Orders[7] or Designated Retail Orders) that provide liquidity. The proposed credit would provide $0.000025 per share executed to a member with (i) shares of liquidity provided in Tape A securities during the month representing at

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7 A Supplemental Order is an Order Type with a Non-Display Order Attribute that is held on the Nasdaq Book in order to provide liquidity at the NBBO through a special execution process described in Rule 4757(a)(1)(D). See Rule 4702(b)(6).

least 1.40% of Consolidated Volume during the month, and (ii) shares of liquidity provided in Tape C representing at least 1.40% of Consolidated Volume during the month. This supplemental credit only applies to Tapes A and C securities because the Exchange hopes to incentivize firms to increase their display liquidity added in Tapes A and C securities.

Fourth, the Exchange proposes in Section 118(a) to add two new credits across Tapes A, B and C for certain non-displayed orders (other than Supplemental Orders) that provide liquidity. The Exchange proposes to adopt a credit for such non-displayed orders if the member, during the month (i) provides 0.30% or more of Consolidated Volume through non-displayed orders (including midpoint orders) and through M-ELO orders; and (ii) increases providing liquidity through non-displayed orders (including midpoint orders) and through M-ELO orders by 0.06% or more relative to the member's August 2020 Consolidated Volume provided through non-displayed orders (including midpoint orders) and through M-ELO ("credit 1"). Additionally, the Exchange proposes to adopt a credit for such non-displayed orders if the member, during the month (i) provides 0.30% or more of Consolidated Volume through non-displayed orders (including midpoint orders) and through M-ELO orders; and (ii) increases providing liquidity through non-displayed orders (including midpoint orders) and through M-ELO orders by 0.10% or more relative to the member's August 2020 Consolidated Volume provided through non-displayed orders (including midpoint orders) and through M-ELO ("credit 2"). The Exchange will provide a credit of $0.00075 per share executed to Tape C and a credit of $0.0010 per share executed to Tapes A and B for credit 1. The Exchange will provide a credit of $0.0010 per share executed to Tape C and a credit of $0.00125 per share executed to Tapes A and B for credit 2. The Exchange hopes that by proposing these new credits it will incentive firms to increase their non-display volume on the Exchange.

Lastly, the Exchange is making certain non-conforming changes to remove the duplicative words "during the month" from the $0.0027 per share executed credit to members for displayed quotes/orders (other than Supplemental Orders or Designated Retail Orders) that provide liquidity in Tape A. Additionally, the Exchange is adding the word "and" to the $0.0025 per share executed credit for non-displayed orders (other than Supplemental Orders) that provide liquidity in Tape B.

b. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act,[8] in general, and furthers the objectives of Sections 6(b)(4) and 6(b)(5) of the Act,[9] 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 proposal is also consistent with Section 11A of the Act relating to the establishment of the national market system for securities.

The Proposal is Reasonable

The Exchange's proposed changes to its schedule of fees and credits are reasonable in several respects. As a threshold matter, the Exchange is subject to significant competitive forces in the market for equity securities transaction services that constrain its pricing determinations in that market. The fact that this market is

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8 15 U.S.C. 78f(b).

9 15 U.S.C. 78f(b)(4) and (5).

competitive has long been recognized by the courts. In NetCoalition v. Securities and Exchange Commission, the D.C. Circuit stated as follows: "[n]o one disputes that competition for order flow is 'fierce.' … As the SEC explained, '[i]n the U.S. national market system, buyers and sellers of securities, and the broker-dealers that act as their order-routing agents, have a wide range of choices of where to route orders for execution'; [and] 'no exchange can afford to take its market share percentages for granted' because 'no exchange possesses a monopoly, regulatory or otherwise, in the execution of order flow from broker dealers'…."[10]

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."[11]

Numerous indicia demonstrate the competitive nature of this market. For example, clear substitutes to the Exchange exist in the market for equity security transaction services. The Exchange is only one of several equity venues to which market participants may direct their order flow. Competing equity exchanges offer similar tiered

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10 NetCoalition v. SEC, 615 F.3d 525, 539 (D.C. Cir. 2010) (quoting Securities Exchange Act Release No. 59039 (December 2, 2008), 73 FR 74770, 74782-83 (December 9, 2008) (SR-NYSEArca-2006-21)).

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

pricing structures to that of the Exchange, including schedules of rebates and fees that apply based upon members achieving certain volume thresholds. [12]

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. As such, the proposal represents a reasonable attempt by the Exchange to increase its liquidity and market share relative to its competitors.

The Exchange has designed its proposed schedule of credits and charges to provide increased overall incentives to members to increase their liquidity removal and adding activity on the Exchange. An increase in liquidity removal and adding activity on the Exchange will, in turn, improve the quality of the Nasdaq market and increase its attractiveness to existing and prospective participants. Generally, the proposed new credits and charges will be comparable to, if not favorable to, those that its competitors provide.[13] Moreover, the Exchange believes that it is reasonable to modify certain fees and credits within its fee schedule as a means of incentivizing market participants to increase their contributions to the improvement of the quality of the Exchange.

In particular, the Exchange believes that it is reasonable to increase the additional QMM credit of $0.00005 per share executed to $0.000075 per share executed for Tapes A and C in Section 114(e) because with the launch of new exchanges this month, the Exchange hopes to incentivize participants to maintain or increase their liquidity adding activity and quoting at the NBBO in Tapes A and C. To the extent that this proposal

12 As an example, CBOE EDGX provides a standard rebate for liquidity adders of $0.00170 per share executed (or between $0.0020 and $0.0029 per share executed) if a member qualifies for a volume tier.

13 See n. 12, supra.

results in an increase in liquidity adding and quoting activity on the Exchange, this will improve the quality of the Nasdaq market and increase its attractiveness to existing and prospective participants.

Additionally, the Exchange believes it is reasonable to remove the credit of $0.0027 per share executed for the Nasdaq Growth Program in Section 114(j) because the credit did not accomplish the growth in activity as originally intended because the thresholds for the pricing incentive is no longer effective in incentivizing liquidity adding activity.[14] It is reasonable to evaluate and update the Exchange's fee schedule to reflect the fees and rebates that are effective for the Exchange and market participants.

The Exchange also believes it is reasonable to adjust the fee and the qualifications for RTFY orders. Until August 2020,[15] there had been no charge to participants entering RTFY orders because there were no fees charged to participants for removing liquidity from the Exchange and fees charged by other venues with a protected quotation under Regulation NMS for RTFY orders that are routed away to other venues were covered by the Exchange as a promotion to incentivize usage of the order type. Given that RTFY orders have become more widely used and as a result, the Exchange has waived more fees for removing liquidity from the Exchange and incurred more costs for covering the fees for routing to other venues with a protected quotation under Regulation NMS, the Exchange believes that it is reasonable to amend its RTFY fees to cap the number of executed RTFY shares that members receive for free when such orders remove liquidity from the Nasdaq Market Center or execute in a venue with a protected quotation under

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14 See n. 4, supra.

15 See n. 6, supra.

Regulation NMS. Similarly, the Exchange believes that it is reasonable to amend the RTFY fee qualifications for the $0.0000 per share executed to align with the qualifications for the proposed $0.0030 per share executed fee. The Exchange hopes to continue to encourage market participants to increase their RTFY usage while allowing the Exchange to mitigate the costs it incurs by capping the number of shares that members receive for free when such orders remove liquidity from the Nasdaq Market Center or execute in a venue with a protected quotation under Regulation NMS.

The Exchange also believes that it is reasonable to adjust the qualifications for the $0.0029 per share executed credit in Section 118(a) provided to members for displayed quotes/orders (other than Supplemental Order or Designated Retail Orders[16]) that provide liquidity. The proposed change is intended to incentivize members to increase liquidity and set the NBBO, which will further improve overall market quality.

Additionally, the Exchange believes it is reasonable to add three new credits to Section 118(a). The Exchange believes that the availability of the new $0.000025 per

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16 Pursuant to Rule Section 118, a "Designated Retail Order" is an agency or riskless principal order that meets the criteria of FINRA Rule 5320.03 and that originates from a natural person and is submitted to Nasdaq by a member that designates it pursuant to this section, provided that no change is made to the terms of the order with respect to price or side of market and the order does not originate from a trading algorithm or any other computerized methodology. An order from a "natural person" can include orders on behalf of accounts that are held in a corporate legal form - such as an Individual Retirement Account, Corporation, or a Limited Liability Company - that has been established for the benefit of an individual or group of related family members, provided that the order is submitted by an individual. Members must submit a signed written attestation, in a form prescribed by Nasdaq, that they have implemented policies and procedures that are reasonably designed to ensure that substantially all orders designated by the member as "Designated Retail Orders" comply with these requirements. Orders may be designated on an order by-order basis, or by designating all orders on a particular order entry port as Designated Retail Orders.

share executed supplemental credit for displayed quotes/orders (other than Supplemental Orders or Designated Retail Orders) that provide liquidity, as well as the two new credits for certain non-displayed orders (other than Supplemental Orders) that provide liquidity will incentivize members to increase their liquidity adding activity on the Exchange in order to qualify for the new credits. An increase in liquidity adding activity on the Exchange would help to improve the quality of the market for all participants. Moreover, the Exchange believes that it is reasonable to apply the supplemental credit only to Tapes A and C because the Exchange's goal is to promote increased liquidity in Tapes A and C and hopes to incentivize market participants to increase their liquidity adding activity by providing these additional credits. Similarly, the Exchange believes that it is reasonable to provide a higher credit certain for non-displayed orders (other than Supplemental Orders) that provide liquidity in Tapes A and B due to the Exchange's goal to specifically promote increased non-displayed order liquidity in securities in these Tapes because the Exchange is not seeing the level of liquidity that it expected in Tapes A and B.

