

that the industry-wide total time burden is approximately 1.5 hours.

The retention period for the recordkeeping requirement under Rule 17Ad-2(c), (d), and (h) is not less than two years following the date the notice is submitted. The recordkeeping requirement under this rule is mandatory to assist the Commission in monitoring transfer agents who fail to meet the minimum performance standards set by the Commission rule. This rule does not involve the collection of confidential information. A transfer agent is not required to file under the rule unless it does not meet the minimum performance standards for turnaround, processing or forwarding items received for transfer during a month.

An agency may not conduct or sponsor, and a person is not required to respond to, a collection of information under the PRA unless it displays a currently valid OMB control number.

The public may view background documentation for this information collection at the following website: [www.reginfo.gov](http://www.reginfo.gov). Comments should be directed to: (i) Desk Officer for the Securities and Exchange Commission, Office of Information and Regulatory Affairs, Office of Management and Budget, Room 10102, New Executive Office Building, Washington, DC 20503, or by sending an email to: [Lindsay.M.Abate@omb.eop.gov](mailto:Lindsay.M.Abate@omb.eop.gov); and (ii) Charles Riddle, Acting Director/Chief Information Officer, Securities and Exchange Commission, c/o Candace Kenner, 100 F Street NE, Washington, DC 20549, or by sending an email to: [PRA\\_Mailbox@sec.gov](mailto:PRA_Mailbox@sec.gov). Comments must be submitted to OMB within 30 days of this notice.

February 1, 2019.

**Eduardo A. Aleman,**

*Deputy Secretary.*

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-85042; File No. SR-BX-2018-069]

### Self-Regulatory Organizations; Nasdaq BX, Inc.; Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Amend the Exchange's Transaction Fees at Equity 7, Section 118(a)

February 1, 2019.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934

(“Act”),<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on December 21, 2018, Nasdaq BX, Inc. (“BX” or “Exchange”) filed with the Securities and Exchange Commission (“SEC” or “Commission”) the proposed rule change as described in Items I, II, and III below, which Items have been prepared by the Exchange. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

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

The Exchange proposes to amend the Exchange's transaction fees at Equity 7, Section 118(a), as described further below.

While these amendments are effective upon filing, the Exchange has designated the proposed amendments to be operative on January 2, 2018 [sic].

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

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

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

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

###### 1. Purpose

The purpose of the proposed rule change is to amend the Exchange's transaction fees at Rule 7018(a) [sic] to: (1) Adjust the qualifying terms for certain existing credits it offers to members with orders that access liquidity on the Exchange; (2) offer a new credit for members with orders that access liquidity on the Exchange; and (3) eliminate a fee for members with orders that add liquidity on the Exchange.

###### First Change

The Exchange operates on the “taker-maker” model, whereby it pays credits to members that take liquidity and charges fees to members that provide liquidity. Currently, the Exchange offers several different credits for orders that access liquidity on the Exchange. Among these credits, the Exchange offers a \$0.0018 per share executed credit for orders that access liquidity in securities in Tapes A and C (excluding orders with Midpoint pegging and excluding orders that receive price improvement and execute against an order with a Non-displayed price) that are entered by a member that: (i) Accesses liquidity equal to or exceeding 0.20% of total Consolidated Volume<sup>3</sup> during a month; and (ii) accesses 20% more liquidity as a percentage of Consolidated Volume than the member accessed in May 2018. The Exchange also offers a \$0.0019 per share executed credit for orders that access liquidity in securities in Tape B (excluding orders with Midpoint pegging and excluding orders that receive price improvement and execute against an order with a Non-displayed price) that are entered by a member that: (i) Accesses liquidity equal to or exceeding 0.20% of total Consolidated Volume during a month; and (ii) accesses 20% more liquidity as a percentage of Consolidated Volume than the member accessed in May 2018.

