

Required fields are shown with yellow backgrounds and asterisks.

Filing by Financial Industry Regulatory Authority
 Pursuant to Rule 19b-4 under the Securities Exchange Act of 1934

Initial * <input checked="" type="checkbox"/>	Amendment * <input type="checkbox"/>	Withdrawal <input type="checkbox"/>	Section 19(b)(2) * <input type="checkbox"/>	Section 19(b)(3)(A) * <input checked="" type="checkbox"/>	Section 19(b)(3)(B) * <input type="checkbox"/>
Pilot <input type="checkbox"/>			Rule		
Extension of Time Period for Commission Action * <input type="checkbox"/>		Date Expires * <input type="text"/>	<input type="checkbox"/> 19b-4(f)(1)	<input type="checkbox"/> 19b-4(f)(4)	
			<input checked="" type="checkbox"/> 19b-4(f)(2)	<input type="checkbox"/> 19b-4(f)(5)	
			<input type="checkbox"/> 19b-4(f)(3)	<input type="checkbox"/> 19b-4(f)(6)	

Notice of proposed change pursuant to the Payment, Clearing, and Settlement Act of 2010	Security-Based Swap Submission pursuant to the Securities Exchange Act of 1934
Section 806(e)(1) * <input type="checkbox"/>	Section 806(e)(2) * <input type="checkbox"/>
	Section 3C(b)(2) * <input type="checkbox"/>

Exhibit 2 Sent As Paper Document <input type="checkbox"/>	Exhibit 3 Sent As Paper Document <input type="checkbox"/>
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Description

Provide a brief description of the action (limit 250 characters, required when Initial is checked *).

Proposed Rule Change to Amend FINRA Rule 7610A to Modify Securities Transaction Credits Applicable to FINRA/Nasdaq TRF Participants

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 * Lisa Last Name * Horrigan
 Title * Associate General Counsel
 E-mail * lisa.horrigan@finra.org
 Telephone * (202) 728-8190 Fax (202) 728-8264

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.

(Title *)
 Senior Vice President and Director of Capital Markets Policy

Date 12/14/2020
 By Stephanie Dumont
 (Name *)

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.

Stephanie Dumont,

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

For complete Form 19b-4 instructions please refer to the EFFF website.

Form 19b-4 Information *

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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 *

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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 *

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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

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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

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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

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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

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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

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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) Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”),¹ the Financial Industry Regulatory Authority, Inc. (“FINRA”) is filing with the Securities and Exchange Commission (“SEC” or “Commission”) a proposed rule change to amend FINRA Rule 7610A to modify the securities transaction credits applicable to non-Retail Participants that use the FINRA/Nasdaq Trade Reporting Facility Carteret (the “FINRA/Nasdaq TRF Carteret”) and the FINRA/Nasdaq Trade Reporting Facility Chicago (the “FINRA/Nasdaq TRF Chicago”) (collectively, the “FINRA/Nasdaq TRF”).

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 has been approved by senior management of FINRA pursuant to delegated authority. No other action by FINRA is necessary for the filing of the proposed rule change.

FINRA has filed the proposed rule change for immediate effectiveness. The operative date will be January 1, 2021.

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

(a) Purpose

The FINRA/Nasdaq TRF is a facility of FINRA that is operated by Nasdaq, Inc. (“Nasdaq”). In connection with the establishment of the FINRA/Nasdaq TRF, FINRA

¹ 15 U.S.C. 78s(b)(1).

and Nasdaq entered into a limited liability company agreement (the “LLC Agreement”). Under the LLC Agreement, FINRA, the “SRO Member,” has sole regulatory responsibility for the FINRA/Nasdaq TRF. Nasdaq, the “Business Member,” is primarily responsible for the management of the FINRA/Nasdaq TRF’s business affairs, including establishing pricing for use of the FINRA/Nasdaq TRF, to the extent those affairs are not inconsistent with the regulatory and oversight functions of FINRA. Additionally, the Business Member is obligated to pay the cost of regulation and is entitled to the profits and losses, if any, derived from the operation of the FINRA/Nasdaq TRF.

Pursuant to FINRA Rule 7610A, FINRA/Nasdaq TRF Participants that do not constitute Retail Participants² (such non-Retail Participants are referred to herein as “Participants”) may qualify for revenue sharing payments, in the form of transaction credits, for trade reporting to the FINRA/Nasdaq TRF. Nasdaq administers this Rule in its capacity as the Business Member and operator of the FINRA/Nasdaq TRF on behalf of FINRA,³ and Nasdaq collects all fees and issues all transaction credits on behalf of the FINRA/Nasdaq TRF.