The Proposal is an Equitable Allocation of Fees and Credits

The Exchange believes its proposal will allocate its credits and fees fairly among its market participants.

In particular, it is equitable to increase the additional credit in Section 114(e) for QMMs in securities in Tapes A and C in order to incentivize members to increase their liquidity adding activity in those Tapes because the Exchange is not seeing the volume that it had hoped to see in Tapes A and C. Moreover, the fees will be applied uniformly to all QMMs.

The Exchange also believes that it is equitable to increase certain fees and qualifications for RTFY orders in Section 118(a) because the Exchange must balance providing a variety of order types, including order types that allow market participants to remove liquidity and route orders out of the Exchange, while ensuring that the Exchange is not incurring significant costs as a result of providing a discounted fee. Additionally, the Exchange is assessed various fees for the execution of such orders at away venues and the proposed fee is reflective of the value provided by the Exchange in providing this functionality and the overall fees assessed by such venues. Moreover, the fee and qualifications will apply uniformly to all participants that enter RTFY orders.

Moreover, it is equitable for the Exchange to remove the $0.0027 per share executed credit from the Growth Program in Section 114(j) because, discussed above, the credit did not accomplish the growth in activity as originally intended. When the fees and credits of the Exchange are not meeting their expected goals, it is reasonable for the Exchange to re-evaluate them, and equitable for the Exchange to amend its fees and credits for all members.

Furthermore, it is equitable for the Exchange to adjust the qualifications for the $0.0029 per share executed credit for displayed quotes/orders (other than Supplemental Orders and Designated Retail Orders). The Exchange provides credits with varying qualifications to provide its members with various ways for obtaining the credit. The Exchange believes that it is equitable to adjust the qualifications for a credit in order to incentivize an increase in liquidity adding activity and setting the NBBO on the Exchange. As discussed above, greater liquidity on the Exchange will further improve overall market quality.

The Exchange also believes that it is equitable to establish new credits in Section 118(a). In particular, the Exchange believes it is equitable to establish a new supplemental credit for members that provide liquidity for displayed quotes/orders (other than Supplemental Orders or Designated Retail Orders). Additionally, the Exchange believes that it is equitable for the Exchange to establish two new credits for members that provide liquidity for certain non-displayed orders (other than Supplemental Orders). The Exchange hopes that these credits will increase the incentive for participants to add liquidity. An increase in overall liquidity adding activity on the Exchange will improve the quality of the Nasdaq market and increase its attractiveness to existing and prospective participants. Moreover, the Exchange believes it is equitable to apply the \$0.000025 per share executed credit to Tapes A and C for members that provide liquidity for displayed quotes/orders (other than Supplemental Orders or Designated Retail Orders) because it is the Exchange's goal to specifically promote increased liquidity in securities in Tapes A and C for displayed quotes/orders (other than Supplemental Orders or Designated Retail Orders). Additionally, the Exchange believes that it is equitable to provide a higher credit to members with certain non-displayed orders (other than Supplemental Orders) in securities in Tape A and B due to the Exchange's goal to specifically promote increased non-displayed order liquidity in securities in these tapes. An increase in overall liquidity adding activity on the Exchange will improve the quality of the Nasdaq market and increase its attractiveness to existing and prospective participants.

The Proposed Amended Fees and Credits are not Unfairly Discriminatory

The Exchange believes that the proposal is not unfairly discriminatory. As an initial matter, the Exchange believes that nothing about its volume-based tiered pricing model is inherently unfair; instead, it is a rational pricing model that is well-established and ubiquitous in today's economy among firms in various industries – from co-branded credit cards to grocery stores to cellular telephone data plans – that use it to reward the loyalty of their best customers that provide high levels of business activity and incent other customers to increase the extent of their business activity. It is also a pricing model that the Exchange and its competitors have long employed with the assent of the Commission. It is fair because it incentivizes customer activity that increases liquidity, enhances price discovery, and improves the overall quality of the equity markets.

The Exchange intends for its proposal to improve market quality for all members on the Exchange and by extension attract more liquidity to the market, improving market wide quality and price discovery. Net adders of liquidity to the Exchange stand to benefit directly from the proposed changes. Moreover, to the extent that the proposed changes increase liquidity adding and removing activity on the Exchange, this will improve market quality and the attractiveness of the Nasdaq market, to the benefit of all existing and prospective participants.

More particularly, to the extent that Section 114(e) of the Exchange's proposal to allow a QMM to qualify for a credit of $0.000075 per share executed in Tapes A and C will result in an increase in liquidity on the Exchange, it will improve market-wide quality and price discovery to the benefit of all participants. Moreover, to the extent that the proposal causes members to increase the extent of their liquidity adding and quoting activity on the Exchange, the Exchange market quality will improve, and all market participants will benefit. Moreover, any market participant that does not wish to receive the higher credit is free to shift its order flow to a competing venue. Additionally, the proposal to remove the Growth Program $0.0027 per share executed credit in Section 114(j) is not unfairly discriminatory because the credit will be removed for all market participants given that it did not accomplish the growth in activity as originally intended.

Additionally, the Exchange does not believe that the proposed RTFY fee increase in Section 118(a) is unfairly discriminatory because all members sending Designated Retail Orders to Nasdaq for execution are eligible to use RTFY. Each member may elect to use the RTFY routing strategy and to execute as many shares as the member sees fit. Furthermore, given that the Exchange only incurs a fee for RTFY orders that route and execute at venues with a protected quotation under Regulation NMS, the Exchange does not believe that it is unfairly discriminatory to not charge a fee for RTFY orders that route and execute at venues without a protected quotation under Regulation NMS because the Exchange is not charged a fee for those RTFY orders. Moreover, assessing different rates when a member elects to use a routing strategy but executes on the venue where the order was originally entered is not novel. For example, the Exchange charges fees ranging from $0.0030 per share executed to no charge to a member entering an MIDP Order.[17] The fees vary based on whether the MIDP Order routes and executes at venues with a protected quotation under Regulation NMS other than BX or Nasdaq, or whether the MIDP Order routes and executes at venues ineligible for a protected

[17] The MIDP routing option allows Nasdaq members to seek midpoint liquidity on Nasdaq and other markets on the Nasdaq system routing table.

quotation under Regulation NMS.[18] The charge for MIDP Orders that route and execute at venues with a protected quotation under Regulation NMS, other than BX or Nasdaq, is the same as the proposed charge for RTFY orders that route and execute at venues with a protected quotation under Regulation NMS. Therefore, the Exchange is not seeking to charge RTFY orders a greater amount than MIDP Orders; rather, the fees are comparable.

Moreover, the Exchange does not believe that it is unfairly discriminatory to add new credits or to amend the qualifications for a member to obtain a current credit in Section 118(a) because to the extent that the proposal increases liquidity adding activity on the Exchange, this will result in improved market quality, which will benefit all existing and prospective participants.

Furthermore, the Exchange does not believe it is unfairly discriminatory for the Exchange to propose a supplemental credit for members that provide liquidity for displayed quotes/orders (other than Supplemental Orders or Designated Retail Orders) in Tapes A and C because the Exchange seeks to promote increased liquidity adding activity specifically in securities in Tapes A and C. Similarly, the Exchange does not believe that it is unfairly discriminatory to provide a higher credit to QMMs who provide liquidity adding activity in Tapes A and C because the Exchange seeks to encourage liquidity adding activity and quoting at the NBBO by QMMs in Tapes A and C. Likewise, the Exchange does not believe that it is unfairly discriminatory to provide a higher credit for certain non-displayed orders (other than Supplemental Orders) that provide liquidity in Tapes A and B than it proposes for participants with orders in Tape C because the

[18] See Rule Equity 7, Section 118(a). See also Securities Exchange Act Release No. 87186 (October 1, 2019), 84 FR 53504 (October 7, 2019) (SR-Nasdaq-2019-080).

Exchange seeks to promote increased liquidity adding activity for certain non-displayed orders (other than Supplemental Orders) specifically in securities in Tapes A and B.

Finally, any participant that is dissatisfied with the proposed amended fees or credits is free to shift their order flow to competing venues that provide more favorable pricing or less stringent qualifying criteria.

