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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
Form 19b-4

File No. * SR 2022 - * 051

Amendment No. (req. for Amendments *)

Filing by   The Nasdaq Stock Market LLC

Pursuant to Rule 19b-4 under the Securities Exchange Act of 1934

Initial * ✓	Amendment * ☐	Withdrawal ☐	Section 19(b)(2) * ☐	Section 19(b)(3)(A) * ✓	Section 19(b)(3)(B) * ☐

Rule

Pilot ☐	Extension of Time Period for Commission Action * ☐	Date Expires *		19b-4(f)(1) ☐	19b-4(f)(4) ☐
				19b-4(f)(2) ☐	19b-4(f)(5) ☐
				19b-4(f)(3) ☐	19b-4(f)(6) ✓

Notice of proposed change pursuant to the Payment, Clearing, and Settlement Act of 2010

Section 806(e)(1) * ☐

Section 806(e)(2) * ☐

Security-Based Swap Submission pursuant to the Securities Exchange Act of 1934
Section 3C(b)(2) * ☐

Exhibit 2 Sent As Paper Document ☐

Exhibit 3 Sent As Paper Document ☐

Description

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

A proposal to amend Equity 4, Rules 4120, 4702 and 4703 in light of planned changes to the System.

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 * Brett   Last Name * Kitt

Title *   AVP - Principal Associate General Counsel

E-mail *   Brett.Kitt@Nasdaq.com

Telephone *   (301) 978-8132   Fax

Signature

Pursuant to the requirements of the Securities Exchange of 1934, The Nasdaq Stock Market LLC
has duty caused this filing to be signed on its behalf by the undersigned thereunto duty authorized.

Date   09/09/2022   (Title *)

By   John Zecca   EVP and Chief Legal Officer
                    (Name *)

NOTE: Clicking the signature block at right will initiate digitally signing the form. A digital signature is as legally binding as a physical signature, and once signed, this form cannot be changed.

John A. Zecca   Date: 2022.09.09 15:18:38 -04'00'

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

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

Form 19b-4 Information *		
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SR-NASDAQ-2022-051 19b-4.doc

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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SR-NASDAQ-2022-051 Exhibit 1.doc

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 Advanced 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 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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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 Sent As Paper Document

Exhibit 3 - Form, Report, or Questionnaire		
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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 Sent As Paper Document

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		
Add	Remove	View

SR-NASDAQ-2022-051 Exhibit 5.doc

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)   The Nasdaq Stock Market LLC ("Nasdaq" or "Exchange"), pursuant to

Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act")[1] and Rule 19b-4

thereunder,[2] is filing with the Securities and Exchange Commission ("SEC" or

"Commission") a proposal to amend Equity 4, Rules 4120, 4702 and 4703[3] in light of

planned changes to the System, as described further below.

A notice of the proposed rule change for publication in the Federal Register is

attached as Exhibit 1.

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 was approved by senior management of the Exchange

pursuant to authority delegated by the Board of Directors of the Exchange (the "Board")

on November 5, 2020. Exchange staff will advise the Board of any action taken pursuant

to delegated authority. No other action is necessary for the filing of the rule change.

Questions and comments on the proposed rule change may be directed to:

<div align="center">
Brett Kitt
Principal Associate General Counsel
Nasdaq, Inc.
(301) 978-8132
</div>

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[1]   15 U.S.C. 78s(b)(1).

[2]   17 CFR 240.19b-4.

[3]   References herein to Nasdaq Rules in the 4000 Series shall mean Rules in Nasdaq Equity 4.