Under Rule 7610A, FINRA members that report over-the-counter (“OTC”) transactions in NMS stocks to a FINRA/Nasdaq TRF for public dissemination or “media” purposes may receive quarterly transaction credits that equal a percentage of

² “Retail Participants,” as that term is defined in Supplementary Material .01 to Rule 7620A, are not eligible to receive transaction credits from the FINRA/Nasdaq TRF.

³ FINRA’s oversight of this function performed by the Business Member is conducted through a recurring assessment and review of TRF operations by an outside independent audit firm.

FINRA/Nasdaq TRF revenues that are attributable to the members' transactions.⁴ The percentage of attributable revenue that a FINRA member may receive in the form of a transaction credit varies depending upon the member's market share on the FINRA/Nasdaq TRF.⁵ The current schedule of transaction credits is as follows.

Tape A

Percentage Market Share	Percent of attributable revenue shared
Greater than or equal to 2%	98%
Less than 2% but greater than or equal to 1%	95%
Less than 1% but greater than or equal to 0.50%	85%
Less than 0.50% but greater than or equal to 0.10%	20%
Less than 0.10%	0%

Tape B

Percentage Market Share	Percent of attributable revenue shared
Greater than or equal to 2%	98%

⁴ Under the Rule, a transaction is attributable to a FINRA member if a trade report submitted to the FINRA/Nasdaq TRF that the FINRA/Nasdaq TRF then submits to either of the securities information processors ("SIPs") identifies the FINRA member as the Executing Party on the transaction.

⁵ For purposes of this Rule, the term "market share" means a percentage calculated by dividing the total number of shares represented by trades reported by a FINRA member to the FINRA/Nasdaq TRF for media purposes during a given calendar quarter by the total number of shares represented by all trades reported to the Consolidated Tape Association or the Nasdaq Securities Information Processor, as applicable, during that quarter. Market Share is calculated separately for each tape. See Rule 7620A. If a FINRA member reports trades to both FINRA/Nasdaq TRFs during a given calendar quarter, then "market share" shall be calculated by dividing the total number of shares represented by trades reported by the member to both of the FINRA/Nasdaq TRFs during that calendar quarter by the total number of shares represented by all trades reported to the Consolidated Tape Association or the Nasdaq SIP, as applicable, during that quarter.

Less than 2% but greater than or equal to 1%	90%
Less than 1% but greater than or equal to 0.35%	85%
Less than 0.35% but greater than or equal to 0.10%	10%
Less than 0.10%	0%

Tape C

Percentage Market Share	Percent of attributable revenue shared
Greater than or equal to 2%	98%
Less than 2% but greater than or equal to 1%	95%
Less than 1% but greater than or equal to 0.50%	85%
Less than 0.50% but greater than or equal to 0.10%	20%
Less than 0.10%	0%

The Rule 7600A Series expressly provides that the schedules of credits and fees apply to reporting activity that occurs on either or both of the FINRA/Nasdaq TRFs and a participant's eligibility for any volume-based credits or fee caps will be determined based upon its aggregate reporting volume between the two FINRA/Nasdaq TRFs.

Nasdaq, as the Business Member, has determined to modify the current schedule of transaction credits, and FINRA is proposing to amend Rule 7610A accordingly. Nasdaq believes that there is substantial competition in the market for OTC trade reporting between the FINRA/Nasdaq TRF and the FINRA/NYSE TRF, as evidenced by recent shifts in market share between these facilities. The proposed rule change responds to these competitive forces by providing a more generous percentage share of attributable revenue than under the current schedule to certain Participants that report trades in securities in Tape B to the FINRA/Nasdaq TRF.

Specifically, under the proposed rule change, Participants that achieve one percent or more, but less than two percent of market share on the FINRA/Nasdaq TRF in securities in Tape B would be entitled to receive credits equal to 95 percent of attributable revenue in Tape B, rather than the 90 percent of attributable revenue to which they are entitled under the existing Rule. This proposed change would result in Participants with one or more percent, but less than two percent of market share on the FINRA/Nasdaq TRF in securities in all Tapes receiving an identical percentage of attributable revenue. It would also result in the FINRA/Nasdaq TRF providing the same percentage of revenue sharing as does the FINRA/NYSE TRF for participants in this market segment.⁶

As noted in Item 2 of this filing, FINRA has filed the proposed rule change for immediate effectiveness. The operative date will be January 1, 2021.

