

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

No written comments were solicited or received with respect to the proposed rule change.

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 Act²² and Rule 19b-4(f)(2) thereunder.²³ 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.

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 (<https://www.sec.gov/rules/sro.shtml>); or
- Send an email to rule-comments@sec.gov. Please include file number SR-NYSECHX-2024-35 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-NYSECHX-2024-35. 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 (<https://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 the filing also will be available for inspection and copying at the principal office of the Exchange. Do not include personal identifiable information in submissions; you should submit only information that you wish to make available publicly. We may redact in part or withhold entirely from publication submitted material that is obscene or subject to copyright protection. All submissions should refer to file number SR-NYSECHX-2024-35 and should be submitted on or before January 7, 2025.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.²⁴

Sherry R. Haywood,

Assistant Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-101882; File No. SR-FICC-2024-011]

Self-Regulatory Organizations; Fixed Income Clearing Corporation; Notice of Filing of Proposed Rule Change To Amend the Clearing Agency Investment Policy

December 11, 2024.

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 December 3, 2024, Fixed Income Clearing Corporation ("FICC") 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 clearing agency. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

I. Clearing Agency's Statement of the Terms of Substance of the Proposed Rule Change

The proposed rule change consists of amendments to the Clearing Agency Investment Policy ("Investment Policy", or "Policy") of FICC and its affiliates, The Depository Trust Company ("DTC")

and National Securities Clearing Corporation ("NSCC," and together with FICC and DTC, the "Clearing Agencies")³ and would facilitate changes to the FICC Government Securities Division Rulebook ("GSD Rules") that will be implemented by FICC.⁴

Specifically, as described in greater detail in the Account Segregation Filing, FICC will implement changes to the GSD Rules that will, among other things, provide for FICC to (1) hold margin collected with respect to the proprietary transactions of a Netting Member separately and independently from the margin collected with respect to transactions that a Netting Member submits to FICC on behalf of indirect participants, (2) legally segregate certain margin collected with respect to indirect participant transactions from the margin for a Netting Member's proprietary transactions (as well as those of other indirect participants), and (3) limit investments of certain margin collected with respect to indirect participant transactions to only U.S. Treasuries with a maturity date of one year or less. The Clearing Agencies are proposing to amend the Policy to facilitate implementation of these changes and would also make other clean-up changes to the Policy, as described in greater detail below.

The changes that were proposed in the Account Segregation Filing and the changes proposed to the Investment Policy herein are collectively designed to comply with certain requirements of Rule 17ad-22(e)(6)(i) under the Act,⁵ and to ensure that FICC has appropriate rules to satisfy certain conditions of Note H to Rule 15c3-3a under the Act for a broker-dealer to record a debit in the customer and broker-dealer proprietary account reserve formulas.⁶

³ See Securities Exchange Act Release No. 79528 (Dec. 12, 2016), 81 FR 91232 (Dec. 16, 2016) (SR-DTC-2016-007, SR-FICC-2016-005, SR-NSCC-2016-003).

⁴ See Securities Exchange Act Release No. 101695 (Nov. 21, 2024), 89 FR 93763 (Nov. 27, 2024) (SR-FICC-2024-007) ("Account Segregation Filing"). The changes proposed in the Account Segregation Filing are expected to be implemented by no later than March 31, 2025, on a date to be announced by an Important Notice posted to FICC's website. Terms not defined herein are defined in the GSD Rules, available at www.dtcc.com/-/media/Files/Downloads/legal/rules/ficc_gov_rules.pdf.

⁵ 17 CFR 240.17ad-22(e)(6)(i). See Securities Exchange Act Release No. 99149 (Dec. 13, 2023), 89 FR 2714 (Jan. 16, 2024) ("Adopting Release," and the rules adopted therein referred to herein as "Treasury Clearing Rules").

⁶ 17 CFR 240.15c3-3a, Note H. See *id.*

²² 15 U.S.C. 78s(b)(3)(A)(ii).

²³ 17 CFR 240.19b-4(f)(2).

²⁴ 17 CFR 200.30-3(a)(12).