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.

Intramarket Competition

The Exchange does not believe that its proposals will place any category of Exchange participant at a competitive disadvantage. To the contrary, the proposed changes will provide opportunities for members to receive new and amended credits based on their market-improving behavior. Any member may elect to provide the levels of market activity required in order to receive the new or amended credits. Furthermore, all members of the Exchange will benefit from any increase in market activity that the proposals effectuates. Additionally, As discussed above, the $0.0027 per share executed Growth Program credit removal is applicable to all members and does not place anyone at a competitive disadvantage because the thresholds for the pricing incentive is no longer effective in incentivizing liquidity adding activity.

Moreover, members are free to trade on other venues to the extent they believe that the credits provided are too low or the qualification criteria are not attractive. As one can observe by looking at any market share chart, price competition between exchanges is fierce, with liquidity and market share moving freely between exchanges in reaction to fee and credit changes. The Exchange notes that the tier structure is consistent with broker-dealer fee practices as well as the other industries, as described above.

Intermarket Competition

The Exchange believes that its proposed modification to its schedule of credits will not impose a burden on competition because the Exchange's execution services are completely voluntary and subject to extensive competition both from the other 14 live exchanges (soon to be 16) and from off-exchange venues, which include 34 alternative trading systems. 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 and credits to remain competitive with other exchanges and with alternative trading systems that have been exempted from compliance with the statutory standards applicable to exchanges. Because competitors are free to modify their own fees in response, and because market participants may readily adjust their order routing practices, the Exchange believes that the degree to which fee and credit changes in this market may impose any burden on competition is extremely limited.

The proposed amended fees and credits are reflective of this competition because, even as one of the largest U.S. equities exchanges by volume, the Exchange has less than 18% market share, which in most markets could hardly be categorized as having enough market power to burden competition. Moreover, as noted above, price competition between exchanges is fierce, with liquidity and market share moving freely between exchanges in reaction to fee and credit changes. This is in addition to free flow of order flow to and among off-exchange venues which comprised more than 44% of industry volume for the month of August 2020.

The Exchange's proposals are pro-competitive in that the Exchange intends for them to increase liquidity on the Exchange and thereby render the Exchange a more attractive and vibrant venue to market participants.

In sum, if the changes proposed herein are unattractive to market participants, it is likely that the Exchange will lose market share as a result. Accordingly, the Exchange does not believe that the proposed changes will impair the ability of members or competing order execution venues to maintain their competitive standing in the financial markets.

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,[19] 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.

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[19] 15 U.S.C. 78s(b)(3)(A)(ii).

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.

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-2020-067)

October ___, 2020

Self-Regulatory Organizations; The Nasdaq Stock Market LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Amend Equity 7, Section 114 and Equity 7, Section 118 of the Fee Schedule

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 October 1, 2020, 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. <u>Self-Regulatory Organization's Statement of the Terms of Substance of the Proposed Rule Change</u>

The Exchange proposes to (i) amend the Exchange's additional rebate to Qualified Market Maker ("QMM") at Equity 7, Section 114(e); (ii) remove a rebate provided through the Nasdaq Growth Program at Equity 7, Section 114(j); and (iii) establish and amend certain credits and fees at Equity 7, Section 118, as described further below.

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1 15 U.S.C. 78s(b)(1).

2 17 CFR 240.19b-4.

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

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

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

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

1. Purpose

The purpose of the proposed rule change is to make modifications to the Exchange's pricing schedule in a further attempt to improve the attractiveness of the market to new and existing market participants. Accordingly, the Exchange proposes to amend its schedule of fees and credits pursuant to Equity 7, Section 114 and Section 118 in several respects. The Exchange also proposes to make certain non-substantive changes to Equity 7, Section 118.

Changes to Section 114

Currently, the Exchange provides an additional rebate of $0.00005 per share executed when a QMM's MPID meets certain requirements in Section 114(e). The Exchange is proposing to amend the rebate to provide $0.000075 per share executed in Tapes A and C, while maintaining the current rebate amount for Tape B in order to incentivize firms to increase their liquidity providing activity on the Exchange, thereby encouraging market quality.

The Nasdaq Growth Program discussed in Section 114(j), which was established in 2016,[3] presently provides a member with credits of $0.0025 per share executed and a $0.0027 per share executed to qualified members. The credit of $0.0027 per share executed was introduced in 2017 to provide members with additional flexibility in qualifying for the Growth Program and incentive to provide greater Consolidated Volume, thereby furthering the Growth Program's goal of incentivizing participation on the Exchange.[4] The Exchange proposes to eliminate the credit of $0.0027 per share executed because the thresholds for the pricing incentive is no longer effective in incentivizing liquidity adding activity.

Changes to Section 118(a)

The Exchange is also proposing to amend the schedule of fees and credits provided to member organizations, pursuant to Equity 7, Section 118(a), in several respects.

First, by way of background, when the Exchange initially established the RTFY order type,[5] the Exchange explained that it would allow Designated Retail Orders to post

3 See Securities Exchange Act Release No. 78977 (September 29, 2016), 81 FR 69140 (October 5, 2016) (SR-NASDAQ-2016-132).

4 See Securities Exchange Act Release No. 80997 (June 22, 2017), 82 FR 29348 (June 28, 2017) (SR-NASDAQ-2017-060).

5 RTFY is a routing option designed to enhance execution quality and benefit retail investors by providing price improvement opportunities to retail order flows. This routing strategy is available for an order that qualifies as a Designated Retail Order under which orders check the System for available shares only if so instructed by the entering firm and are thereafter routed to destinations on the System routing table. If shares remain unexecuted after routing, they are posted to

on the exchange or be routed externally to seek price improvement. The Exchange routes to several destinations that are ineligible for a protected quotation under Regulation NMS when seeking price improvement. Over time the Exchange has seen more orders remove liquidity on Nasdaq and route to other exchanges. When introduced, the fees associated with removing liquidity on Nasdaq and routing away were covered by the Exchange as a promotion to incentivize usage of the order type. Since its inception, RTFY has become more widely used and the Exchange has waived more fees for removing liquidity on Nasdaq and incurred more fees for routing to other exchanges. As a result, the Exchange established a $0.0020 per share executed fee in August 2020.[6]

Currently, the Exchange charges a fee of $0.0020 per share executed to a member entering RTFY orders that remove liquidity from the Nasdaq Market Center or that execute in a venue other than the Nasdaq Market Center and has less than a 75% ratio of its RTFY liquidity adding activity to its RTFY total volume. The fee is applicable to Tape A, Tape B and Tape C and only applies to orders submitted with the RTFY routing option. The Exchange continued to charge a $0.0000 per share executed fee to other members entering a RTFY order that removes liquidity on the Nasdaq Market Center or executes in a venue other than the Nasdaq Market Center.

The Exchange is proposing to increase the fee to $0.0030 per share executed and to amend the requirement by charging a member for shares executed above 4 million

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the book. Once on the book, should the order subsequently be locked or crossed by another market center, the System will not route the order to the locking or crossing market center. RTFY is designed to allow orders to participate in the opening, reopening and closing process of the primary listing market for a security. See Rule 4748(a)(1)(A)(v)(b).

6 See Securities Exchange Act Release No. 89781 (September 8, 2020), 85 FR 56663 (September 14, 2020) (SR-NASDAQ-2020-059).

shares during the month for RTFY orders that remove liquidity from the Nasdaq Market Center or that execute in a venue with a protected quotation under Regulation NMS other than the Nasdaq Market Center. Although the Exchange will continue to not charge a fee for RTFY orders in all other instances, the Exchange is also proposing to amend the descriptions of its two RTFY fees of $0.0000 per share executed, to reflect that members will not incur a fee for shares up to 4 million, during the month, that remove from the Exchange or a venue with a protected quotation under Regulation NMS, or if executed in a venue ineligible for a protected quotation under Regulation NMS.

Second, the Exchange currently provides a $0.0029 per share credit to members with shares of liquidity provided in all securities through one or more of its Nasdaq Market Center MPIDs that represent more than 0.40% of Consolidated Volume during the month, including shares of liquidity provided with respect to securities that are listed on exchanges other than Nasdaq or NYSE that represent more than 0.10% of Consolidated Volume. The Exchange is proposing to amend the threshold for the $0.0029 per share executed credit to apply to a member (i) with shares of liquidity provided in all securities through one or more of its Nasdaq Market Center MPIDs that represent more than 0.50% of Consolidated Volume during the month, including shares of liquidity provided with respect to securities that are listed on exchanges other than Nasdaq or NYSE that represent more than 0.10% of Consolidated Volume, and (ii) with a ratio of at least 15% volume that sets the NBBO provided through one or more of its Nasdaq Market Center MPIDs to all displayed volume that provides liquidity through one or more of its Nasdaq Market Center MPIDs during the month. This change will apply to Tapes A, B and C. The Exchange hopes that this proposed amendment will incentivize firms to increase their liquidity providing activity on Nasdaq, to set the NBBO, and will promote tighter spreads and improve market quality.