(b) Statutory Basis

FINRA believes that the proposed rule change is consistent with the provisions of Section 15A(b)(5) of the Act,⁷ which requires, among other things, that FINRA rules provide for the equitable allocation of reasonable dues, fees and other charges among members and issuers and other persons using any facility or system that FINRA operates or controls.

⁶ Specifically, pursuant to FINRA Rule 7610B, FINRA/NYSE TRF participants with greater than or equal to 0.5% but less than 2.0% market share in securities in Tape B on the FINRA/NYSE TRF are entitled to 95% of attributable revenue in Tape B.

⁷ 15 U.S.C. 78o-3(b)(5).

The Proposal is Reasonable

Nasdaq, as the Business Member, believes that the proposed rule change is reasonable as a means of rewarding Participants that engage in a significant volume of trade reporting activity on the FINRA/Nasdaq TRF. The availability of a higher credit may be an incentive for Participants to further increase the extent of their trade reporting activity on the FINRA/Nasdaq TRF. Moreover, the proposal will improve the competitiveness of the FINRA/Nasdaq TRF vis-à-vis the FINRA/NYSE TRF, which already shares 95% of attributable revenue for this same market segment.⁸

The Proposal is an Equitable Allocation of Fees

Nasdaq, as the Business Member, believes that the proposed rule change will allocate fees fairly among FINRA/Nasdaq TRF Participants. The proposal is an equitable allocation of reasonable fees because the FINRA/Nasdaq TRF has available to it only a limited amount of resources to expend for participation incentives, and it is fair and equitable to allocate those scarce resources to segments of the market where they are likely to have meaningful effects, both in terms of maintaining existing participation on the FINRA/Nasdaq TRF and in incentivizing new and increased participation. In this regard, Nasdaq notes that from July 2019 through June 2020 (the last four quarters for TRF transaction credit payments), eight Participants had market shares that qualified them for this revenue sharing tier, and collectively, their qualifying market share comprised approximately 24 percent of overall volume on the FINRA/Nasdaq TRF.

⁸ Because the FINRA Nasdaq TRF and the FINRA/NYSE TRF are operated by different business members competing for market share, FINRA does not take a position on whether the pricing for one TRF is more favorable or competitive than the pricing for the other TRF.

Because the shared revenue percentage for this market segment is presently less than what the FINRA/NYSE TRF provides to a similar segment of its participants, Nasdaq believes that the proposed rule change will help the FINRA/Nasdaq TRF to maintain, if not increase, the extent of its trade reporting activity (both new and existing reporting) as well as the number of Participants that qualify for this revenue sharing tier.

The Proposal is Not Unfairly Discriminatory

Nasdaq, as the Business Member, believes that the proposed rule change is not unfairly discriminatory. Although it targets only those Participants with at least one percent and less than two percent market share, and those Participants that report trades to the FINRA/Nasdaq TRF in securities in Tape B only, the proposed rule change is fair because this particular market segment is one where the FINRA/Nasdaq TRF shares a lower percentage of attributable revenues than does the FINRA/NYSE TRF. Thus, an increase is warranted for the FINRA/Nasdaq TRF to remain competitive in this market segment. Moreover, the proposed rule change is fair because it will result in the FINRA/Nasdaq TRF sharing the same percentage of attributable revenue across all three Tapes to Participants with market shares of one percent or more, but less than two percent.

Finally, participation in the FINRA/Nasdaq TRF is voluntary. Participants that determine that the transaction credits that the FINRA/Nasdaq TRF offers are unattractive or unfavorable can report their trades to another trade reporting facility offering more generous incentives.

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

FINRA does not believe that the proposed rule changes will result in any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act.

Regulatory Need

Nasdaq, as the Business Member and operator of the FINRA/Nasdaq TRF, collects all fees and issues all transaction credits on behalf of the FINRA/Nasdaq TRF. As discussed above, Nasdaq has observed an increase in competition in the market for OTC trade reporting, and in response to competitive forces, determined to increase the percentage of the revenue that the FINRA/Nasdaq TRF shares with Participants for their trade reporting activity in securities in Tape B. Through the proposal, Nasdaq intends to render the FINRA/Nasdaq TRF more competitive for Participants in this market segment and to otherwise provide an incentive for Participants to increase the extent of trade reporting activity on the FINRA/Nasdaq TRF.