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

II. Clearing Agency's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, the clearing agency 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 clearing agency has prepared summaries, set forth in sections A, B, and C below, of the most significant aspects of such statements.

(A) Clearing Agency's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

1. Purpose

The Investment Policy governs the management, custody and investment of cash deposited to the respective NSCC and FICC Clearing Funds, and the DTC Participants Fund,⁷ the proprietary liquid net assets (cash and cash equivalents) of the Clearing Agencies, and other funds held by the Clearing Agencies pursuant to their respective rules. In doing this, the Investment Policy identifies the guiding principles for investments and defines the roles and responsibilities of DTCC⁸ staff in administering the Investment Policy pursuant to those principles. The guiding principles for investments set forth in Section 3 of the Investment Policy address, among other things, how the Clearing Agencies segregate and separately hold cash deposited to the NSCC Clearing Fund, the Clearing Fund of FICC's Government Securities Division ("GSD"), the Clearing Fund of FICC's Mortgage-Backed Securities Division ("MBS") and the DTC Participants Fund. The Investment Policy also identifies sources of funds that may be invested, and the permitted investments of those funds, including the authority required to make such investments and the parameters of, and limitations on, each type of investment.

⁷ The respective Clearing Funds of NSCC, FICC's GSD and FICC's MBS, and the DTC Participants Fund are described further in the Rules & Procedures of NSCC ("NSCC Rules"), the DTC Rules, By-laws and Organization Certificate ("DTC Rules"), the Clearing Rules of the Mortgage-Backed Securities Division of FICC ("MBS Rules") or the GSD Rules, respectively, available at <http://dtcc.com/legal/rules-and-procedures>. See Rule 4 (Clearing Fund) of the NSCC Rules, Rule 4 (Participants Fund and Participants Investment) of the DTC Rules, Rule 4 (Clearing Fund and Loss Allocation) of the GSD Rules, and Rule 4 (Clearing Fund and Loss Allocation) of the MBS Rules.

⁸ The Depository Trust & Clearing Corporation ("DTCC") is the parent company of the Clearing Agencies.

The Commission recently adopted amendments to Rule 17ad-22(e)(6)(i) under the Act that are applicable to FICC as a covered clearing agency that provides, through GSD, central counterparty services for transactions in U.S. Treasury securities.⁹ These amendments require, among other things, that FICC hold margin from a direct participant for its proprietary transactions separately and independently from the margin calculated and collected for the transactions of an indirect participant that relies on the services provided by the direct participant to access FICC's payment, clearing, or settlement facilities.¹⁰

In the Treasury Clearing Rules, the Commission also amended its customer protection rule ("Rule 15c3-3")¹¹ and the reserve formulas thereunder ("Rule 15c3-3a"),¹² to permit broker-dealers to include margin required and on deposit at FICC as a debit item in the reserve formula under certain conditions. One of the conditions for the relief is that the margin be collected in accordance with the GSD Rules that impose certain requirements, which include, among other things, that FICC (i) only invest cash margin in U.S. Treasuries with a maturity of one year or less, and (ii) must hold the margin itself or at an account of a Federal Reserve Bank or an FDIC-insured bank, which account must be segregated from any other account of FICC or any other person at a U.S. Federal Reserve Bank or FDIC-insured bank and used exclusively to hold customer assets to meet the current margin requirements of FICC resulting from positions in U.S. Treasury securities of the customers of the broker-dealer members of FICC.¹³

In the Account Segregation Filing, FICC proposed changes to the GSD Rules to comply with the requirements of the Treasury Clearing Rules. Such changes are expected to be implemented in the GSD Rules by no later than March 31, 2025 and will, among other things, (1) provide for FICC to calculate, collect, and hold margin for the proprietary transactions of a Netting Member separately and independently from the margin for transactions that the Netting Member submits to FICC on behalf of indirect participants, and (2) allow Netting Members to elect for margin for indirect participant transactions to be calculated on a gross basis (*i.e.*, an indirect participant-by-indirect

participant basis) and legally segregated from the margin for the Netting Member's proprietary transactions (as well as those of other indirect participants).¹⁴

The proposed changes to the Investment Policy would facilitate the implementation of the changes that will be made to the GSD Rules pursuant to the Account Segregation Filing, as described in greater detail below.

i. Separately Holding Indirect Participant Margin

First, the proposed changes to the Investment Policy would facilitate the implementation of the changes to the GSD Rules that will require FICC to calculate, collect, and hold margin for the proprietary transactions of a GSD Netting Member separately and independently from margin collected with respect to transactions that a Netting Member submits to FICC on behalf of indirect participants.

