

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-NASDAQ-2018-063 on the subject line.

##### *Paper Comments*

- Send paper comments in triplicate to Secretary, Securities and Exchange Commission, 100 F Street NE, Washington, DC 20549-1090. All submissions should refer to File Number SR-NASDAQ-2018-063. 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 the filing also will be available for inspection and copying at the principal office of the Exchange. All comments received will be posted without change. Persons submitting comments are cautioned that we do not redact or edit personal identifying information from comment submissions. You should submit only information that you wish

to make available publicly. All submissions should refer to File Number SR-NASDAQ-2018-063, and should be submitted on or before September 6, 2018.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>16</sup>

**Robert W. Errett,**

*Deputy Secretary.*

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-83823; File No. SR-NASDAQ-2018-064]

### Self-Regulatory Organizations; The Nasdaq Stock Market LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Amend Fees Under Rules 7014(e) and 7018(a)

August 10, 2018

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 August 1, 2018, The Nasdaq Stock Market LLC ("Nasdaq" or "Exchange") filed with the Securities and Exchange Commission ("SEC" or "Commission") the proposed rule change as described in Items I, II, and III below, which Items have been prepared by the Exchange. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

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

The Exchange proposes to amend the Exchange's fees at Rule 7014(e) to apply additional criteria required to qualify for a fee of \$0.0029 per share executed, and to amend Rule 7018(a) to assess no fees for Midpoint Extended Life Orders<sup>3</sup> in securities of all three Tapes.<sup>4</sup>

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

<sup>16</sup> 17 CFR 200.30-3(a)(12).

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

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

<sup>3</sup> See Rule 4702(b)(14).

<sup>4</sup> Tape C securities are those that are listed on the Exchange, Tape A securities are those that are listed on NYSE, and Tape B securities are those that are listed on exchanges other than Nasdaq or NYSE.

#### 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 fees at Rule 7014(e), concerning Qualified Market Makers ("QMMs"),<sup>5</sup> to apply additional criteria required to qualify for a fee of \$0.0029 per share executed, and to amend Rule 7018(a), concerning the fees and credits provided for the use of the order execution and routing services of the Nasdaq Market Center by members for all securities priced at \$1 or more that it trades, to assess no fees for Midpoint Extended Life Orders in securities of all three Tapes. Rule 7014(e) provides the fees and rebates applicable to QMMs. Rule 7018(a)(1) sets forth the fees and credits for the execution and routing of orders in Nasdaq-listed securities (Tape C); Rule 7018(a)(2) sets forth the fees and credits for the execution and routing of securities listed on the New York Stock Exchange LLC (Tape A); and Rule 7018(a)(3) sets forth the fees and credits for the execution and routing of securities listed on exchanges other than Nasdaq and NYSE (Tape B). The Exchange is proposing to assess no fee for all Midpoint Extended Life Orders.

###### First Change

Under Rule 7014(e), the Exchange charges a QMM \$0.0030 per share executed for removing liquidity in Nasdaq-listed securities priced at \$1 or more, and \$0.00295 per share executed for removing liquidity in securities priced at \$1 or more per share listed on

<sup>5</sup> To be designated a QMM, a member must meet the following criteria: (1) The member is not assessed any "Excess Order Fee" under Rule 7018 during the month; (2) the member quotes at the NBBO at least 25% of the time during regular market hours in an average of at least 1,000 securities per day during the month; and (3) the member is a registered Nasdaq market maker. See Rule 7014(d).

exchanges other than Nasdaq, if the QMM's volume of liquidity added through one or more of its Nasdaq Market Center MPIDs during the month (as a percentage of Consolidated Volume<sup>6</sup>) is not less than 0.85%. The Exchange assesses a charge of \$0.0029 per share executed for removing liquidity in securities priced at \$1 or more per share listed on exchanges other than Nasdaq if the QMM has a combined Consolidated Volume (adding and removing liquidity) of at least 3.7%, and the QMM also meets the QMM Tier 2 qualification criteria. The QMM Tier 2 qualification criteria requires a QMM to execute 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.