For these two credits, the Exchange proposes to decrease the applicable volume threshold from 0.20% to 0.15% of total Consolidated Volume during a month. The Exchange proposes to recalibrate the threshold downward to make it easier for firms to reach the Consolidated Volume threshold necessary to qualify for these credits.

The Exchange also proposes to change the benchmark month that it uses to determine whether a member, in a given month, has achieved the requisite 20% increase in liquidity accessed as a percentage of Consolidated Volume to qualify for the credits. Whereas the benchmark month presently is May 2018, the Exchange proposes to change it to December 2018. This change in benchmark month is intended to incentivize market participants to trade on the Exchange by making it easier for a member to qualify for these credits. Volumes in May 2018 were generally higher than they were in December 2018, such that a 20% increase in

<sup>3</sup> Pursuant to Equity 7, Section 118(a), the term “Consolidated Volume” means the total consolidated volume reported to all consolidated transaction reporting plans by all exchanges and trade reporting facilities during a month in equity securities, excluding executed orders with a size of less than one round lot.

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

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

liquidity accessed as a percentage of Consolidated Volume will be easier to achieve relative to December 2018 than it would be relative to May 2018.

#### Second Change

In addition to the credits above, the Exchange also offers other credits for orders that access liquidity on the Exchange. First, the Exchange offers a member a \$0.0018 per share executed credit for its orders that access liquidity in securities in Tapes A and C (excluding orders with Midpoint pegging and excluding orders that receive price improvement and execute against an order with a Non-displayed price) to the extent that the member, during a given month: (i) Has a total volume (including both providing and accessing liquidity) that is equal to or exceeds 0.50% of total Consolidated Volume during that month; (ii) has a total volume that is at least 20% greater (as a percentage of Consolidated Volume) than its total volume in July 2018; and (iii) of the 20% or more increase in total volume described above, at least 30% is attributable to adding liquidity. Second, the Exchange offers a member a \$0.0019 per share executed credit for orders that access liquidity in securities in Tape B (excluding orders with Midpoint pegging and excluding orders that receive price improvement and execute against an order with a Non-displayed price) to members that satisfy these same three conditions.

For these two credits, the Exchange proposes to decrease—from 0.50% to 0.40%—the requisite percentage of total Consolidated Volume that a member's total volume must equal for a member to qualify for each of the credits. The Exchange proposes to recalibrate the threshold downward to make it easier for a member to qualify for these credits.

The Exchange also proposes to change the benchmark month that it will use to determine whether, in a given month, a member has achieved a 20% or more increase in total volume so as to qualify for each of the credits. Whereas the benchmark date presently is July 2018 for both credits, the Exchange proposes to change it to December 2018. This change in benchmark month is intended to incentivize market participants to trade on the Exchange by making it easier for a member to qualify for these credits. Total volumes in July 2018 were generally higher than they were in December 2018, such that a 20% increase in total volumes relative to December 2018 will be easier for a member to achieve than it would a 20% increase relative to July 2018.

#### Third Change

Next, the Exchange proposes to offer a new credit for a member that accesses liquidity in any Tape. Specifically, the Exchange proposes to pay a credit of \$0.0018 per share executed to a member with orders that access liquidity in securities in any Tape (excluding orders with Midpoint pegging and excluding orders that receive price improvement and execute against an order with a Non-displayed price) where the member accesses liquidity equal to or exceeding 0.50% of total Consolidated Volume during a month.

The Exchange proposes to add this credit to provide a new and simple incentive for members to access liquidity in substantial volumes on the Exchange. The Exchange notes that it already offers members similar, albeit lower, credits for accessing liquidity equal to or exceeding lower threshold percentages of total Consolidated Volume during a given month (\$0.0017 per share executed credit for accessing liquidity equal to or greater than 0.12% of total Consolidated Volume during a month; \$0.0015 per share executed credit for accessing liquidity equal to or greater than 0.065% of total Consolidated Volume during a month. The proposed credit will offer a member a higher credit than these existing credits for maintaining a higher volume of liquidity accessing activity on the Exchange.