Economic Baseline

As discussed above, pursuant to FINRA Rule 7610A, Participants in the FINRA/Nasdaq TRF are entitled to receive quarterly transaction credits that equal a percentage of FINRA/Nasdaq TRF revenues attributable to their trade reporting activities on the FINRA/Nasdaq TRF to the extent that their market share on the FINRA/Nasdaq TRF is equal to or greater than 0.10 percent. Presently, Participants with a market share of one percent or more, but less than two percent, are entitled to receive 90 percent of attributable revenues for reports in securities in Tape B and 95 percent of attributable revenues for reports in securities in Tapes A and C.

Economic Impacts

The proposed rule change would increase to 95 percent the percentage of attributable revenue shared with Participants with trade reports in securities in Tape B, to the extent that such Participants have market shares of one percent or more, but less than two percent.

From July 2019 through June 2020 (the last four quarters for TRF transaction credit payments), eight Participants had market shares that qualified them for this revenue sharing tier, and collectively, their qualifying market share comprised approximately 24 percent of overall volume on the FINRA/Nasdaq TRF. The quarterly credits for these qualifying Participants ranged from \$25,000 to \$320,000. Assuming that, going forward, these same Participants maintain their existing levels of activity in reports in securities in Tape B, they stand to gain between \$1,000 and \$18,000 more in credits each quarter.

The potential net impact of the proposed rule change depends on whether Participants alter their reporting activity to become eligible for the revised revenue sharing tier. To the extent that the proposed rule change increases incentives to report trades in Tape B to the FINRA/Nasdaq TRF, Participants may choose to shift their reporting from the FINRA/NYSE TRF to the FINRA/Nasdaq TRF.

Finally, the proposed rule change occurs within the context of a competitive environment in which the various trade reporting facilities vie for market share. The FINRA/NYSE TRF is free to adjust its credit and fee programs in response to the changes proposed herein to render them more attractive relative to the FINRA/Nasdaq TRF. If any existing or prospective participant on the FINRA/Nasdaq TRF determines that the proposed amended credit is less attractive or is unfavorable relative to credits

applicable to the FINRA/NYSE TRF, such Participants may choose to report to the FINRA/NYSE TRF in lieu of the FINRA/Nasdaq TRF, in which case the FINRA/Nasdaq TRFs would lose market share.

Alternatives Considered

No other alternatives were considered for the proposed rule change.

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) or Section 19(b)(7)(D)

The proposed rule change is effective upon filing pursuant to Section 19(b)(3)(A) of the Act⁹ and paragraph (f)(2) of Rule 19b-4 thereunder,¹⁰ in that the proposed rule change is 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.

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.

⁹ 15 U.S.C. 78(b)(3)(A).

¹⁰ 17 CFR 240.19b-4(f)(2).

10. Advance Notices Filed Pursuant to Section 806(e) of the Payment, Clearing and Settlement Supervision Act

Not applicable.

11. Exhibits

Exhibit 1. Completed notice of proposed rule change for publication in the Federal Register

Exhibit 5. Text of the proposed rule change.

EXHIBIT 1

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34- ; File No. SR-FINRA-2020-044)

Self-Regulatory Organizations; Financial Industry Regulatory Authority, Inc.; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to Amend FINRA Rule 7610A to Modify Securities Transaction Credits Applicable to FINRA/Nasdaq TRF Participants

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 , the Financial Industry Regulatory Authority, Inc. (“FINRA”) 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 FINRA. FINRA has designated the proposed rule change as “establishing or changing a due, fee or other charge” under Section 19(b)(3)(A)(ii) of the Act³ and Rule 19b-4(f)(2) thereunder,⁴ which renders the proposal effective upon receipt of this filing by the Commission. 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

FINRA is proposing to amend FINRA Rule 7610A to modify the securities transaction credits applicable to non-Retail Participants that use the FINRA/Nasdaq

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ 15 U.S.C. 78s(b)(3)(A)(ii).

⁴ 17 CFR 240.19b-4(f)(2).