The Exchange is proposing to require a QMM to have MOC/LOC volume greater than 0.25% of Consolidated Volume in addition to having combined Consolidated Volume (adding and removing liquidity) requirement to at least 3.7%, to qualify for the \$0.0029 per share executed fee. Market on Close (MOC)<sup>7</sup> and Limit on Close (LOC)<sup>8</sup> Orders are designated to participate in the Nasdaq Closing Cross. This additional criteria is reflective of the Exchange's desire to provide incentives to attract order flow to the Exchange in securities listed on exchanges other than Nasdaq in return for significant market-improving behavior. In this case, the Exchange is promoting participation in the Nasdaq Closing Cross by QMMs by requiring MOC/LOC volume above 0.25% of Consolidated Volume. The addition of a modest level of Nasdaq Closing Cross participation to the qualification criteria will help ensure that QMMs are providing significant market-improving behavior in return for the fee.

<sup>6</sup> Consolidated Volume is the total consolidated volume reported to all consolidated transaction reporting plans by all exchanges and trade reporting facilities during a month in equity securities, excluding executed orders with a size of less than one round lot. For purposes of calculating Consolidated Volume and the extent of a member's trading activity the date of the annual reconstitution of the Russell Investments Indexes shall be excluded from both total Consolidated Volume and the member's trading activity. See Rule 7018(a).

<sup>7</sup> A "Market On Close Order" or "MOC Order" is an Order Type entered without a price that may be executed only during the Nasdaq Closing Cross. See Rule 4702(b)(11).

<sup>8</sup> A "Limit On Close Order" or "LOC Order" is an Order Type entered with a price that may be executed only in the Nasdaq Closing Cross, and only if the price determined by the Nasdaq Closing Cross is equal to or better than the price at which the LOC Order was entered. See Rule 4702(b)(12).

## Second Change

The purpose of the second proposed rule change is to amend the Exchange's transaction fees at Rule 7018(a)(1)–(3) to charge no fee for execution of Midpoint Extended Life Orders in securities priced \$1 or more. The Midpoint Extended Life Order is an Order Type with a Non-Display Order Attribute that is priced at the midpoint between the NBBO and that will not be eligible to execute until the Holding Period of one half of a second has passed after acceptance of the Order by the System.<sup>9</sup> Once a Midpoint Extended Life Order becomes eligible to execute by existing unchanged for the Holding Period, the Order may only execute against other eligible Midpoint Extended Life Orders.

Under Rules 7018(a)(1)–(3) the Exchange provides credits to, and assesses fees on, members for execution of displayed quotes/orders (other than Supplemental Orders or Designated Retail Orders) if they qualify by meeting the requirements of the various credit and fee tiers under those rules. The Exchange historically had not assessed a fee for the execution of any Midpoint Extended Life Order, but in July 2018 it began to assess a fee of \$0.0006 per share executed for executions in Midpoint Extended Life Orders.<sup>10</sup> The Exchange, however, continued to not assess a fee for the execution of Midpoint Extended Life Orders if the member executed at least at least 250,000 shares in Midpoint Extended Life Orders in June 2018. The Exchange is now proposing to assess no charge for any execution<sup>11</sup> of a Midpoint Extended Life Order.

## 2. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act,<sup>12</sup> in general, and furthers the objectives of Sections 6(b)(4) and 6(b)(5) of the Act,<sup>13</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.

## First Change

The Exchange believes that the \$0.0029 per share executed charge for removing liquidity in securities priced

<sup>9</sup> See Rule 4702(b)(14).

<sup>10</sup> See Securities Exchange Act Release No. 83522 (June 26, 2018), 83 FR 30998 (July 2, 2018) (SR–NASDAQ–2018–047).

<sup>11</sup> Transactions in Midpoint Extended Life Orders below \$1 will remain at no cost.

<sup>12</sup> 15 U.S.C. 78f(b).

<sup>13</sup> 15 U.S.C. 78f(b)(4) and (5).