#### Fourth Change

Finally, the Exchange proposes to eliminate its \$0.0013 per share executed charge for displayed orders entered by a member that adds liquidity equal to or exceeding 0.55% of total Consolidated Volume during a month. This fee tier has not achieved its intended purpose of attracting liquidity to the Exchange. Accordingly, the Exchange proposes to eliminate it.

#### 2. Statutory Basis

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

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.”<sup>6</sup>

Likewise, in *NetCoalition v. Securities and Exchange Commission*<sup>7</sup> (“NetCoalition”) the D.C. Circuit upheld the Commission’s use of a market-based approach in evaluating the fairness of market data fees against a challenge claiming that Congress mandated a cost-based approach.<sup>8</sup> As the court emphasized, the Commission “intended in Regulation NMS that ‘market forces, rather than regulatory requirements’ play a role in determining the market data . . . to be made available to investors and at what cost.”<sup>9</sup>

Further, “[n]o one disputes that competition for order flow is ‘fierce.’ . . . As the SEC explained, ‘[i]n the U.S. national market system, buyers and sellers of securities, and the broker-dealers that act as their order-routing agents, have a wide range of choices of where to route orders for execution’; [and] ‘no exchange can afford to take its market share percentages for granted’ because ‘no exchange possesses a monopoly, regulatory or otherwise, in the execution of order flow from broker dealers’ . . . .”<sup>10</sup> Although the court and the SEC were discussing the cash equities markets, the Exchange believes that these views apply with equal force to the options markets.

#### First Change

The Exchange believes that it is reasonable to decrease the Consolidated Volume threshold and adjust the benchmark month on its credits for orders that access liquidity in securities (excluding orders with Midpoint pegging and excluding orders that receive price improvement and execute against an order with a Non-displayed price) that are entered by a member that: (i) Accesses liquidity equal to or

<sup>6</sup> Securities Exchange Act Release No. 51808 (June 9, 2005), 70 FR 37496, 37499 (June 29, 2005) (“Regulation NMS Adopting Release”).

<sup>7</sup> *NetCoalition v. SEC*, 615 F.3d 525 (D.C. Cir. 2010).

<sup>8</sup> See *NetCoalition*, at 534–535.

<sup>9</sup> *Id.* at 537.

<sup>10</sup> *Id.* at 539 (quoting Securities Exchange Act Release No. 59039 (December 2, 2008), 73 FR 74770, 74782–83 (December 9, 2008) (SR–NYSEArca–2006–21)).

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

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

exceeding 0.20% of total Consolidated Volume during a month; and (ii) accesses 20% more liquidity as a percentage of Consolidated Volume than the member accessed in May 2018. As noted above, the Exchange proposes to decrease the volume threshold for these credits from .20% to .15% of total Consolidated Volume and adjust the benchmark month from May 2018 to December 2018.

The Exchange must, from time to time, assess the effectiveness of its credits in achieving their intended objectives and adjust the levels of such credits based on the Exchange's observations of market participant behavior. In this instance, the Exchange has observed that the credits are becoming too difficult for members to achieve. The Exchange proposes to decrease the volume threshold for the credits to make it easier for members to qualify for the credits. Likewise, the Exchange proposes to change the benchmark month that it uses to determine whether a member, in a given month, has achieved the requisite 20% increase in liquidity accessed as a percentage of Consolidated Volume to qualify for the credits. The change in benchmark month will incentivize trading on the Exchange by making it easier for a member to qualify for these credits. Volumes in May 2018 were generally higher than they were in December 2018, such that a 20% increase in liquidity accessed as a percentage of Consolidated Volume will be easier to achieve relative to December 2018 than it would be relative to May 2018.

The Exchange believes that the proposed change is equitable because it will incentivize increased participation on the Exchange. It is not unfairly discriminatory because it will apply to all similarly situated member firms.