Trade Reporting Facility Carteret (the “FINRA/Nasdaq TRF Carteret”) and the FINRA/Nasdaq Trade Reporting Facility Chicago (the “FINRA/Nasdaq TRF Chicago”) (collectively, the “FINRA/Nasdaq TRF”).

The text of the proposed rule change is available on FINRA’s website at <http://www.finra.org>, at the principal office of FINRA 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, FINRA 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. FINRA 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 FINRA/Nasdaq TRF is a facility of FINRA that is operated by Nasdaq, Inc. (“Nasdaq”). In connection with the establishment of the FINRA/Nasdaq TRF, FINRA and Nasdaq entered into a limited liability company agreement (the “LLC Agreement”). Under the LLC Agreement, FINRA, the “SRO Member,” has sole regulatory responsibility for the FINRA/Nasdaq TRF. Nasdaq, the “Business Member,” is primarily responsible for the management of the FINRA/Nasdaq TRF’s business affairs, including establishing pricing for use of the FINRA/Nasdaq TRF, to the extent those affairs are not inconsistent with the regulatory and oversight functions of FINRA. Additionally, the

Business Member is obligated to pay the cost of regulation and is entitled to the profits and losses, if any, derived from the operation of the FINRA/Nasdaq TRF.

Pursuant to FINRA Rule 7610A, FINRA/Nasdaq TRF Participants that do not constitute Retail Participants⁵ (such non-Retail Participants are referred to herein as “Participants”) may qualify for revenue sharing payments, in the form of transaction credits, for trade reporting to the FINRA/Nasdaq TRF. Nasdaq administers this Rule in its capacity as the Business Member and operator of the FINRA/Nasdaq TRF on behalf of FINRA,⁶ and Nasdaq collects all fees and issues all transaction credits on behalf of the FINRA/Nasdaq TRF.

Under Rule 7610A, FINRA members that report over-the-counter (“OTC”) transactions in NMS stocks to a FINRA/Nasdaq TRF for public dissemination or “media” purposes may receive quarterly transaction credits that equal a percentage of FINRA/Nasdaq TRF revenues that are attributable to the members’ transactions.⁷ The percentage of attributable revenue that a FINRA member may receive in the form of a

⁵ “Retail Participants,” as that term is defined in Supplementary Material .01 to Rule 7620A, are not eligible to receive transaction credits from the FINRA/Nasdaq TRF.

⁶ FINRA’s oversight of this function performed by the Business Member is conducted through a recurring assessment and review of TRF operations by an outside independent audit firm.

⁷ Under the Rule, a transaction is attributable to a FINRA member if a trade report submitted to the FINRA/Nasdaq TRF that the FINRA/Nasdaq TRF then submits to either of the securities information processors (“SIPs”) identifies the FINRA member as the Executing Party on the transaction.

transaction credit varies depending upon the member's market share on the FINRA/Nasdaq TRF.⁸ The current schedule of transaction credits is as follows.

Tape A

Percentage Market Share	Percent of attributable revenue shared
Greater than or equal to 2%	98%
Less than 2% but greater than or equal to 1%	95%
Less than 1% but greater than or equal to 0.50%	85%
Less than 0.50% but greater than or equal to 0.10%	20%
Less than 0.10%	0%

Tape B

Percentage Market Share	Percent of attributable revenue shared
Greater than or equal to 2%	98%
Less than 2% but greater than or equal to 1%	90%
Less than 1% but greater than or equal to 0.35%	85%
Less than 0.35% but greater than or equal to 0.10%	10%
Less than 0.10%	0%

⁸ For purposes of this Rule, the term "market share" means a percentage calculated by dividing the total number of shares represented by trades reported by a FINRA member to the FINRA/Nasdaq TRF for media purposes during a given calendar quarter by the total number of shares represented by all trades reported to the Consolidated Tape Association or the Nasdaq Securities Information Processor, as applicable, during that quarter. Market Share is calculated separately for each tape. See Rule 7620A. If a FINRA member reports trades to both FINRA/Nasdaq TRFs during a given calendar quarter, then "market share" shall be calculated by dividing the total number of shares represented by trades reported by the member to both of the FINRA/Nasdaq TRFs during that calendar quarter by the total number of shares represented by all trades reported to the Consolidated Tape Association or the Nasdaq SIP, as applicable, during that quarter.