at \$1 or more per share listed on exchanges other than Nasdaq will continue to be reasonable because the fee will remain unchanged. When the Exchange adopted the fee,<sup>14</sup> it believed that assessing the fee was reasonable because it was set at a level that is lower than the standard removal fee of \$0.0030 per share executed, thereby providing an incentive to market participants, and it was also based on the Exchange's analysis of the cost to the Exchange of offering a lower fee, thereby decreasing the revenue derived from transactions by members that qualify for the fee, and the desired benefit to the market provided by the members that meet the fee's qualification criteria. The Exchange noted that the fee's qualification criteria provided an incentive to members to increase their participation in the market as measured by Consolidated Volume, which benefits all market participants. The Exchange also noted that members may qualify for a \$0.00295 per share executed fee for removing liquidity in Tape A or B securities priced at \$1 or more if the member's volume of liquidity added through one or more of its Nasdaq Market Center MPIDs during the month (as a percentage of Consolidated Volume) is not less than 0.80%, which was subsequently increased to 0.85%. The Exchange explained that the proposed fee would continue to require a member to both qualify under the Tier 2 criteria that requires the member to execute 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, and also provide an increased combined Consolidated Volume (adding and removing liquidity) requirement (which was at least 3.5%, but subsequently increased to at least 3.7%). Consequently, the Exchange noted that to qualify for a lower transaction fee for removing liquidity in Tape A or B securities under the QMM Program, the member must both provide greater Consolidated Volume through adding liquidity during the month (*i.e.*, 0.90% versus 0.80%) and provide a certain level of combined Consolidated Volume, which accounts for both adding liquidity and removing liquidity. As noted above, the Exchange is not proposing to change the fee and the analysis described above remains valid.

<sup>14</sup> See Securities Exchange Act Release No. 78977 (September 29, 2016), 81 FR 69140 (October 5, 2016) (SR–NASDAQ–2016–032).

Accordingly, the Exchange believes that the fee remains reasonable.

The Exchange believes that the fee will continue to be an equitable allocation and not unfairly discriminatory with the new MOC and LOC criteria because it is reflective of the success that the lower charge tier has had in promoting beneficial market participation, as measured by combined Consolidated Volume (adding and removing liquidity). Consequently, the Exchange believes that requiring QMMs to provide additional beneficial market participation through the execution of MOC and LOC Orders in the Nasdaq Closing Cross is warranted. The Exchange does not believe that the new requirement will result in a significant reduction in the number of QMMs that will likely qualify for the lower transaction fee. Moreover, the Exchange is not limiting which QMMs may qualify for the reduced charge. As noted, the QMM Program is intended to encourage members to promote price discovery and market quality by quoting at the NBBO for a significant portion of each day in a large number of securities, thereby benefitting Nasdaq and other investors by committing capital to support the execution of orders. To receive the \$0.0029 per share executed charge, a member must meet the Tier 2 criteria, which requires the QMM to execute 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. In addition, the QMM must provide a certain level of combined Consolidated Volume, which accounts for both adding liquidity and removing liquidity. The Exchange is proposing to add new criteria designed to promote participation in the Nasdaq Closing Cross to make the qualification criteria required to receive the incentive more meaningful in terms of the beneficial market activity required to receive the reduced charge. QMMs may continue to qualify for the reduced charge while also providing more beneficial market participation. In this regard, any QMM may choose to provide the level of MOC and/or LOC Orders required to be eligible for the fee. Thus, the Exchange does not believe that the new criteria discriminates unfairly and believes that it is equitably allocated.

#### Second Change

The Exchange believes that allowing transactions of Midpoint Extended Life Orders at no cost is reasonable because it currently offers them at no cost, as described above. In addition, the Exchange does not charge a fee for

transactions in Orders with a RTFY routing Order Attribute.<sup>15</sup> Such an Order must meet the definition of Designated Retail Order, which requires, among other things, that the Order not originate from a trading algorithm or any other computerized methodology.<sup>16</sup> Thus, allowing transactions of the RTFY Order Attribute at no cost is designed to promote the Exchange as a venue for retail investor Orders. Likewise, the Exchange is proposing to allow all transactions in Midpoint Extended Life Orders at no cost to promote use of such Orders and consequently the quality of the market in Midpoint Extended Life Orders.

The Exchange believes that not charging a fee for executions in Midpoint Extended Life Order is an equitable allocation and is not unfairly discriminatory because the Exchange will apply the same fee to all similarly situated members. The Midpoint Extended Life Order may be used by any market participant that is willing to satisfy the requirements of the Order Type and therefore qualify for the proposed zero fee tiers. Moreover, members not interested in using Midpoint Extended Life Orders will continue to have the ability to enter midpoint Orders in the Nasdaq System, which have both fees and credits associated with their execution.<sup>17</sup> The Exchange will likely assess fees again for transactions in Midpoint Extended Life Orders in the near future, once it has had time to further assess the nature of the market in Midpoint Extended Life Orders to determine the appropriate fee. Accordingly, the proposed fee does not discriminate in any way.