#### Second Change

The Exchange believes that it is reasonable to decrease the Consolidated Volume threshold and adjust the benchmark month on its credits for orders that access liquidity in securities (excluding orders with Midpoint pegging and excluding orders that receive price improvement and execute against an order with a Non-displayed price) that are entered by a member that, during a given month: (i) Has a total volume (including both providing and accessing liquidity) that is equal to or exceeds 0.50% of total Consolidated Volume during that month; (ii) has a total volume that is at least 20% greater (as a percentage of Consolidated Volume) than its total volume in July 2018; and (iii) of the 20% or more

increase in total volume described above, at least 30% is attributable to adding liquidity. As noted above, the Exchange proposes to decrease—from 0.50% to 0.40%—the requisite percentage of total Consolidated Volume that a member's total volume must equal for a member to qualify for each of the credits. It also proposes to change the benchmark month from July 2018 to December 2018.

The Exchange must, from time to time, assess the effectiveness of its credits in achieving their intended objectives and adjust the levels of such credits based on the Exchange's observations of market participant behavior. In this instance, the Exchange has observed that the credits are becoming too difficult for members to achieve. The Exchange proposes to decrease the volume threshold for the credits to make it easier for members to qualify for the credits. Likewise, the Exchange proposes to change the benchmark month that it uses to determine whether a member, in a given month, has achieved the requisite 20% increase in total volume as a percentage of Consolidated Volume to qualify for the credits. The change in benchmark month will incentivize trading on the Exchange by making it easier for a member to qualify for these credits. Total volumes in July 2018 were generally higher than they were in December 2018, such that a 20% increase in total volume as a percentage of Consolidated Volume will be easier to achieve relative to December 2018 than it would be relative to July 2018.

The Exchange believes that the proposed change is equitable because it will incentivize increased participation on the Exchange. It is not unfairly discriminatory because it will apply to all similarly situated member firms.

#### Third Change

The Exchange believes that its proposal is reasonable to add a new credit for orders that access liquidity (excluding orders with Midpoint pegging and those that receive price improvement and execute against an order with a non-displayed price) that are entered by members that, in a given month, remove and access liquidity equal to or in excess of 0.50% of Consolidated Volume during the month. This proposal is reasonable because it will provide new and stronger incentive for members to remove liquidity from the Exchange. The Exchange believes that these proposals are equitable and not unfairly discriminatory because they will apply to all similarly situated member firms.

#### Fourth Change

The Exchange believes that its proposal is reasonable to eliminate its \$0.0013 per share executed fee for displayed orders entered by a member that adds liquidity equal to or exceeding 0.55% of total Consolidated Volume during a month. The Exchange believes that eliminating this fee tier is reasonable because this fee tier has not been effective in achieving its intended purpose of incentivizing participants to add liquidity to the Exchange. The Exchange has limited resources available to it to devote to the operation of special pricing programs and as such, it is reasonable and equitable for the Exchange to allocate those resources to those programs that are effective and away from those programs that are ineffective. The proposal is also equitable and not unfairly discriminatory because it will apply uniformly to all similarly situated members.

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

The Exchange does not believe that the proposed rule change will impose any burden on competition not necessary or appropriate in furtherance of the purposes of the Act. In terms of inter-market competition, the Exchange notes that it operates in a highly competitive market in which market participants can readily favor competing venues if they deem fee levels at a particular venue to be excessive, or rebate opportunities available at other venues to be more favorable. In such an environment, the Exchange must continually adjust its fees 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 and credits in response, and because market participants may readily adjust their order routing practices, the Exchange believes that the degree to which fee or credit changes in this market may impose any burden on competition is extremely limited.

In this instance, the Exchange's proposals to add to or modify credits and to eliminate fees do not impose a burden on competition because these proposals are reflective of the Exchange's overall efforts to provide greater incentives to market participants that it believes will improve the market, to the benefit of all participants. The Exchange does not believe that any of the proposed changes will impair the ability of members or competing order

execution venues to maintain their competitive standing in the financial markets. Moreover, because there are numerous competitive alternatives to the use of the Exchange, it is likely that BX will lose market share as a result of the changes if they are unattractive to market participants.