The proposed changes to the Policy would do this by first amending Section 2 to include a definition of Indirect Participants Clearing Fund Deposits to mean "the total amount deposited in the GSD Clearing Fund to support activity in Agent Clearing Member Omnibus Accounts and Sponsoring Member Omnibus Accounts, other than Segregated Indirect Participants Accounts, as such terms are defined in the FICC Government Securities Division ("GSD") Rulebook ("GSD Rules")." Next, the proposed changes would amend Section 3.2 (Section 3 describes the guiding principles that underpin the Policy) regarding the separation and segregation of cash deposits to the NSCC, GSD and MBS Clearing Funds, and the DTC Participants Fund. Within this section, the proposed changes would specify that Indirect Participants Clearing Fund Deposits shall be held separately and independently on FICC's books and records from all other deposits to the GSD Clearing Fund.

In connection with this change, the proposed changes to the Policy would also amend Section 5, which describes investable funds that are invested by the Clearing Agencies pursuant to the Policy. The changes to this section would provide that Indirect Participants Clearing Fund Deposits are included in the GSD Clearing Fund. This proposed change would clarify that these funds are considered investable funds under the Policy, to be invested similarly to other cash deposits to the GSD Clearing Fund.

⁹ 17 CFR 240.17ad-22(e)(6)(i).

¹⁰ *Id.*

¹¹ 17 CFR 240.15c3-3.

¹² 17 CFR 240.15c3-3a.

¹³ *Id.*

¹⁴ *Supra* note 4.

ii. Legally Segregating and Limiting Investments of Segregated Customer Margin

Second, the proposed changes to the Investment Policy would facilitate implementation of the changes that will be made to the GSD Rules pursuant to the Account Segregation Filing that will require FICC to legally segregate certain Indirect Participants Clearing Fund Deposits that have been designated by GSD Netting Members for such segregation (“Segregated Customer Margin”), and to hold and invest such funds in a manner that meets the conditions set forth in the Commission’s amendments to Rule 15c3–3 and Rule 15c3–3a.¹⁵

The GSD Rules will describe the manner in which FICC will meet the requirements of Rule 15c3–3 and Rule 15c3–3a with respect to Segregated Customer Margin. The standards that FICC must adhere to in holding, investing and legally segregating Segregated Customer Margin are critical to its Netting Members’ ability to obtain certain relief with respect to these funds. Therefore, the Clearing Agencies believe it is appropriate for these provisions to be described publicly in the GSD Rules, which are published to the DTCC website.¹⁶

While the manner in which FICC would hold and invest Segregated Customer Margin will primarily be described in the GSD Rules, the proposed changes would incorporate Segregated Customer Margin into the Investment Policy such that the general governance and investment philosophy underpinning the Policy, described in Section 3.1 as “a prudent and conservative investment philosophy that places highest priority on maximizing liquidity and risk avoidance,” would apply to these funds.

The proposed changes would amend Section 2 to include a definition of Segregated Customer Margin as having “the meaning given such term in the GSD Rules.” The proposed changes would also amend Section 3.2 to include a separate statement that refers to the provisions of the GSD Rules, specifically, but not limited to, Section 1a of GSD Rule 4, which would, following implementation of the changes that were proposed by the Account Segregation Filing, address how FICC would segregate and hold Segregated Customer Margin in compliance with the applicable conditions set forth in Rule 15c3–3 and Rule 15c3–3a.