Tape C

Percentage Market Share	Percent of attributable revenue shared
Greater than or equal to 2%	98%
Less than 2% but greater than or equal to 1%	95%
Less than 1% but greater than or equal to 0.50%	85%
Less than 0.50% but greater than or equal to 0.10%	20%
Less than 0.10%	0%

The Rule 7600A Series expressly provides that the schedules of credits and fees apply to reporting activity that occurs on either or both of the FINRA/Nasdaq TRFs and a participant's eligibility for any volume-based credits or fee caps will be determined based upon its aggregate reporting volume between the two FINRA/Nasdaq TRFs.

Nasdaq, as the Business Member, has determined to modify the current schedule of transaction credits, and FINRA is proposing to amend Rule 7610A accordingly. Nasdaq believes that there is substantial competition in the market for OTC trade reporting between the FINRA/Nasdaq TRF and the FINRA/NYSE TRF, as evidenced by recent shifts in market share between these facilities. The proposed rule change responds to these competitive forces by providing a more generous percentage share of attributable revenue than under the current schedule to certain Participants that report trades in securities in Tape B to the FINRA/Nasdaq TRF.

Specifically, under the proposed rule change, Participants that achieve one percent or more, but less than two percent of market share on the FINRA/Nasdaq TRF in securities in Tape B would be entitled to receive credits equal to 95 percent of attributable revenue in Tape B, rather than the 90 percent of attributable revenue to which

they are entitled under the existing Rule. This proposed change would result in Participants with one or more percent, but less than two percent of market share on the FINRA/Nasdaq TRF in securities in all Tapes receiving an identical percentage of attributable revenue. It would also result in the FINRA/Nasdaq TRF providing the same percentage of revenue sharing as does the FINRA/NYSE TRF for participants in this market segment.⁹

FINRA has filed the proposed rule change for immediate effectiveness. The operative date will be January 1, 2021.

2. Statutory Basis

FINRA believes that the proposed rule change is consistent with the provisions of Section 15A(b)(5) of the Act,¹⁰ which requires, among other things, that FINRA rules provide for the equitable allocation of reasonable dues, fees and other charges among members and issuers and other persons using any facility or system that FINRA operates or controls.

The Proposal is Reasonable

Nasdaq, as the Business Member, believes that the proposed rule change is reasonable as a means of rewarding Participants that engage in a significant volume of trade reporting activity on the FINRA/Nasdaq TRF. The availability of a higher credit may be an incentive for Participants to further increase the extent of their trade reporting

⁹ Specifically, pursuant to FINRA Rule 7610B, FINRA/NYSE TRF participants with greater than or equal to 0.5% but less than 2.0% market share in securities in Tape B on the FINRA/NYSE TRF are entitled to 95% of attributable revenue in Tape B.

¹⁰ 15 U.S.C. 78q-3(b)(5).

activity on the FINRA/Nasdaq TRF. Moreover, the proposal will improve the competitiveness of the FINRA/Nasdaq TRF vis-à-vis the FINRA/NYSE TRF, which already shares 95% of attributable revenue for this same market segment.¹¹

The Proposal is an Equitable Allocation of Fees

Nasdaq, as the Business Member, believes that the proposed rule change will allocate fees fairly among FINRA/Nasdaq TRF Participants. The proposal is an equitable allocation of reasonable fees because the FINRA/Nasdaq TRF has available to it only a limited amount of resources to expend for participation incentives, and it is fair and equitable to allocate those scarce resources to segments of the market where they are likely to have meaningful effects, both in terms of maintaining existing participation on the FINRA/Nasdaq TRF and in incentivizing new and increased participation. In this regard, Nasdaq notes that from July 2019 through June 2020 (the last four quarters for TRF transaction credit payments), eight Participants had market shares that qualified them for this revenue sharing tier, and collectively, their qualifying market share comprised approximately 24 percent of overall volume on the FINRA/Nasdaq TRF. Because the shared revenue percentage for this market segment is presently less than what the FINRA/NYSE TRF provides to a similar segment of its participants, Nasdaq believes that the proposed rule change will help the FINRA/Nasdaq TRF to maintain, if not increase, the extent of its trade reporting activity (both new and existing reporting) as well as the number of Participants that qualify for this revenue sharing tier.

¹¹ Because the FINRA Nasdaq TRF and the FINRA/NYSE TRF are operated by different business members competing for market share, FINRA does not take a position on whether the pricing for one TRF is more favorable or competitive than the pricing for the other TRF.

