

**Authority:** 5 U.S.C. 3301 and 3302; E.O. 10577, 3 CFR, 1954–1958 Comp., p. 218.

U.S. Office of Personnel Management.

**Kathleen M. McGettigan,**

*Acting Director.*

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–82068; File No. SR–NASDAQ–2017–120]

### Self-Regulatory Organizations; The Nasdaq Stock Market LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Amend Rule 7018

November 14, 2017.

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 November 1, 2017, 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 transaction fees at Rule 7018 to: (i) Change the volume threshold needed to qualify for one of the credits for displayed quotes and orders that provide liquidity on the Exchange; and (ii) add a new credit for both providing liquidity to, and removing liquidity from, the Exchange.

The text of the proposed rule change is available on the Exchange’s Web site at <http://nasdaq.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 (i) change the volume threshold needed to qualify for one of the credits for displayed quotes and orders that provide liquidity on the Exchange; and (ii) add a new credit for displayed quotes and orders that provide liquidity to, and remove liquidity from, the Exchange.

Rule 7018 sets forth the fees and credits for use of the order execution and routing services of Nasdaq for securities priced at \$1 or more. Rule 7018(a)(1) sets forth the fees and credits for the execution and routing of orders in Nasdaq-listed securities; 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 (“NYSE”), 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 Securities”).

Currently, Nasdaq pays a credit of \$0.0029 per share executed for securities listed on Nasdaq, NYSE and Tape B Securities when the member adds liquidity in all securities through one or more of its Nasdaq Market Center MPIDs that represents more than 0.45% of Consolidated Volume during the month.<sup>3</sup> Nasdaq now proposes to change this requirement so that the member must add liquidity in all securities through one or more of its Nasdaq Market Center MPIDs that represents more than 0.60% of Consolidated Volume during the month for securities listed on Nasdaq, NYSE and Tape B Securities. Nasdaq is therefore amending the relevant language in Rule 7018(a)(1), (a)(2) and

(a)(3) to reflect this change. The amount of the credit remains unchanged.

Nasdaq is making this change because it believes the new volume requirement is more closely aligned to the amount of the credit. This increase is also reflective of the Exchange’s desire to provide incentives to attract order flow to the Exchange in return for significant market-improving behavior. By modestly increasing the volume of liquidity that a member must add during the month in order to qualify for the corresponding credit, this change will help ensure that members are providing significant market-improving behavior in return for credits.

Nasdaq is also proposing to add a new credit for securities that are listed on Nasdaq, NYSE and Tape B Securities. Specifically, the member will qualify for a rebate of \$0.0029 per share executed if the member (i) removes liquidity in all securities through one or more of its Nasdaq Market Center MPIDs that represents more than 0.70% of Consolidated Volume during the month, and (ii) adds liquidity in all securities through one or more of its Nasdaq Market Center MPIDs that represents more than 0.50% of Total Consolidated Volume during the month. Nasdaq is therefore amending the relevant language in Rule 7018(a)(1), (a)(2) and (a)(3) to reflect this change. Nasdaq is adding this rebate to incentivize members to both add and remove liquidity on the Exchange in Nasdaq and NYSE-listed securities and Tape B securities, and to provide members with another way in which they may qualify for a rebate.

##### 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 Exchange believes that changing the requirement that members add liquidity that represents more than 0.45% of Consolidated Volume to require members to add liquidity that represents more than 0.60% of Consolidated Volume during the month in order to qualify for the \$0.0029 credit is reasonable. The Exchange notes that it is not changing the amount of the

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

<sup>2</sup> 17 CFR 240.19b–4.

<sup>3</sup> Rule 7018(a) defines Consolidated Volume to mean “the total consolidated volume reported to all consolidated transaction reporting plans by all exchanges and trade reporting facilities during a month in equity securities, excluding executed orders with a size of less than one round lot. For purposes of calculating Consolidated Volume and the extent of a member’s trading activity the date of the annual reconstitution of the Russell Investments Indexes shall be excluded from both total Consolidated Volume and the member’s trading activity.”

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

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

credit, which has been addressed in previous filings,<sup>6</sup> and believes that the credit continues to be reasonable because it remains unchanged. Nasdaq believes that the change to the volume threshold is reasonable because the increased volume threshold is more closely aligned to the corresponding credit than the current volume threshold. This increase is also reflective of the Exchange's desire to provide incentives to attract order flow to the Exchange in return for significant market-improving behavior. By modestly increasing the volume of liquidity that a member must add during the month in order to qualify for the corresponding credit, this change will help ensure that members are providing significant market-improving behavior in return for credits.