Third, the Exchange proposes to add a new supplemental credit for displayed quotes/orders (other than Supplemental Orders[7] or Designated Retail Orders) that provide liquidity. The proposed credit would provide $0.000025 per share executed to a member with (i) shares of liquidity provided in Tape A securities during the month representing at least 1.40% of Consolidated Volume during the month, and (ii) shares of liquidity provided in Tape C representing at least 1.40% of Consolidated Volume during the month. This supplemental credit only applies to Tapes A and C securities because the Exchange hopes to incentivize firms to increase their display liquidity added in Tapes A and C securities.

Fourth, the Exchange proposes in Section 118(a) to add two new credits across Tapes A, B and C for certain non-displayed orders (other than Supplemental Orders) that provide liquidity. The Exchange proposes to adopt a credit for such non-displayed orders if the member, during the month (i) provides 0.30% or more of Consolidated Volume through non-displayed orders (including midpoint orders) and through M-ELO orders; and (ii) increases providing liquidity through non-displayed orders (including midpoint orders) and through M-ELO orders by 0.06% or more relative to the member's August 2020 Consolidated Volume provided through non-displayed orders (including midpoint orders) and through M-ELO ("credit 1"). Additionally, the Exchange proposes to adopt a credit for such non-displayed orders if the member, during the month (i) provides 0.30%

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7 A Supplemental Order is an Order Type with a Non-Display Order Attribute that is held on the Nasdaq Book in order to provide liquidity at the NBBO through a special execution process described in Rule 4757(a)(1)(D). <u>See</u> Rule 4702(b)(6).

or more of Consolidated Volume through non-displayed orders (including midpoint orders) and through M-ELO orders; and (ii) increases providing liquidity through non-displayed orders (including midpoint orders) and through M-ELO orders by 0.10% or more relative to the member's August 2020 Consolidated Volume provided through non-displayed orders (including midpoint orders) and through M-ELO ("credit 2"). The Exchange will provide a credit of $0.00075 per share executed to Tape C and a credit of $0.0010 per share executed to Tapes A and B for credit 1. The Exchange will provide a credit of $0.0010 per share executed to Tape C and a credit of $0.00125 per share executed to Tapes A and B for credit 2. The Exchange hopes that by proposing these new credits it will incentive firms to increase their non-display volume on the Exchange.

Lastly, the Exchange is making certain non-conforming changes to remove the duplicative words "during the month" from the $0.0027 per share executed credit to members for displayed quotes/orders (other than Supplemental Orders or Designated Retail Orders) that provide liquidity in Tape A. Additionally, the Exchange is adding the word "and" to the $0.0025 per share executed credit for non-displayed orders (other than Supplemental Orders) that provide liquidity in Tape B.

2. Statutory Basis

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

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8 15 U.S.C. 78f(b).

9 15 U.S.C. 78f(b)(4) and (5).

designed to permit unfair discrimination between customers, issuers, brokers, or dealers. The proposal is also consistent with Section 11A of the Act relating to the establishment of the national market system for securities.

The Proposal is Reasonable

The Exchange's proposed changes to its schedule of fees and credits are reasonable in several respects. As a threshold matter, the Exchange is subject to significant competitive forces in the market for equity securities transaction services that constrain its pricing determinations in that market. The fact that this market is competitive has long been recognized by the courts. In NetCoalition v. Securities and Exchange Commission, the D.C. Circuit stated as follows: "[n]o one disputes that competition for order flow is 'fierce.' … As the SEC explained, '[i]n the U.S. national market system, buyers and sellers of securities, and the broker-dealers that act as their order-routing agents, have a wide 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'…."[10]

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

10 NetCoalition v. SEC, 615 F.3d 525, 539 (D.C. Cir. 2010) (quoting Securities Exchange Act Release No. 59039 (December 2, 2008), 73 FR 74770, 74782-83 (December 9, 2008) (SR-NYSEArca-2006-21)).

market system "has been remarkably successful in promoting market competition in its broader forms that are most important to investors and listed companies."[11]

Numerous indicia demonstrate the competitive nature of this market. For example, clear substitutes to the Exchange exist in the market for equity security transaction services. The Exchange is only one of several equity venues to which market participants may direct their order flow. Competing equity exchanges offer similar tiered pricing structures to that of the Exchange, including schedules of rebates and fees that apply based upon members achieving certain volume thresholds. [12]

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. As such, the proposal represents a reasonable attempt by the Exchange to increase its liquidity and market share relative to its competitors.

The Exchange has designed its proposed schedule of credits and charges to provide increased overall incentives to members to increase their liquidity removal and adding activity on the Exchange. An increase in liquidity removal and adding activity on the Exchange will, in turn, improve the quality of the Nasdaq market and increase its attractiveness to existing and prospective participants. Generally, the proposed new credits and charges will be comparable to, if not favorable to, those that its competitors provide.[13] Moreover, the Exchange believes that it is reasonable to modify certain fees

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

12 As an example, CBOE EDGX provides a standard rebate for liquidity adders of \$0.00170 per share executed (or between \$0.0020 and \$0.0029 per share executed) if a member qualifies for a volume tier.

13 See n. 12, supra.

and credits within its fee schedule as a means of incentivizing market participants to increase their contributions to the improvement of the quality of the Exchange.

In particular, the Exchange believes that it is reasonable to increase the additional QMM credit of $0.00005 per share executed to $0.000075 per share executed for Tapes A and C in Section 114(e) because with the launch of new exchanges this month, the Exchange hopes to incentivize participants to maintain or increase their liquidity adding activity and quoting at the NBBO in Tapes A and C. To the extent that this proposal results in an increase in liquidity adding and quoting activity on the Exchange, this will improve the quality of the Nasdaq market and increase its attractiveness to existing and prospective participants.

Additionally, the Exchange believes it is reasonable to remove the credit of $0.0027 per share executed for the Nasdaq Growth Program in Section 114(j) because the credit did not accomplish the growth in activity as originally intended because the thresholds for the pricing incentive is no longer effective in incentivizing liquidity adding activity.[14] It is reasonable to evaluate and update the Exchange's fee schedule to reflect the fees and rebates that are effective for the Exchange and market participants.

The Exchange also believes it is reasonable to adjust the fee and the qualifications for RTFY orders. Until August 2020,[15] there had been no charge to participants entering RTFY orders because there were no fees charged to participants for removing liquidity from the Exchange and fees charged by other venues with a protected quotation under Regulation NMS for RTFY orders that are routed away to other venues were covered by

14 See n. 4, supra.

15 See n. 6, supra.

the Exchange as a promotion to incentivize usage of the order type. Given that RTFY orders have become more widely used and as a result, the Exchange has waived more fees for removing liquidity from the Exchange and incurred more costs for covering the fees for routing to other venues with a protected quotation under Regulation NMS, the Exchange believes that it is reasonable to amend its RTFY fees to cap the number of executed RTFY shares that members receive for free when such orders remove liquidity from the Nasdaq Market Center or execute in a venue with a protected quotation under Regulation NMS. Similarly, the Exchange believes that it is reasonable to amend the RTFY fee qualifications for the $0.0000 per share executed to align with the qualifications for the proposed $0.0030 per share executed fee. The Exchange hopes to continue to encourage market participants to increase their RTFY usage while allowing the Exchange to mitigate the costs it incurs by capping the number of shares that members receive for free when such orders remove liquidity from the Nasdaq Market Center or execute in a venue with a protected quotation under Regulation NMS.

The Exchange also believes that it is reasonable to adjust the qualifications for the $0.0029 per share executed credit in Section 118(a) provided to members for displayed quotes/orders (other than Supplemental Order or Designated Retail Orders[16]) that provide

16 Pursuant to Rule Section 118, a "Designated Retail Order" is an agency or riskless principal order that meets the criteria of FINRA Rule 5320.03 and that originates from a natural person and is submitted to Nasdaq by a member that designates it pursuant to this section, provided that no change is made to the terms of the order with respect to price or side of market and the order does not originate from a trading algorithm or any other computerized methodology. An order from a "natural person" can include orders on behalf of accounts that are held in a corporate legal form - such as an Individual Retirement Account, Corporation, or a Limited Liability Company - that has been established for the benefit of an individual or group of related family members, provided that the order is submitted by an individual. Members must submit a signed written attestation, in

liquidity. The proposed change is intended to incentivize members to increase liquidity and set the NBBO, which will further improve overall market quality.