The Proposal is Not Unfairly Discriminatory

Nasdaq, as the Business Member, believes that the proposed rule change is not unfairly discriminatory. Although it targets only those Participants with at least one percent and less than two percent market share, and those Participants that report trades to the FINRA/Nasdaq TRF in securities in Tape B only, the proposed rule change is fair because this particular market segment is one where the FINRA/Nasdaq TRF shares a lower percentage of attributable revenues than does the FINRA/NYSE TRF. Thus, an increase is warranted for the FINRA/Nasdaq TRF to remain competitive in this market segment. Moreover, the proposed rule change is fair because it will result in the FINRA/Nasdaq TRF sharing the same percentage of attributable revenue across all three Tapes to Participants with market shares of one percent or more, but less than two percent.

Finally, participation in the FINRA/Nasdaq TRF is voluntary. Participants that determine that the transaction credits that the FINRA/Nasdaq TRF offers are unattractive or unfavorable can report their trades to another trade reporting facility offering more generous incentives.

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

FINRA does not believe that the proposed rule changes will result in any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act.

Regulatory Need

Nasdaq, as the Business Member and operator of the FINRA/Nasdaq TRF, collects all fees and issues all transaction credits on behalf of the FINRA/Nasdaq TRF.

As discussed above, Nasdaq has observed an increase in competition in the market for OTC trade reporting, and in response to competitive forces, determined to increase the percentage of the revenue that the FINRA/Nasdaq TRF shares with Participants for their trade reporting activity in securities in Tape B. Through the proposal, Nasdaq intends to render the FINRA/Nasdaq TRF more competitive for Participants in this market segment and to otherwise provide an incentive for Participants to increase the extent of trade reporting activity on the FINRA/Nasdaq TRF.

Economic Baseline

As discussed above, pursuant to FINRA Rule 7610A, Participants in the FINRA/Nasdaq TRF are entitled to receive quarterly transaction credits that equal a percentage of FINRA/Nasdaq TRF revenues attributable to their trade reporting activities on the FINRA/Nasdaq TRF to the extent that their market share on the FINRA/Nasdaq TRF is equal to or greater than 0.10 percent. Presently, Participants with a market share of one percent or more, but less than two percent, are entitled to receive 90 percent of attributable revenues for reports in securities in Tape B and 95 percent of attributable revenues for reports in securities in Tapes A and C.

Economic Impacts

The proposed rule change would increase to 95 percent the percentage of attributable revenue shared with Participants with trade reports in securities in Tape B, to the extent that such Participants have market shares of one percent or more, but less than two percent.

From July 2019 through June 2020 (the last four quarters for TRF transaction credit payments), eight Participants had market shares that qualified them for this revenue

sharing tier, and collectively, their qualifying market share comprised approximately 24 percent of overall volume on the FINRA/Nasdaq TRF. The quarterly credits for these qualifying Participants ranged from \$25,000 to \$320,000. Assuming that, going forward, these same Participants maintain their existing levels of activity in reports in securities in Tape B, they stand to gain between \$1,000 and \$18,000 more in credits each quarter.

The potential net impact of the proposed rule change depends on whether Participants alter their reporting activity to become eligible for the revised revenue sharing tier. To the extent that the proposed rule change increases incentives to report trades in Tape B to the FINRA/Nasdaq TRF, Participants may choose to shift their reporting from the FINRA/NYSE TRF to the FINRA/Nasdaq TRF.

Finally, the proposed rule change occurs within the context of a competitive environment in which the various trade reporting facilities vie for market share. The FINRA/NYSE TRF is free to adjust its credit and fee programs in response to the changes proposed herein to render them more attractive relative to the FINRA/Nasdaq TRF. If any existing or prospective participant on the FINRA/Nasdaq TRF determines that the proposed amended credit is less attractive or is unfavorable relative to credits applicable to the FINRA/NYSE TRF, such Participants may choose to report to the FINRA/NYSE TRF in lieu of the FINRA/Nasdaq TRF, in which case the FINRA/Nasdaq TRFs would lose market share.

Alternatives Considered

No other alternatives were considered for the proposed rule change.

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) of the Act¹² and paragraph (f)(2) of Rule 19b-4 thereunder.¹³ 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 necessary or appropriate in the public interest, for the protection of investors, or 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-FINRA-2020-044 on the subject line.

Paper Comments:

¹² 15 U.S.C. 78s(b)(3)(A).