The proposed changes to the Policy would amend Section 5 to identify Segregated Customer Margin as a source of investable funds and to state that “Segregated Customer Margin is described in the GSD Rules, including, but not limited to, Section 1a of GSD Rule 4.” The proposed changes to Section 5 would also clarify the description of “Participants Fund and Clearing Funds” to make clear that Segregated Customer Margin is not treated as general FICC Clearing Fund. Finally, the proposed changes would include “Segregated Customer Margin” as a separate category of “Allowable Investments” in Section 6.1, showing that these funds may only be invested in bank deposits, including a Federal Reserve Bank. Under Section 6.2.1, which describes limits on bank deposit investments, the proposed changes would include a statement that refers back to GSD Rule 4 as describing the manner in which Segregated Customer Margin may be invested and would also provide that higher investment limits may be applied to investments of Segregated Customer Margin.

iii. Clean-Up Proposed Changes

The proposed changes to the Policy would replace references to the “Management Committee” with the “senior most management committee,” which accurately describes this internal governing body without referring to it by formal name. The DTCC Management Committee is comprised of the executive members of DTCC’s management team and is the senior most management committee in the organization. The Policy currently requires that certain actions and authorizations described therein be taken by a member of this body. For example, Section 4.3 of the Policy requires that the establishment of any new investment relationships be authorized by specified persons, which include a member of the Management Committee.

The Management Committee has recently changed its name to the Executive Committee. Therefore, the proposed change to replace the formal name of this body would continue to correctly refer to the group but would ensure that the group continues to be accurately described in the Policy in the event of any future changes to its formal name. The proposed changes would include a new defined term for “senior most management committee” in Section 2 to provide clarity that this term is intended to refer to the highest-level committee of DTCC. Conforming changes would also be made to Section 4.3 (regarding authorization to establish

new investment relationships), Section 6.2.3 (regarding authorization of investment transactions in U.S. Treasury securities), Section 6.2.5 (regarding authorization of investment transactions in high-grade corporate debt) and Section 7.2 (regarding authorization to exceed investment limits).

Implementation Timeframe

The Clearing Agencies expect to implement the proposal by no later than March 31, 2025, or such earlier date on which the changes proposed by the Account Segregation Filing are effective.

2. Statutory Basis

The Clearing Agencies believe that the proposed changes are consistent with the requirements of the Act and the rules and regulations thereunder applicable to a registered clearing agency, particularly, Section 17A(b)(3)(F) of the Act¹⁷ and Rule 17ad–22(e)(6)(i) under the Act,¹⁸ for the reasons described below.

Section 17A(b)(3)(F) of the Act requires, in part, that the rules of a registered clearing agency be designed to assure the safeguarding of securities and funds which are in their custody or control or for which they are responsible.¹⁹

The investment guidelines and governance procedures set forth in the Investment Policy are designed to safeguard funds that are in the custody or control of the Clearing Agencies or for which they are responsible. Such protections include, for example, following a prudent and conservative investment philosophy that places the highest priority on maximizing liquidity and risk avoidance. The Clearing Agencies believe the proposed changes would allow them to continue to adhere to these guidelines by addressing the segregation, separation and investment of Indirect Participants Clearing Fund Deposits and Segregated Customer Margin, consistent with the changes that were proposed in the Account Segregation Filing. The proposed changes would reflect a prudent and conservative investment philosophy by limiting FICC’s ability to hold Segregated Customer Margin in either an account of a Federal Reserve Bank or an FDIC-insured bank. Therefore, the Clearing Agencies believe the proposed rule change would allow the Clearing Agencies to continue to operate the Investment Policy pursuant to a prudent and conservative investment philosophy

¹⁵ 17 CFR 240.15c3–3 and 15c3–3a.

¹⁶ *Supra* note 7.

¹⁷ 15 U.S.C. 78q–1(b)(3)(F).

¹⁸ 17 CFR 240.17ad–22(e)(6)(i).