Additionally, the Exchange believes it is reasonable to add three new credits to Section 118(a). The Exchange believes that the availability of the new $0.000025 per share executed supplemental credit for displayed quotes/orders (other than Supplemental Orders or Designated Retail Orders) that provide liquidity, as well as the two new credits for certain non-displayed orders (other than Supplemental Orders) that provide liquidity will incentivize members to increase their liquidity adding activity on the Exchange in order to qualify for the new credits. An increase in liquidity adding activity on the Exchange would help to improve the quality of the market for all participants. Moreover, the Exchange believes that it is reasonable to apply the supplemental credit only to Tapes A and C because the Exchange's goal is to promote increased liquidity in Tapes A and C and hopes to incentivize market participants to increase their liquidity adding activity by providing these additional credits. Similarly, the Exchange believes that it is reasonable to provide a higher credit certain for non-displayed orders (other than Supplemental Orders) that provide liquidity in Tapes A and B due to the Exchange's goal to specifically promote increased non-displayed order liquidity in securities in these Tapes because the Exchange is not seeing the level of liquidity that it expected in Tapes A and B.

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a form prescribed by Nasdaq, that they have implemented policies and procedures that are reasonably designed to ensure that substantially all orders designated by the member as "Designated Retail Orders" comply with these requirements. Orders may be designated on an order by-order basis, or by designating all orders on a particular order entry port as Designated Retail Orders.

The Proposal is an Equitable Allocation of Fees and Credits

The Exchange believes its proposal will allocate its credits and fees fairly among its market participants.

In particular, it is equitable to increase the additional credit in Section 114(e) for QMMs in securities in Tapes A and C in order to incentivize members to increase their liquidity adding activity in those Tapes because the Exchange is not seeing the volume that it had hoped to see in Tapes A and C. Moreover, the fees will be applied uniformly to all QMMs.

The Exchange also believes that it is equitable to increase certain fees and qualifications for RTFY orders in Section 118(a) because the Exchange must balance providing a variety of order types, including order types that allow market participants to remove liquidity and route orders out of the Exchange, while ensuring that the Exchange is not incurring significant costs as a result of providing a discounted fee. Additionally, the Exchange is assessed various fees for the execution of such orders at away venues and the proposed fee is reflective of the value provided by the Exchange in providing this functionality and the overall fees assessed by such venues. Moreover, the fee and qualifications will apply uniformly to all participants that enter RTFY orders.

Moreover, it is equitable for the Exchange to remove the $0.0027 per share executed credit from the Growth Program in Section 114(j) because, discussed above, the credit did not accomplish the growth in activity as originally intended. When the fees and credits of the Exchange are not meeting their expected goals, it is reasonable for the Exchange to re-evaluate them, and equitable for the Exchange to amend its fees and credits for all members.

Furthermore, it is equitable for the Exchange to adjust the qualifications for the $0.0029 per share executed credit for displayed quotes/orders (other than Supplemental Orders and Designated Retail Orders). The Exchange provides credits with varying qualifications to provide its members with various ways for obtaining the credit. The Exchange believes that it is equitable to adjust the qualifications for a credit in order to incentivize an increase in liquidity adding activity and setting the NBBO on the Exchange. As discussed above, greater liquidity on the Exchange will further improve overall market quality.

The Exchange also believes that it is equitable to establish new credits in Section 118(a). In particular, the Exchange believes it is equitable to establish a new supplemental credit for members that provide liquidity for displayed quotes/orders (other than Supplemental Orders or Designated Retail Orders). Additionally, the Exchange believes that it is equitable for the Exchange to establish two new credits for members that provide liquidity for certain non-displayed orders (other than Supplemental Orders). The Exchange hopes that these credits will increase the incentive for participants to add liquidity. An increase in overall liquidity adding activity on the Exchange will improve the quality of the Nasdaq market and increase its attractiveness to existing and prospective participants. Moreover, the Exchange believes it is equitable to apply the $0.000025 per share executed credit to Tapes A and C for members that provide liquidity for displayed quotes/orders (other than Supplemental Orders or Designated Retail Orders) because it is the Exchange's goal to specifically promote increased liquidity in securities in Tapes A and C for displayed quotes/orders (other than Supplemental Orders or Designated Retail Orders). Additionally, the Exchange believes that it is equitable to provide a higher credit to members with certain non-displayed orders (other than Supplemental Orders) in securities in Tape A and B due to the Exchange's goal to specifically promote increased non-displayed order liquidity in securities in these tapes. An increase in overall liquidity adding activity on the Exchange will improve the quality of the Nasdaq market and increase its attractiveness to existing and prospective participants.

<u>The Proposed Amended Fees and Credits are not Unfairly Discriminatory</u>

The Exchange believes that the proposal is not unfairly discriminatory. As an initial matter, the Exchange believes that nothing about its volume-based tiered pricing model is inherently unfair; instead, it is a rational pricing model that is well-established and ubiquitous in today's economy among firms in various industries – from co-branded credit cards to grocery stores to cellular telephone data plans – that use it to reward the loyalty of their best customers that provide high levels of business activity and incent other customers to increase the extent of their business activity. It is also a pricing model that the Exchange and its competitors have long employed with the assent of the Commission. It is fair because it incentivizes customer activity that increases liquidity, enhances price discovery, and improves the overall quality of the equity markets.

The Exchange intends for its proposal to improve market quality for all members on the Exchange and by extension attract more liquidity to the market, improving market wide quality and price discovery. Net adders of liquidity to the Exchange stand to benefit directly from the proposed changes. Moreover, to the extent that the proposed changes increase liquidity adding and removing activity on the Exchange, this will improve market quality and the attractiveness of the Nasdaq market, to the benefit of all existing and prospective participants.

More particularly, to the extent that Section 114(e) of the Exchange's proposal to allow a QMM to qualify for a credit of $0.000075 per share executed in Tapes A and C will result in an increase in liquidity on the Exchange, it will improve market-wide quality and price discovery to the benefit of all participants. Moreover, to the extent that the proposal causes members to increase the extent of their liquidity adding and quoting activity on the Exchange, the Exchange market quality will improve, and all market participants will benefit. Moreover, any market participant that does not wish to receive the higher credit is free to shift its order flow to a competing venue. Additionally, the proposal to remove the Growth Program $0.0027 per share executed credit in Section 114(j) is not unfairly discriminatory because the credit will be removed for all market participants given that it did not accomplish the growth in activity as originally intended.

Additionally, the Exchange does not believe that the proposed RTFY fee increase in Section 118(a) is unfairly discriminatory because all members sending Designated Retail Orders to Nasdaq for execution are eligible to use RTFY. Each member may elect to use the RTFY routing strategy and to execute as many shares as the member sees fit. Furthermore, given that the Exchange only incurs a fee for RTFY orders that route and execute at venues with a protected quotation under Regulation NMS, the Exchange does not believe that it is unfairly discriminatory to not charge a fee for RTFY orders that route and execute at venues without a protected quotation under Regulation NMS because the Exchange is not charged a fee for those RTFY orders. Moreover, assessing different rates when a member elects to use a routing strategy but executes on the venue where the order was originally entered is not novel. For example, the Exchange charges fees ranging from $0.0030 per share executed to no charge to a member entering an MIDP Order.[17] The fees vary based on whether the MIDP Order routes and executes at venues with a protected quotation under Regulation NMS other than BX or Nasdaq, or whether the MIDP Order routes and executes at venues ineligible for a protected quotation under Regulation NMS.[18] The charge for MIDP Orders that route and execute at venues with a protected quotation under Regulation NMS, other than BX or Nasdaq, is the same as the proposed charge for RTFY orders that route and execute at venues with a protected quotation under Regulation NMS. Therefore, the Exchange is not seeking to charge RTFY orders a greater amount than MIDP Orders; rather, the fees are comparable.

Moreover, the Exchange does not believe that it is unfairly discriminatory to add new credits or to amend the qualifications for a member to obtain a current credit in Section 118(a) because to the extent that the proposal increases liquidity adding activity on the Exchange, this will result in improved market quality, which will benefit all existing and prospective participants.

Furthermore, the Exchange does not believe it is unfairly discriminatory for the Exchange to propose a supplemental credit for members that provide liquidity for displayed quotes/orders (other than Supplemental Orders or Designated Retail Orders) in Tapes A and C because the Exchange seeks to promote increased liquidity adding activity specifically in securities in Tapes A and C. Similarly, the Exchange does not believe that

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17 The MIDP routing option allows Nasdaq members to seek midpoint liquidity on Nasdaq and other markets on the Nasdaq system routing table.

18 See Rule Equity 7, Section 118(a). See also Securities Exchange Act Release No. 87186 (October 1, 2019), 84 FR 53504 (October 7, 2019) (SR-Nasdaq-2019-080).

it is unfairly discriminatory to provide a higher credit to QMMs who provide liquidity adding activity in Tapes A and C because the Exchange seeks to encourage liquidity adding activity and quoting at the NBBO by QMMs in Tapes A and C. Likewise, the Exchange does not believe that it is unfairly discriminatory to provide a higher credit for certain non-displayed orders (other than Supplemental Orders) that provide liquidity in Tapes A and B than it proposes for participants with orders in Tape C because the Exchange seeks to promote increased liquidity adding activity for certain non-displayed orders (other than Supplemental Orders) specifically in securities in Tapes A and B.

Finally, any participant that is dissatisfied with the proposed amended fees or credits is free to shift their order flow to competing venues that provide more favorable pricing or less stringent qualifying criteria.