The Exchange believes that the increase in the volume threshold needed to qualify for the \$0.0029 credit is an equitable allocation and is not unfairly discriminatory because the Exchange will apply the same credit to all similarly situated members that meet its requirements. The credit and its corresponding volume requirement will apply equally to transactions in Nasdaq and NYSE-listed and Tape B Securities. The Exchange believes that the new volume requirement will not significantly impact the number of members that will likely qualify for the corresponding credit, since the new volume threshold is a modest increase over the current volume threshold. Participation in the Exchange's various credit tiers is completely voluntary, and members may always elect to either qualify for the corresponding credit by adding sufficient liquidity to the Exchange to meet the new volume requirement, or by electing to qualify for a different credit. Finally, by modestly increasing the volume of liquidity that a member must add during the month in order to qualify for the corresponding credit, this change will help ensure that members are providing significant market-improving behavior in return for credits.

Nasdaq believes that the new credit tier for adding and removing liquidity is reasonable. Nasdaq notes that the amount of the credit is either comparable or identical to other credits that it offers pursuant to Rule 7018, and believes that the requirements are comparable to other requirements needed to qualify for other credits.<sup>7</sup>

Nasdaq also believes that the amount of the credit is closely aligned to its corresponding requirements. With this credit and its corresponding requirements, Nasdaq is attempting to incentivize members to both add liquidity to, and remove liquidity from, the Exchange in meaningful amounts, which contributes to the Exchange's overall market quality and benefits all Exchange participants.

Nasdaq also believes that the new credit tier for adding and removing liquidity is an equitable allocation and is not unfairly discriminatory. As with the change discussed above, the Exchange will apply the same credit and its corresponding volume requirements to all similarly situated members that meet its requirements. The new credit will apply equally to transactions in Nasdaq and NYSE-listed and Tape B Securities. Participation in the Exchange's various credit tiers is completely voluntary, and members may always elect to either qualify for this new credit by adding sufficient liquidity to, and removing sufficient liquidity from, the Exchange to meet the new volume requirements, or by electing to qualify for a different credit. With this credit and its corresponding requirements, Nasdaq is attempting to incentivize members to both add liquidity to, and remove liquidity from, the Exchange in meaningful amounts, which contributes to the Exchange's overall market quality and benefits all Exchange participants.

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

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

shares of liquidity accessed 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, and (ii) with shares of liquidity provided in all securities through one or more of its Nasdaq Market Center MPIDs that represent more than 0.15% of Consolidated Volume during the month, and (iii) provides a daily average of at least 800,000 shares of nondisplayed liquidity through one or more of its Nasdaq Market Center MPIDs during the month.

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 change to the volume threshold for the \$0.0029 credit 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. The Exchange will apply the same volume thresholds to all members for transactions in Nasdaq and NYSE-listed and Tape B Securities. Participation in the Exchange's various credit tiers is completely voluntary, and Nasdaq does not believe that the new volume threshold will significantly impact the number of members that will likely qualify for the corresponding credit. Members may always elect to either qualify for the new volume threshold by adding sufficient liquidity to the Exchange to meet the new volume requirement, or by electing to qualify for a different credit. As such, the Exchange believes that the proposed volume threshold will not negatively impact who will qualify for the corresponding credit, but will rather have a positive impact on overall market quality as members increase their participation in the market to qualify for that credit. If, however, the Exchange is incorrect and the changes proposed herein are unattractive to members, it is likely that Nasdaq will lose market share as a result.

Similarly, the proposed new credit tier for adding and removing liquidity 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. The Exchange will apply the same volume thresholds to all members for transactions in Nasdaq and NYSE-listed and Tape B Securities. Participation in the Exchange's various credit tiers is completely voluntary, and members may always elect to either qualify for the new credit by adding sufficient liquidity to, and removing sufficient liquidity from, the Exchange to meet the new volume requirements, or by electing to qualify for a different credit. As such, the Exchange believes that the proposed credit will have a positive

<sup>6</sup> See, e.g., Securities Exchange Act Release No. 64453 (May 10, 2011), 76 FR 28252 (May 16, 2011) (SR-NASDAQ-2011-062).