¹⁹ 15 U.S.C. 78q–1(b)(3)(F).

that assures the safeguarding of securities and funds that are in their custody and control, or for which they are responsible, consistent with Section 17A(b)(3)(F) of the Act.²⁰

The proposed changes to more generally describe the senior most management committee would ensure that the Policy remains clear and accurate in describing the governance around important actions described therein. By creating clearer descriptions, the Clearing Agencies believe these proposed changes would make the Investment Policy more effective in governing the management, custody, and investment of funds of and held by the Clearing Agencies. The Clearing Agencies believe the proposed changes would improve the effectiveness of the Investment Policy and allow the Investment Policy to continue to be administered in alignment with the investment guidelines and governance procedures set forth therein. Given that such guidelines and governance procedures are designed to safeguard funds which are in the custody or control of the Clearing Agencies or for which they are responsible, the Clearing Agencies believe the proposed changes are consistent with Section 17A(b)(3)(F) of the Act.²¹

Rule 17ad–22(e)(6)(i) under the Act requires, in part, FICC to establish written policies and procedures reasonably designed to calculate, collect, and hold margin amounts from a direct participant for its proprietary positions in Treasury securities separately and independently from margin calculated and collected from that direct participant in connection with U.S. Treasury securities transactions by an indirect participant that relies on the services provided by the direct participant to access FICC's payment, clearing, or settlement facilities.²² As described above, the proposed changes would amend Section 3.2, which describes the separation and segregation of cash deposits to the NSCC, GSD and MBSD Clearing Funds, and the DTC Participants Fund. The proposed changes would specify in this section that Indirect Participants Clearing Fund Deposits shall be held separately and independently on FICC's books and records from all other deposits to the GSD Clearing Fund. Together with the changes to be implemented to the GSD Rules pursuant to the Account Segregation Filing, the proposed changes to the Policy would support FICC's compliance with the

requirements of Rule 17ad–22(e)(6)(i) by providing that Indirect Participants Clearing Fund Deposits shall be held separately and independently from margin held for GSD Netting Members' proprietary activity.

(B) Clearing Agency's Statement on Burden on Competition

The Clearing Agencies believe that the proposed revisions to the Investment Policy would not have any impact, or impose any burden, on competition. The Investment Policy applies equally to allowable investments of Clearing Fund and Participants Fund deposits, as applicable, of each member of the Clearing Agencies, and establishes a uniform policy at the Clearing Agencies. The proposed changes to the Investment Policy would not effect any changes on the fundamental purpose or operation of this document and, as such, would also not have any impact, or impose any burden, on competition.

The Clearing Agencies do not believe the proposed rule changes to make clean-up changes to the Policy would impact competition. These changes would ensure the clarity and accuracy of the descriptions in the Policy and would not affect participants' rights and obligations. As such, the Clearing Agencies believe the proposed clean-up changes would not have any impact on competition.

(C) Clearing Agency's Statement on Comments on the Proposed Rule Change Received From Members, Participants, or Others

The Clearing Agencies have not received or solicited any written comments relating to this proposal. If any written comments are received, they will be publicly filed as an Exhibit 2 to this filing, as required by Form 19b–4 and the General Instructions thereto.

Persons submitting comments are cautioned that, according to Section IV (Solicitation of Comments) of the Exhibit 1A in the General Instructions to Form 19b–4, the Commission does not edit personal identifying information from comment submissions. Commenters should submit only information that they wish to make available publicly, including their name, email address, and any other identifying information.

All prospective commenters should follow the Commission's instructions on how to submit comments, available at www.sec.gov/regulatory-actions/how-to-submit-comments. General questions regarding the rule filing process or logistical questions regarding this filing should be directed to the Main Office of the Commission's Division of Trading

and Markets at tradingandmarkets@sec.gov or 202–551–5777.

The Clearing Agencies reserve the right not to respond to any comments received.

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

Within 45 days of the date of publication of this notice in the **Federal Register** or within such longer period up to 90 days (i) as the Commission may designate if it finds such longer period to be appropriate and publishes its reasons for so finding or (ii) as to which the self-regulatory organization consents, the Commission will:

(A) by order approve or disapprove such proposed rule change, or

(B) institute proceedings to determine whether the proposed rule change should be 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 (<https://www.sec.gov/rules-regulations/self-regulatory-organization-rulemaking>); or
- Send an email to rule-comments@sec.gov. Please include File Number SR–FICC–2024–011 on the subject line.