¹³ 17 CFR 240.19b-4(f)(2).

- 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-FINRA-2020-044. 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 a.m. and 3 p.m. Copies of such filing also will be available for inspection and copying at the principal office of FINRA. 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-FINRA-2020-044 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.¹⁴

Jill M. Peterson
Assistant Secretary

¹⁴ 17 CFR 200.30-3(a)(12).

EXHIBIT 5

Below is the text of the proposed rule change. Proposed new language is underlined; proposed deletions are in brackets.

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**7000. CLEARING, TRANSACTION AND ORDER DATA REQUIREMENTS,
AND FACILITY CHARGES**

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**7600. DATA PRODUCTS AND CHARGES FOR TRADE REPORTING
FACILITY SERVICES**

**7600A. DATA PRODUCTS AND CHARGES FOR FINRA/NASDAQ TRADE
REPORTING FACILITY SERVICES**

7610A. Securities Transaction Credit

FINRA members that trade securities listed on the NYSE ("Tape A"), Amex and regional exchanges ("Tape B"), or Nasdaq ("Tape C") in over-the-counter transactions reported to the FINRA/Nasdaq Trade Reporting Facility may receive from the FINRA/Nasdaq Trade Reporting Facility transaction credits based on the transactions attributed to them. A transaction is attributed to a member if the member is identified as the executing party in a trade report submitted to the FINRA/Nasdaq Trade Reporting Facility that the FINRA/Nasdaq Trade Reporting Facility submits to the Consolidated Tape Association or the Nasdaq Securities Information Processor. A FINRA member may earn credits from any of three pools maintained by the FINRA/Nasdaq Trade Reporting Facility, each of which represents the revenue paid by the Consolidated Tape Association or the Nasdaq Securities Information Processor with respect to the FINRA/Nasdaq Trade Reporting Facility for each of Tape A, Tape B, and Tape C

transactions. A FINRA member may earn credits from the pools according to the pro rata share of revenue attributable to over-the-counter transactions reported to the FINRA/Nasdaq Trade Reporting Facility by the member in each of Tape A, Tape B, and Tape C for each calendar quarter. Credits will be paid on a quarterly basis.

Retail Participants, as that term is defined in Supplementary Material .01 to Rule 7620A, are not eligible to receive from the FINRA/Nasdaq Trade Reporting Facility transaction credits.

The percentage of attributable revenue shared with a particular member (excluding a Retail Participant) will be determined as follows:

Tape A

Percentage Market Share	Percent of attributable revenue shared
Greater than or equal to 2%	98%
Less than 2% but greater than or equal to 1%	95%
Less than 1% but greater than or equal to 0.50%	85%
Less than 0.50% but greater than or equal to 0.10%	20%
Less than 0.10%	0%

Tape B

Percentage Market Share	Percent of attributable revenue shared
Greater than or equal to 2%	98%
Less than 2% but greater than or equal to 1%	9[0]5%
Less than 1% but greater than or equal to 0.35%	85%
Less than 0.35% but greater than or equal to 0.10%	10%
Less than 0.10%	0%

Tape C

Percentage Market Share	Percent of attributable revenue shared
Greater than or equal to 2%	98%
Less than 2% but greater than or equal to 1%	95%
Less than 1% but greater than or equal to 0.50%	85%
Less than 0.50% but greater than or equal to 0.10%	20%

Less than 0.10%	0%
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For purposes of this Rule, "Market Share" means a percentage calculated by dividing the total number of shares represented by trades reported by a FINRA member to the FINRA/Nasdaq Trade Reporting Facility during a given calendar quarter by the total number of shares represented by all trades reported to the Consolidated Tape Association or the Nasdaq Securities Information Processor, as applicable, during that quarter. Market Share is calculated separately for each tape.

For avoidance of doubt, if a FINRA member reports trades to both the FINRA/Nasdaq Trade Reporting Facility Carteret and the FINRA/Nasdaq Trade Reporting Facility Chicago during a given calendar quarter, "Market Share" shall be calculated by dividing the total number of shares represented by trades reported by the member to both the FINRA/Nasdaq Trade Reporting Facility Carteret and the FINRA/Nasdaq Trade Reporting Facility Chicago during that calendar quarter by the total number of shares represented by all trades reported to the Consolidated Tape Association or the Nasdaq Securities Information Processor, as applicable, during that quarter.

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