<sup>7</sup> For example, Nasdaq currently pays a credit of \$0.0027 per share executed for a member (i) with

impact on overall market quality by incentivizing members to add and remove liquidity from the Exchange in meaningful amounts. If, however, the Exchange is incorrect and the changes proposed herein are unattractive to members, it is likely that Nasdaq will lose market share as a result.

Accordingly, Nasdaq 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>8</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-2017-120 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-2017-120. 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 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 Web site 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-2017-120, and should be submitted on or before December 11, 2017.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>9</sup>

**Eduardo A. Aleman,**  
*Assistant Secretary.*

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**SECURITIES AND EXCHANGE COMMISSION**

[Release No. 34-82071; File No. SR-CTA/CQ-2017-04]

**Consolidated Tape Association; Notice of Filing and Immediate Effectiveness of the Twenty-Second Charges Amendment to the Second Restatement of the CTA Plan and the Thirteenth Charges Amendment to the Restated CQ Plan**

November 14, 2017.

Pursuant to Section 11A of the Securities Exchange Act of 1934 ("Act"),<sup>1</sup> and Rule 608 thereunder,<sup>2</sup> notice is hereby given that on October

19, 2017, the Consolidated Tape Association ("CTA") Plan participants ("Participants")<sup>3</sup> filed with the Securities and Exchange Commission ("Commission") a proposal to amend the Second Restatement of the CTA Plan and the Restated CQ Plan ("Plans"). The amendment represents the twenty-second Charges Amendment to the CTA Plan and the thirteenth Charges Amendment to the CQ Plan ("Amendments"). The Amendments seek to amend the Plans' fee schedule as well as the Non-Display Use Policy to clarify the applicability of the non-display fee, the device fee, and the access fee. The Participants believe that some vendors are mischaracterizing their customers' usage and creating artificial loopholes to avoid the Non-Display Use and access fees pursuant to amendments filed in October 2014 ("2014 Fee Amendments")<sup>4</sup> in an attempt to obtain an advantage over other vendors. The Participants believe that the distinction between the device fees, the Non-Display Use fees, and the access fee was set forth in the 2014 Fee Amendments, and many vendors are fully complying with that distinction. The Participants state that some vendors appear to be ignoring the import of the 2014 Fee Amendments in order to gain an advantage over other vendors, allowing them to profit from new or existing customers by offering them lower fees than such customers could obtain from vendors who apply the 2014 Fee Amendments correctly. The Participants state that the proposed amendment is designed to close this loophole by removing any perceived ambiguity in the 2014 Fee Amendments.<sup>5</sup>

The Participants previously submitted an amendment to clarify the application of the Non-Display Use Policy.<sup>6</sup> That amendment elicited comment letters, some opposing and some supporting the amendment.<sup>7</sup> The Participants believed

<sup>3</sup> The Participants are: Bats BYX Exchange, Inc.; Bats BZX Exchange, Inc.; Bats EDGA Exchange, Inc.; Bats EDGX Exchange, Inc.; Chicago Board Options Exchange, Incorporated; Chicago Stock Exchange, Inc.; Financial Industry Regulatory Authority, Inc.; Investors Exchange LLC; Nasdaq BX, Inc.; Nasdaq ISE, LLC; Nasdaq PHLX LLC; The Nasdaq Stock Market LLC; New York Stock Exchange LLC; NYSE Arca, Inc.; NYSE American LLC; NYSE National, Inc.

<sup>4</sup> See Securities Exchange Act Release No. 73278 (October 1, 2014), 79 FR 60536 (October 7, 2014) ("2014 Fee Amendments").

<sup>5</sup> The Participants would apply this proposed amendment prospectively to meet any concerns that the existing policy was insufficiently clear.

<sup>6</sup> See Securities Exchange Act Release No. 80300 (Mar. 23, 2017), 82 FR 15404 (Mar. 28, 2017).

<sup>7</sup> See Letter from David Craig, President, Thomson Reuters, dated April 21, 2017 ("Thomson Reuters Letter"); Letter from Anonymous, dated

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

<sup>9</sup> 17 CFR 200.30-3(a)(12).

<sup>1</sup> 15 U.S.C. 78k-1.

<sup>2</sup> 17 CFR 242.608.