#### *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

<sup>15</sup> RTFY is a routing option available for an order that qualifies as a Designated Retail Order under which orders check the System for available shares only if so instructed by the entering firm and are thereafter routed to destinations on the System routing table. If shares remain unexecuted after routing, they are posted to the 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 4758(a)(1)(A)(v)b.

<sup>16</sup> See Rule 7018.

<sup>17</sup> Based on whether the member is removing or adding liquidity. See Rule 7018(a) and (b).

participants can readily favor competing venues if they deem fee levels at a particular venue to be excessive, or rebate opportunities available at other venues to be more favorable. In such an environment, the Exchange must continually adjust its fees to remain competitive with other exchanges and with alternative trading systems that have been exempted from compliance with the statutory standards applicable to exchanges. Because competitors are free to modify their own fees in response, and because market participants may readily adjust their order routing practices, the Exchange believes that the degree to which fee changes in this market may impose any burden on competition is extremely limited. In this instance, the proposed rule change does 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.

With respect to the first proposed change, although the change to the QMM qualification criteria may limit the benefits of the program to the extent QMMs that currently qualify for the \$0.0029 per share executed charge are unable to meet the more stringent qualification criteria, the incentive is reflective of the need for exchanges to offer significant financial incentives to attract order flow in return for meaningful market-improving behavior. The Exchange, however, does not believe that the proposed qualification criteria will negatively impact who will qualify for the \$0.0029 per share executed charge but will rather have a positive impact on overall market quality as QMMs increase their participation in the Nasdaq Closing Cross to qualify for the lower charge. If, however, the Exchange is incorrect and the changes proposed herein are unattractive to QMMs, it is likely that Nasdaq will lose market share as a result.

With respect to the second proposed change, assessing no fee for executions of Midpoint Extended Life Orders will not place any burden on competition, but rather will help continue to attract interest in the use of the Order Type by making it attractive to members that seek to execute at the midpoint with like-minded members. To the extent the proposal is successful in promoting liquidity in Midpoint Extended Life Orders, other markets may be incented to provide a competitive response by innovating like the Exchange has done in this instance. To the extent the proposal is not successful in promoting liquidity in Midpoint Extended Life

Orders, it would have no meaningful impact on competition as few transactions in Midpoint Extended Life Orders would occur. In sum, if the proposal to assess no fees for executions of Midpoint Extended Life Orders is unattractive to market participants, it is likely that the Exchange will not gain any market share as a result and therefore no competitive impact.

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

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

No written comments were either solicited or received.

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

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A)(ii) of the Act.<sup>18</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-NASDAQ-2018-064 on the subject line.

*Paper Comments*

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

All submissions should refer to File Number SR-NASDAQ-2018-064. 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-NASDAQ-2018-064, and should be submitted on or before September 6, 2018.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>19</sup>

**Robert W. Errett,**

*Deputy Secretary.*

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**SECURITIES AND EXCHANGE COMMISSION**

[Release No. 34-83821; File No. SR-NYSE-2018-34]

**Self-Regulatory Organizations; New York Stock Exchange LLC; Notice of Filing of Proposed Rule Change To Amend NYSE Rule 104 Governing Transactions by Designated Market Makers**

August 10, 2018.

Pursuant to Section 19(b)(1) <sup>1</sup> of the Securities Exchange Act of 1934

(“Act”)<sup>2</sup> and Rule 19b-4 thereunder,<sup>3</sup> notice is hereby given that, on July 31, 2018, New York Stock Exchange LLC (“NYSE” or “Exchange”) filed with the Securities and Exchange Commission (“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 consolidate and restructure subsections (g), (h) and (i) of Rule 104 governing transactions by Designated Market Makers (“DMM”). The proposed rule change is available on the Exchange's website at [www.nyse.com](http://www.nyse.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 self-regulatory organization 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 those 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 parts of such statements.

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

1. Purpose

The Exchange proposes to consolidate and restructure subsections (g), (h) and (i) of Rule 104 governing DMM transactions.

Background

Rule 104 sets forth the obligations of Exchange DMMs. Under Rule 104(a), DMMs registered in one or more securities traded on the Exchange are required to engage in a course of dealings for their own account to assist in the maintenance of a fair and orderly market insofar as reasonably practicable. Rule 104(a) also enumerates the specific responsibilities and duties of a DMM, including: (1) Maintenance of a continuous two-sided quote, which

<sup>18</sup> 15 U.S.C. 78s(b)(3)(A)(ii).

<sup>19</sup> 17 CFR 200.30-3(a)(12).

<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.