Likewise, the Exchange's proposed credits, credit amendments, and fee eliminations do not impose a burden on competition because the Exchange's execution services are completely voluntary and subject to extensive competition both from other exchanges and from off-exchange venues. Again, if the proposals 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 proposal will impair the ability of members or competing order execution venues to maintain their competitive standing in the financial markets.

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

No written comments were either solicited or received.

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

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A)(ii) of the Act.<sup>11</sup>

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

**IV. Solicitation of Comments**

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act. Comments may be submitted by any of the following methods:

*Electronic Comments*

- Use the Commission's internet comment form (<http://www.sec.gov/rules/sro.shtml>); or

- Send an email to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include File Number SR-BX-2018-069 on the subject line.

*Paper Comments*

- Send paper comments in triplicate to Secretary, Securities and Exchange Commission, 100 F Street NE, Washington, DC 20549-1090.

All submissions should refer to File Number SR-BX-2018-069. This file number should be included on the subject line if email is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's internet website (<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 such filing also will be available for inspection and copying at the principal office of the Exchange. All comments received will be posted without change. Persons submitting comments are cautioned that we do not redact or edit personal identifying information from comment submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR-BX-2018-069, and should be submitted on or before February 19, 2019.<sup>12</sup>

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>13</sup>

**Brent J. Fields,**

*Secretary.*

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**BILLING CODE 8011-01-P**

<sup>12</sup> The Commission believes that a 10 day comment period is reasonable, given the 60-day suspension period under Exchange Act Section 19(b)(3). It will provide adequate time for comment.

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

**SECURITIES AND EXCHANGE COMMISSION**

[Release No. 34-85036; File No. SR-IEX-2019-01]

**Self-Regulatory Organizations; Investors Exchange LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Reject Market Orders With a Time-in-Force of DAY That Are Entered in the Pre-Market Session for Non-IEX-Listed Securities**

February 1, 2019.

Pursuant to Section 19(b)(1) <sup>1</sup> of the Securities Exchange Act of 1934 (the "Act") <sup>2</sup> and Rule 19b-4 thereunder,<sup>3</sup> notice is hereby given that, on January 28, 2019, the Investors Exchange LLC ("IEX" or the "Exchange") filed with the Securities and Exchange Commission (the "Commission") the proposed rule change as described in Items I and II below, which Items have been prepared by the self-regulatory organization. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

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

Pursuant to the provisions of Section 19(b)(1) under the Act,<sup>4</sup> and Rule 19b-4 thereunder,<sup>5</sup> IEX is filing with the Commission a proposed rule change to reject market orders with a time-in-force<sup>6</sup> of DAY that are entered in the Pre-Market Session<sup>7</sup> for non-IEX-listed securities, including for the Opening Process for non-IEX-listed securities pursuant to Rule 11.231 (the "Opening Process"). The Exchange has designated this rule change as "non-controversial" under Section 19(b)(3)(A) of the Act<sup>8</sup> and provided the Commission with the notice required by Rule 19b-4(f)(6) thereunder.<sup>9</sup>

The text of the proposed rule change is available at the Exchange's website at [www.iextrading.com](http://www.iextrading.com), at the principal office of the Exchange, and at the Commission's Public Reference Room.

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

<sup>2</sup> 15 U.S.C. 78a.

<sup>3</sup> 17 CFR 240.19b-4.

<sup>4</sup> 15 U.S.C. 78s(b)(1).

<sup>5</sup> 17 CRF [sic] 240.19b-4.

<sup>6</sup> See Rule 11.190(c).

<sup>7</sup> See Rule 1.160(z).

<sup>8</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>9</sup> 17 CFR 240.19b-4.

<sup>11</sup> 15 U.S.C. 78s(b)(3)(A)(ii).