Self-Regulatory Organizations; Nasdaq PHLX LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Amend the Exchange’s Pricing Schedule at Equity 7, Section 3
May 20, 2021.

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 May 12, 2021, Nasdaq PHLX LLC (“Phlx” 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 pricing schedule at Equity 7, Section 3, as described further below.

The Exchange originally filed the proposal pricing change on May 3, 2021 (SR-Phlx-2021-29). On May 12, 2021, the Exchange withdrew that filing and submitted this filing.

The text of the proposed rule change is available on the Exchange’s Website at https://listingcenter.nasdaq.com/rulebook/phlx/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

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 Exchange proposes to amend its pricing schedule, at Equity 7, Section 3, to make a change to its fees for routing of orders using the SCAR routing option in all securities. Specifically, the Exchange proposes to lower the $0.0025 per share executed credit that is given to a member that enters an order in any of the three tapes using the “SCAR” routing option which ultimately executes on Nasdaq BX (“BX”).

BX recently revised its pricing schedule to lower its existing credits. Currently, all credits provided to members on BX are lower than $0.0025 per share executed. As a result, the Exchange is proposing to lower its existing $0.0025 per share credit to $0.0016 per share executed for SCAR orders that execute on BX in order to better align this amount with the credit amount provided by BX on its fee schedule.

2. **Statutory Basis**

The Exchange believes that its proposal is consistent with Section 6(b) of the Act, in general, and furthers the objectives of Sections 6(b)(4) and 6(b)(5) of the Act, in particular, in that it provides for the equitable allocation of reasonable dues, fees and other charges among

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3 Pursuant to Equity 4, Section 3315(a)(1)(A)(x), “SCAR” is a routing option under which orders will check the System for available shares and simultaneously route to BX and Nasdaq in accordance with the System routing table. If shares remain unexecuted after routing, they are posted on the book or cancelled. 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.


6 15 U.S.C. 78f(b)(4) and (5).
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 Reasonable

The Exchange’s proposed changes to its SCAR routing rebate 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’….’”

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.”

Numerous indicia demonstrate the competitive nature of this market. For example, clear

7 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)).

8 Securities Exchange Act Release No. 51808 (June 9, 2005), 70 FR 37496, 37499 (June
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.

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.

The Exchange believes it is reasonable to lower the $0.0025 per share executed credit that it provides to a member that enters a SCAR routed order that executes on BX because the proposal will better align this credit with corresponding credits that BX provides to its own members that remove liquidity from that exchange. The Exchange also believes that it is appropriate to periodically reassess and recalibrate its fees. In this instance, better aligning the credits will help to ensure that market participants will not use the Exchange’s SCAR order routing strategy solely to obtain a higher rebate on orders that are routed and executed on BX.

The Proposal is an Equitable Allocation of Credits and not Unfairly Discriminatory

The Exchange believes its proposal to lower its credit for SCAR routed orders that execute on BX to $0.0016 per share executed credit is an equitable allocation because the proposed amended credit amount is better aligned with the liquidity removal credits that BX provides to its members. Additionally, the proposal is not unfairly discriminatory because the proposed amended credit is available to all members.

Any participant that is dissatisfied with the proposals is free to shift their order flow to competing venues that provide more generous 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.

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9 See Nasdaq BX Equity 7 (Pricing Schedule), available at https://listingcenter.nasdaq.com/rulebook/phlx/rules/Phlx%20Equity%207 [sic]
Intramarket Competition

The Exchange does not believe that its proposal will place any category of Exchange participants at a competitive disadvantage. The proposal will merely ensure that the amount of the SCAR credit is better aligned with the recently lowered corresponding credits that BX provides to its own members that remove liquidity from that exchange.

As noted above, all members of the Exchange will benefit from the protection of the overall quality of the equity market. Moreover, members are free to trade on other venues to the extent they believe that the proposed credit amount is 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.

Intermarket Competition

The Exchange’s proposal is pro-competitive in that the proposal will result in competitive alignment between the SCAR credit and the amounts of liquidity removal credits that BX provides to its own members that remove liquidity from that exchange.

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

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

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

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-Phlx-2021-31 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-Phlx-2021-31. 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 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-Phlx-2021-31 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.\textsuperscript{11}

J. Matthew DeLesDernier,
Assistant Secretary.

\textsuperscript{11} 17 CFR 200.30-3(a)(12).