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

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

Intramarket Competition

The Exchange does not believe that its proposals will place any category of Exchange participant at a competitive disadvantage. To the contrary, the proposed changes will provide opportunities for members to receive new and amended credits based on their market-improving behavior. Any member may elect to provide the levels of market activity required in order to receive the new or amended credits. Furthermore, all members of the Exchange will benefit from any increase in market activity that the proposals effectuates. Additionally, As discussed above, the $0.0027 per share executed

Growth Program credit removal is applicable to all members and does not place anyone at a competitive disadvantage because the thresholds for the pricing incentive is no longer effective in incentivizing liquidity adding activity.

Moreover, members are free to trade on other venues to the extent they believe that the credits provided are too low or the qualification criteria are not attractive. As one can observe by looking at any market share chart, price competition between exchanges is fierce, with liquidity and market share moving freely between exchanges in reaction to fee and credit changes. The Exchange notes that the tier structure is consistent with broker-dealer fee practices as well as the other industries, as described above.

Intermarket Competition

The Exchange believes that its proposed modification to its schedule of credits will not impose a burden on competition because the Exchange's execution services are completely voluntary and subject to extensive competition both from the other 14 live exchanges (soon to be 16) and from off-exchange venues, which include 34 alternative trading systems. 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 and credits to remain competitive with other exchanges and with alternative trading systems that have been exempted from compliance with the statutory standards applicable to exchanges. Because competitors are free to modify their own fees in response, and because market participants may readily adjust their order routing practices, the Exchange believes that the degree to which fee and credit changes in this market may impose any burden on competition is extremely limited.

The proposed amended fees and credits are reflective of this competition because, even as one of the largest U.S. equities exchanges by volume, the Exchange has less than 18% market share, which in most markets could hardly be categorized as having enough market power to burden competition. Moreover, as noted above, price competition between exchanges is fierce, with liquidity and market share moving freely between exchanges in reaction to fee and credit changes. This is in addition to free flow of order flow to and among off-exchange venues which comprised more than 44% of industry volume for the month of August 2020.

The Exchange's proposals are pro-competitive in that the Exchange intends for them to increase liquidity on the Exchange and thereby render the Exchange a more attractive and vibrant venue to market participants.

In sum, if the changes proposed herein are unattractive to market participants, it is likely that the Exchange will lose market share as a result. Accordingly, the Exchange does not believe that the proposed changes will impair the ability of members or competing order execution venues to maintain their competitive standing in the financial markets.

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

No written comments were either solicited or received.

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

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

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-SR-NASDAQ-2020-067 on the subject line.

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[19] 15 U.S.C. 78s(b)(3)(A)(ii).

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-2020-067. 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-NASDAQ-2020-067 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.[20]

J. Matthew DeLesDernier
Assistant Secretary

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[20] 17 CFR 200.30-3(a)(12).

EXHIBIT 5

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

The Nasdaq Stock Market Rules

* * * * *

Equity Rules

* * * * *

Equity 7 Pricing Schedule

* * * * *

Section 114. Market Quality Incentive Programs

…

Qualified Market Maker ("QMM") Program

…

(e) Nasdaq will provide a rebate per share executed (as defined in the below table) with respect to all other displayed orders (other than Designated Retail Orders, as defined in Equity 7, Section 118) in securities priced at $1 or more per share that provide liquidity and were for securities listed on NYSE ("Tape A QMM Incentive"), securities listed on exchanges other than Nasdaq and NYSE ("Tape B QMM Incentive"), or securities listed on Nasdaq ("Tape C QMM Incentive"). Such rebate will be in addition to any rebate payable under Equity 7, Section 118(a):

	QMM Tiers	**Tape A QMM Incentive**	**Tape B QMM Incentive**	**Tape C QMM Incentive**
Tier 1	QMM executes shares of liquidity provided in all securities through one or more of its Nasdaq Market Center MPIDs that represent above 0.70% up to, and including, 0.90% of Consolidated Volume during the month	$0.0001	$0.0001	$0.0001
Tier 2	QMM executes shares of liquidity provided in all securities through one or more of its Nasdaq Market Center MPIDs that represent above 0.90% of Consolidated Volume during the month	$0.0002	$0.0002	$0.0002

Nasdaq will provide an additional rebate of $0.000075 per share executed in Tapes A and C and $0.00005 per share executed in Tape B for a QMM's MPID if the MPID (i) executes shares of liquidity provided that represents above 1.25% of Consolidated Volume during the month; (ii) quotes at the NBBO at least 50% of the time during the month during regular market hours in an average of at least 2,700 symbols per day; (iii) quotes at the NBBO at least 50% of the time during the month during regular market hours in an average of at least 1,200 symbols in securities in Tape A per day; and (iv) executes shares of liquidity provided that represents an increase of at least 0.50% of Consolidated Volume relative to May 2020. For purposes of this rebate, an MPID is considered to be quoting at the NBBO if the MPID has a displayed order (other than a Designated Retail Order) at either the national best bid or the national best offer or both the national best bid and offer. On a daily basis, Nasdaq will determine the number of securities that satisfy the 50% NBBO requirements for the MPID.

* * * * *

Nasdaq Growth Program

(j) Nasdaq will provide a credit per share executed in securities priced at $1 or more per share for members meeting certain growth criteria.

This credit will be provided in lieu of Credit to member for displayed quotes/orders (other than Supplemental Orders or Designated Retail Orders) that provide liquidity under Equity 7, Section 118 if the credit under this program is greater than the credit attained under Equity 7, Section 118.

(1) To be eligible for a $0.0025 per share executed rebate a member must:

(A) Add greater than 750,000 shares a day on average during the month through one or more of its Nasdaq Market Center MPIDs; and

(B)

(i) Increase its shares of liquidity provided through one or more of its Nasdaq Market Center MPIDs as a percent of Consolidated Volume by 20% versus the member's Growth Baseline or (ii) have met the growth criteria in Equity 7, Section 114(j)(1)(A) and (j)(1)(B)(i) in three separate months and maintained or increased its shares of liquidity provided through one or more of its Nasdaq Market Center MPIDs as a percent of Consolidated Volume compared to the Growth Baseline established when the member met the criteria for the third month.

The Growth Baseline will be defined as the member's shares of liquidity provided in all securities through one or more of its Nasdaq Market Center MPIDs as a percent of Consolidated Volume during the last month a member qualified for the Nasdaq Growth Program under Equity 7, Section 114(j)(1)(B)(i). If a member has not qualified for a credit under this program, its May 2018 share of liquidity provided in all securities through one or more of its Nasdaq Market Center MPIDs as a percent of Consolidated Volume will be used to establish a baseline.

[(2) To be eligible for a $0.0027 per share executed rebate a member must:

(A) Add at least 0.04% or more of Consolidated Volume during the month through non-displayed orders through one or more of its Nasdaq Market Center MPIDs; and

(B) Increase its shares of liquidity provided through one or more of its Nasdaq Market Center MPIDs in all securities during the month as a percent of Consolidated Volume by at least 50% versus its August 2016 share of liquidity provided in all securities through one or more of its Nasdaq Market Center MPIDs as a percent of Consolidated Volume.]

* * * * *

Section 118. Nasdaq Market Center Order Execution and Routing

(a) No change.

(1) Fees for Execution and Routing of Orders in Nasdaq-Listed Securities

Charge to enter orders that execute in the Nasdaq Market Center:	
…	
Charge to member[entering] for shares executed above 4 million shares during the month for RTFY orders that remove[s] liquidity from the Nasdaq Market Center or that execute[s] in a venue with a protected quotation under Regulation NMS other than the Nasdaq Market Center[and has less than a 75% ratio of its RTFY liquidity adding activity to its RTFY total volume]:	$0.00[2]30 per share executed
Charge to [other]member[entering] for shares executed up to 4 million shares during the month for RTFY orders that remove liquidity from[executes in] the Nasdaq Market Center or that execute in a venue with a protected quotation under Regulation NMS:	$0.0000 per share executed

Charge to [other]member entering a RTFY order that executes in a venue ineligible for a protected quotation under Regulation NMS[other than the Nasdaq Market Center]:	$0.0000 per share executed

…

Credit to member for displayed quotes/orders (other than Supplemental Orders or Designated Retail Orders) that provide liquidity:

…

member with shares of liquidity provided in all securities through one or more of its Nasdaq Market Center MPIDs that represent more than 0.30% of Consolidated Volume during the month:	$0.0027 per share executed
member (i) with shares of liquidity provided in all securities through one or more of its Nasdaq Market Center MPIDs that represent more than 0.[4]50% of Consolidated Volume during the month, including shares of liquidity provided with respect to securities that are listed on exchanges other than Nasdaq or NYSE that represent more than 0.10% of Consolidated Volume, and (ii) with at least a 15% ratio of volume that sets the NBBO provided through one or more of its Nasdaq Market Center MPIDs to all displayed volume that provides liquidity through one or more of its Nasdaq Market Center MPIDs during the month:	$0.0029 per share executed