Paper Comments

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

All submissions should refer to File Number SR–FICC–2024–011. 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 (<https://www.sec.gov/rules-regulations/self-regulatory-organization-rulemaking>). 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

²⁰ *Id.*

²¹ *Id.*

²² 17 CFR 240.17ad–22(e)(6)(i).

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 the filing also will be available for inspection and copying at the principal office of FICC and on DTCC's website (www.dtcc.com/legal/sec-rule-filings). Do not include personal identifiable information in submissions; you should submit only information that you wish to make available publicly. We may redact in part or withhold entirely from publication submitted material that is obscene or subject to copyright protection. All submissions should refer to File Number SR-FICC-2024-011 and should be submitted on or before January 7, 2025.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.²³

Sherry R. Haywood,
Assistant Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-101886; File No. SR-Phlx-2024-68]

Self-Regulatory Organizations; Nasdaq PHLX LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Amend Certain Fees Based on the Rate of Inflation

December 11, 2024.

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 December 2, 2024, Nasdaq PHLX LLC ("Phlx" 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 amend the Exchange's fees based on the rate of inflation.

While these amendments are effective upon filing, the Exchange has

designated the proposed amendments to be operative on January 1, 2025.

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 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 adjust market data fees for inflation, to be operative on January 1, 2025.

Many market data fees have not changed for years. As such, the fees have fallen substantially in real terms. The Exchange proposes to restore fees to the real amount intended in the original filings in a one-time inflationary adjustment. This adjustment will become operative in three parts: 45 percent in 2025; 30 percent in 2026; and the final 25 percent in 2027. The Exchange believes that it is necessary to spread the impact of this one-time adjustment for past inflation to prevent any undue impact that execution in a single tranche may have on our customers.³

The proposed fee increases will apply to three product families: (i) PSX Managed Data Solutions; (ii) Market Data Distributor Fees; and (iii) PSX TotalView. A detailed list of fee adjustments is set forth below. The Exchange is not proposing to adjust fees for non-professional usage, administrative fees, extranet fees, or certain categories of Non-Display usage. The Exchange plans to use this inflationary adjustment to support continued investment in innovative, high-quality data products.

Investments in Nasdaq Data Products

PHLX has continuously invested in its products in the period after the current fees were first instituted to accommodate the increasing amount of information processed and the changes in technology over time. It is reasonable and consistent with the Act for the Exchange to recoup its investments, at least in part, by adjusting its fees. Continuing to operate at fees frozen in time impacts the Exchange's ability to enhance its offerings and the interests of market participants and investors.

These investments have been necessary in part because of increases in the amount of information processed, coupled with the need to maintain infrastructure in a high fixed cost environment. The following message rate metrics for the PSX depth of book feed illustrate changes in system demand over time:

- *Peak Rate by Millisecond*: down approximately 6%
- *Average Rate per Millisecond*: up approximately 0.1%
- *Peak Rate per Second*: up approximately 73%
- *Average Rate per Second*: up approximately 79%
- *Peak Total Messages*: up approximately 344%
- *Average Total Messages*: up approximately 283%
- *Average Daily Volume*: down approximately 58%
- *Maximum Message Count*: up approximately 344%

With this increase in message traffic and need to maintain infrastructure, the Exchange expended significant resources to improve its market data products to meet customer expectations, including continued investment in all aspects of the technology ecosystem (e.g., software, hardware, and network). During the period between 2018 and 2023, advancements in system performance as measured by latency not only accommodated the high message traffic volumes but stayed well ahead of it. The following latency metrics⁴ illustrate the increase in message processing speed:

- *Median*: down approximately 40%
- *Average*: down approximately 46%
- *Max*: down approximately 50%

The Exchange continues to invest in enhancing its technology for the benefit and often at the behest of its customers. Yet the Exchange has not adjusted any of the fees included in this proposal for many years (as set forth below), to even

²³ 17 CFR 200.30-3(a)(12).

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ This proposal will adjust for inflation up to August 2024. Depending on inflation thereafter, further adjustments may, or may not, be necessary.

⁴ These measurements compare the time difference between events on the matching engine and the time these events are published.