…

Supplemental credit to member for displayed quotes/orders (other than Supplemental Orders or Designated Retail Orders) that provide liquidity:

member with (i) shares of liquidity provided in Tape A securities during the month representing at least 1.40% of Consolidated Volume during the month, and (ii) shares of liquidity provided in Tape C representing at least 1.40% of Consolidated Volume during the month:	$0.000025 per share executed

Supplemental credit to member for displayed quotes/orders (other than Supplemental Orders) that provide liquidity:

member, through one or more of its Nasdaq Market Center MPIDs (i) with shares of liquidity provided in all securities during the month representing at least 0.50% of Consolidated Volume during the month; (ii) adds at least 0.35% of Consolidated Volume during the month in securities in Tape C; (iii) adds at least 0.15% of Consolidated Volume during the	$0.00005 per share executed

month in Designated Retail Orders* for securities in any tape; and (iv) achieves at least a 60% ratio of its liquidity adding activity to its total activity on the Exchange during the month:

…

Credit for non-displayed orders (other than Supplemental Orders) that provide liquidity:	A member will receive a supplemental credit for midpoint orders (excluding buy (sell) orders with Midpoint pegging that receive an execution price that is lower (higher) than the midpoint of the NBBO), in addition to the credits set forth below for non-displayed orders that provide liquidity, if the member executes a requisite average daily volume of shares through Midpoint Extended Life Orders, as follows: A $0.0001 supplemental credit per share executed for midpoint orders (excluding buy (sell) orders with Midpoint pegging that receive an execution price that is lower (higher) than the midpoint of the NBBO) if the member executes an average daily volume of at least 2.5 million up to, but not including 4 million shares through Midpoint Extended Life Orders; or A $0.0002 supplemental credit per share executed for midpoint orders (excluding buy (sell) orders with Midpoint pegging that receive an execution price that is lower (higher) than the midpoint of the NBBO) if the member executes an average daily volume of 4 million or more shares through Midpoint Extended Life Orders. $0.0025 per share executed for midpoint orders (excluding buy (sell) orders with Midpoint pegging that receive an execution price that is lower (higher) than the midpoint of the NBBO) if the member provides an average daily volume of 5 million or more shares through midpoint orders during the month and adds 8 million shares of non-displayed liquidity $0.0020 per share executed for midpoint orders (excluding buy (sell) orders with Midpoint pegging that receive an execution price that is lower (higher) than the midpoint of the NBBO) if the member provides an average daily volume of 6 million or more shares through midpoint orders during the month $0.0017 per share executed for midpoint orders (excluding buy (sell) orders with Midpoint pegging that receive an execution price that is lower (higher) than the midpoint of the NBBO) if the member provides an average daily volume of 3 million or more shares through midpoint orders during the month

$0.0013 per share executed for midpoint orders (excluding buy (sell) orders with Midpoint pegging that receive an execution price that is lower (higher) than the midpoint of the NBBO) if the member (i) executes a combined volume of 1 million or more shares in midpoint orders provided and Midpoint Extended Life Orders executed during the month through one or more of its Nasdaq Market Center MPIDs and (ii) has a 10% or greater increase in midpoint orders provided and Midpoint Extended Life Orders executed through one or more of its Nasdaq Market Center MPIDs during the month over the month of April 2019

$0.0010 per share executed for all other midpoint orders (excluding buy (sell) orders with Midpoint pegging that receive an execution price that is lower (higher) than the midpoint of the NBBO)

$0.0010 per share executed for other non-displayed orders if the member (i) provides 0.10% or more of Consolidated Volume through non-displayed orders (other than midpoint orders) and (ii) provides 0.15% or more of Consolidated Volume through midpoint orders during the month[.]

$0.00075 per share executed for other non-displayed orders if the member, during the month (i) provides 0.90% or more of Consolidated Volume; (ii) increases providing liquidity through non-displayed orders (other than midpoint orders) by 10% or more relative to the member's July 2020 Consolidated Volume provided through non-displayed orders (other than midpoint orders) and; (iii) provides 0.20% or more of Consolidated Volume through non-displayed orders (other than midpoint orders)

$0.0005 per share executed for other non-displayed orders if the member provides 0.03% or more of Consolidated Volume during the month through midpoint orders or other non-displayed orders

<u>$0.00075 per share executed for other non-displayed orders if the member, during the month (i) provides 0.30% or more of Consolidated Volume through non-displayed orders (including midpoint orders) and through M-ELO orders; and (ii) increases providing liquidity through non-displayed orders (including midpoint orders) and through M-ELO orders by 0.06% or more as a percentage of Consolidated Volume</u>

relative to the member's August 2020 Consolidated Volume provided through non-displayed orders (including midpoint orders) and through M-ELO
$0.0010 per share executed for other non-displayed orders if the member, during the month (i) provides 0.30% or more of Consolidated Volume through non-displayed orders (including midpoint orders) and through M-ELO orders; and (ii) increases providing liquidity through non-displayed orders (including midpoint orders) and through M-ELO orders by 0.10% or more as a percentage of Consolidated Volume relative to the member's August 2020 Consolidated Volume provided through non-displayed orders (including midpoint orders) and through M-ELO
No charge or credit for other non-displayed orders

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(2) Fees for Execution and Routing of Securities Listed on NYSE

Charge to enter orders that execute in the Nasdaq Market Center:

…

Charge to member[entering] for shares executed above 4 million shares during the month for RTFY orders that remove[s] liquidity from the Nasdaq Market Center or that execute[s] in a venue with a protected quotation under Regulation NMS other than the Nasdaq Market Center[and has less than a 75% ratio of its RTFY liquidity adding activity to its RTFY total volume]:	$0.00[2]30 per share executed
Charge to [other]member[entering] for shares executed up to 4 million shares during the month for RTFY orders that remove liquidity from[executes in] the Nasdaq Market Center or that execute in a venue with a protected quotation under Regulation NMS:	$0.0000 per share executed

Charge to [other]member entering a RTFY order that executes in a venue ineligible for a protected quotation under Regulation NMS[other than the Nasdaq Market Center]:	$0.0000 per share executed

…

Credit to member for displayed quotes/orders (other than Supplemental Orders or Designated Retail Orders) that provide liquidity:

…

member with shares of liquidity provided in all securities through one or more of its Nasdaq Market Center MPIDs that represent more than 0.30% of Consolidated Volume during the month [during the month]:	$0.0027 per share executed
member (i) with shares of liquidity provided in all securities through one or more of its Nasdaq Market Center MPIDs that represent more than 0.[4]50% of Consolidated Volume during the month, including shares of liquidity provided with respect to securities that are listed on exchanges other than Nasdaq or NYSE that represent more than 0.10% of Consolidated Volume, and (ii) with at least a 15% ratio of volume that sets the NBBO provided through one or more of its Nasdaq Market Center MPIDs to all displayed volume that provides liquidity through one or more of its Nasdaq Market Center MPIDs during the month:	$0.0029 per share executed

…

Supplemental credit to member for displayed quotes/orders (other than Supplemental Orders or Designated Retail Orders) that provide liquidity:

member with (i) shares of liquidity provided in Tape A securities during the month representing at least 1.40% of Consolidated Volume during the month, and (ii) shares of liquidity provided in Tape C representing at least 1.40% of Consolidated Volume during the month:	$0.000025 per share executed

Supplemental credit to member for displayed quotes/orders (other than Supplemental Orders) that provide liquidity:

member, through one or more of its Nasdaq Market Center MPIDs (i) with shares of liquidity provided in all securities during the month representing at least 0.50% of Consolidated Volume during the month; (ii) adds at least 0.35% of Consolidated Volume during the month in securities in Tape C; (iii) adds at least 0.15% of Consolidated Volume during the	$0.00005 per share executed

month in Designated Retail Orders* for securities in any tape; and (iv) achieves at least a 60% ratio of its liquidity adding activity to its total activity on the Exchange during the month:

…

Credit for non-displayed orders (other than Supplemental Orders) that provide liquidity:	A member will receive a supplemental credit for midpoint orders (excluding buy (sell) orders with Midpoint pegging that receive an execution price that is lower (higher) than the midpoint of the NBBO), in addition to the credits set forth below for nondisplayed orders that provide liquidity, if the member executes a requisite average daily volume of shares through Midpoint Extended Life Orders, as follows: A $0.0001 supplemental credit per share executed for midpoint orders (excluding buy (sell) orders with Midpoint pegging that receive an execution price that is lower (higher) than the midpoint of the NBBO) if the member executes an average daily volume of at least 2.5 million up to, but not including 4 million shares through Midpoint Extended Life Orders; or A $0.0002 supplemental credit per share executed for midpoint orders (excluding buy (sell) orders with Midpoint pegging that receive an execution price that is lower (higher) than the midpoint of the NBBO) if the member executes an average daily volume of 4 million or more shares through Midpoint Extended Life Orders. $0.0025 per share executed for midpoint orders (excluding buy (sell) orders with Midpoint pegging that receive an execution price that is lower (higher) than the midpoint of the NBBO) if the member provides an average daily volume of 5 million or more shares through midpoint orders during the month and adds 8 million shares of non-displayed liquidity $0.0022 per share executed for midpoint orders (excluding buy (sell) orders with Midpoint pegging that receive an execution price that is lower (higher) than the midpoint of the NBBO) if the member

provides an average daily volume of 6 million or more shares through midpoint orders during the month

$0.0020 per share executed for midpoint orders (excluding buy (sell) orders with Midpoint pegging that receive an execution price that is lower (higher) than the midpoint of the NBBO) if the member provides an average daily volume of 3 million or more shares through midpoint orders during the month

$0.0019 per share executed for midpoint orders (excluding buy (sell) orders with Midpoint pegging that receive an execution price that is lower (higher) than the midpoint of the NBBO) if the member (i) executes a combined volume of 1 million or more shares in midpoint orders provided and Midpoint Extended Life Orders executed during the month through one or more of its Nasdaq Market Center MPIDs and (ii) has a 10% or greater increase in midpoint orders provided and Midpoint Extended Life Orders executed through one or more of its Nasdaq Market Center MPIDs during the month over the month of April 2019

$0.0018 per share executed for midpoint orders (excluding buy (sell) orders with Midpoint pegging that receive an execution price that is lower (higher) than the midpoint of the NBBO) if the member provides an average daily volume of 1 million or more shares through midpoint orders during the month

$0.0014 per share executed for all other midpoint orders (excluding buy (sell) orders with Midpoint pegging that receive an execution price that is lower (higher) than the midpoint of the NBBO)

$0.0015 per share executed for other non-displayed orders if the member (i) provides 0.10% or more of Consolidated Volume through nondisplayed orders (other than midpoint orders) and (ii) provides 0.15% or more of Consolidated Volume through

midpoint orders during the month
$0.0010 per share executed for other non-displayed orders if the member provides 0.03% or more of Consolidated Volume during the month through midpoint orders or other non-displayed orders
<u>$0.0010 per share executed for other non-displayed orders if the member, during the month (i) provides 0.30% or more of Consolidated Volume through non-displayed orders (including midpoint orders) and through M-ELO orders; and (ii) increases providing liquidity through non-displayed orders (including midpoint orders) and through M-ELO orders by 0.06% or more as a percentage of Consolidated Volume relative to the member's August 2020 Consolidated Volume provided through non-displayed orders (including midpoint orders) and through M-ELO</u>
<u>$0.00125 per share executed for other non-displayed orders if the member, during the month (i) provides 0.30% or more of Consolidated Volume through non-displayed orders (including midpoint orders) and through M-ELO orders; and (ii) increases providing liquidity through non-displayed orders (including midpoint orders) and through M-ELO orders by 0.10% or more as a percentage of Consolidated Volume relative to the member's August 2020 Consolidated Volume provided through non-displayed orders (including midpoint orders) and through M-ELO</u>
No charge or credit for other non-displayed orders

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(3) Fees for Execution and Routing of Orders in Securities Listed on Exchanges other than Nasdaq and NYSE ("Tape B Securities")

Charge to member entering order that executes in the Nasdaq Market Center:	
…	
Charge to member[entering] for shares executed above 4 million shares during the month for RTFY orders that remove[s] liquidity from the Nasdaq Market Center or that execute[s] in a venue with a protected quotation under Regulation NMS other than the Nasdaq Market Center[and has less than a 75% ratio of its RTFY liquidity adding activity to its RTFY total volume]:	$0.00[2]30 per share executed
Charge to [other]member[entering] for shares executed up to 4 million shares during the month for RTFY orders that remove liquidity from[executes in] the Nasdaq Market Center or that execute in a venue with a protected quotation under Regulation NMS:	$0.0000 per share executed
Charge to [other]member entering a RTFY order that executes in a venue ineligible for a protected quotation under Regulation NMS[other than the Nasdaq Market Center]:	$0.0000 per share executed
…	
Credit to member for displayed quotes/orders (other than Supplemental Orders or Designated Retail Orders) that provide liquidity:	
...	
member with shares of liquidity provided in all securities through one or more of its Nasdaq Market Center MPIDs that represent more than 0.30% of Consolidated Volume during the month:	$0.0027 per share executed
member (i) with shares of liquidity provided in all securities through one or more of its Nasdaq Market Center MPIDs that represent more than 0.[4]50% of Consolidated Volume during the month, including shares of liquidity provided with respect to securities that are listed on exchanges other than Nasdaq or NYSE that represent more than 0.10% of Consolidated Volume, and (ii) with at least a 15% ratio of volume that sets the NBBO provided through one or more of its Nasdaq Market Center MPIDs to all displayed volume that provides liquidity through one or more of its Nasdaq	$0.0029 per share executed

Market Center MPIDs during the month:

…

Credit for non-displayed orders (other than Supplemental Orders) that provide liquidity:	A member will receive a supplemental credit for midpoint orders (excluding buy (sell) orders with Midpoint pegging that receive an execution price that is lower (higher) than the midpoint of the NBBO), in addition to the credits set forth below for non-displayed orders that provide liquidity, if the member executes a requisite average daily volume of shares through Midpoint Extended Life Orders, as follows: A $0.0001 supplemental credit per share executed for midpoint orders (excluding buy (sell) orders with Midpoint pegging that receive an execution price that is lower (higher) than the midpoint of the NBBO) if the member executes an average daily volume of at least 2.5 million up to, but not including 4 million shares through Midpoint Extended Life Orders; or A $0.0002 supplemental credit per share executed for midpoint orders (excluding buy (sell) orders with Midpoint pegging that receive an execution price that is lower (higher) than the midpoint of the NBBO) if the member executes an average daily volume of 4 million or more shares through Midpoint Extended Life Orders. $0.0025 per share executed for midpoint orders (excluding buy (sell) orders with Midpoint pegging that receive an execution price that is lower (higher) than the midpoint of the NBBO) if the member provides an average daily volume of 5 million or more shares through midpoint orders during the month <u>and</u> adds 8 million shares of non-displayed liquidity $0.0022 per share executed for midpoint orders (excluding buy (sell) orders with Midpoint pegging that receive an execution price that is lower (higher) than

the midpoint of the NBBO) if the member provides an average daily volume of 6 million or more shares through midpoint orders during the month

$0.0020 per share executed for midpoint orders (excluding buy (sell) orders with Midpoint pegging that receive an execution price that is lower (higher) than the midpoint of the NBBO) if the member provides an average daily volume of 3 million or more shares through midpoint orders during the month

$0.0019 per share executed for midpoint orders (excluding buy (sell) orders with Midpoint pegging that receive an execution price that is lower (higher) than the midpoint of the NBBO) if the member (i) executes a combined volume of 1 million or more shares in midpoint orders provided and Midpoint Extended Life Orders executed during the month through one or more of its Nasdaq Market Center MPIDs and (ii) has a 10% or greater increase in midpoint orders provided and Midpoint Extended Life Orders executed through one or more of its Nasdaq Market Center MPIDs during the month over the month of April 2019

$0.0018 per share executed for midpoint orders (excluding buy (sell) orders with Midpoint pegging that receive an execution price that is lower (higher) than the midpoint of the NBBO) if the member provides an average daily volume of 1 million or more shares through midpoint orders during the month

$0.0014 per share executed for all other midpoint orders (excluding buy (sell) orders with Midpoint pegging that receive an execution price that is lower (higher) than the midpoint of the NBBO)

$0.0015 per share executed for other nondisplayed orders if the member (i) provides 0.10% or more of Consolidated Volume through non-displayed orders (other than midpoint orders) and (ii) provides 0.15% or more of Consolidated Volume through midpoint orders during the month

$0.0010 per share executed for other non-displayed orders if the member provides 0.03% or more of Consolidated Volume during the month through midpoint orders or other non-displayed orders

$0.0010 per share executed for other non-displayed orders if the member, during the month (i) provides 0.30% or more of Consolidated Volume through non-displayed orders (including midpoint orders) and through M-ELO orders; and (ii) increases providing liquidity through non-displayed orders (including midpoint orders) and through M-ELO orders by 0.06% or more as a percentage of Consolidated Volume relative to the member's August 2020 Consolidated Volume provided through non-displayed orders (including midpoint orders) and through M-ELO

$0.00125 per share executed for other non-displayed orders if the member, during the month (i) provides 0.30% or more of Consolidated Volume through non-displayed orders (including midpoint orders) and through M-ELO orders; and (ii) increases providing liquidity through non-displayed orders (including midpoint orders) and through M-ELO orders by 0.10% or more as a percentage of Consolidated Volume relative to the member's August 2020 Consolidated Volume provided through non-displayed orders (including midpoint orders) and through M-ELO

No charge or credit for other non-displayed orders

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