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

        a.   Purpose

The Exchange is preparing to introduce a new upgraded version of the OUCH

Order entry protocol[4] that will enable the Exchange to make functional enhancements

and improvements to specific Order Types[5] and Order Attributes.[6] Specifically,

enhancements to OUCH will enable the Exchange to upgrade the logic and

implementation of these Order Types and Order Attributes so that the features are more

robust, streamlined, and harmonized across the Exchange's Systems and Order entry

protocols. The Exchange developed OUCH with simplicity in mind, and therefore, it

presently lacks certain complex order handling capabilities. By contrast, the Exchange

specifically designed its RASH Order Entry Protocol[7] to support advanced functionality,

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[4]   The OUCH Order entry protocol is a proprietary protocol that allows subscribers
        to quickly enter orders into the System and receive executions. OUCH accepts
        limit Orders from members, and if there are matching Orders, they will execute.
        Non-matching Orders are added to the Limit Order Book, a database of available
        limit Orders, where they are matched in price-time priority. OUCH only provides
        a method for members to send Orders and receive status updates on those Orders.
        See https://www.nasdaqtrader.com/Trader.aspx?id=OUCH.

[5]   An "Order Type" is a standardized set of instructions associated with an Order
        that define how it will behave with respect to pricing, execution, and/or posting to
        the Exchange Book when submitted to Nasdaq. See Equity 1, Section 1(a)(7).

[6]   An "Order Attribute" is a further set of variable instructions that may be
        associated with an Order to further define how it will behave with respect to
        pricing, execution, and/or posting to the Exchange Book when submitted to the
        Exchange. See id.

[7]   The RASH (Routing and Special Handling) Order entry protocol is a proprietary
        protocol that allows members to enter Orders, cancel existing Orders and receive
        executions. RASH allows participants to use advanced functionality, including
        discretion, random reserve, pegging and routing. See

including discretion, random reserve, pegging and routing. The introduction of OUCH

upgrades will enable participants to utilize OUCH, in addition to RASH, to enter Order

Types that require advanced functionality. Thus, the proposal does not seek to introduce

new functionality, but rather, it offers to OUCH users advanced functionality that already

exists for RASH users.

The Exchange plans to implement its enhancement of the OUCH protocol

sequentially, by Order Type and Order Attribute.[8]

To support and prepare for the introduction of OUCH upgrades, the Exchange

proposes to amend Rule 4702 pertaining to Order Types to specify that, going forward,

OUCH may be used to enter certain Order Types together with certain Order Attributes,

whereas now, Rule 4702 specifies that RASH, FIX, and QIX, but not OUCH, may be

used to enter such combinations of Order Types and Attributes. The Exchange also

proposes to adjust the current functionality of the Pegging,[9] Reserve,[10] and Trade Now

Order Attributes,[11] as described below, so that they align with how OUCH, once

upgraded, will handle these Order Attributes going forward.

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http://nasdaqtrader.com/content/technicalsupport/specifications/TradingProducts/rash_sb.pdf.

[8]   The Exchange notes that its sister exchange, Nasdaq BX, Inc., filed a similar
        proposed rule changes with the Commission, see SR-BX-2022-012 (filed August
        12, 2012), and Nasdaq PSX plans to do so concurrently with this filing.

[9]   See Rule 4703(d).

[10]   See Rule 4703(h).

[11]   See Rule 4703(m)-(n).

Changes to Use of Certain Order Types with Certain Order Attributes

Pursuant to Rule 4702(b), the availability of certain Order Attributes for use with certain Order Types presently depends upon the particular Order entry protocol a participant uses to enter its Order. For Price to Comply and Price to Display Orders entered though OUCH, the Reserve Size, Primary Pegging and Market Pegging, and Discretion Attributes are not available to participants presently. For Non-Displayed Orders entered through OUCH, the Primary Pegging, Market Pegging, and Discretion Attributes are not available presently. The Exchange proposes to amend Rule 4702(b) so that for each of the Order Types listed above, participants may utilize the corresponding Order Attributes when participants enter their Orders using the upgraded version of OUCH.

Meanwhile, for Non-Displayed Orders with the Midpoint Pegging Attribute, the behavior of such Orders presently varies, as set forth in Rule 4703(d), based upon whether a participant uses OUCH/FLITE or RASH/FIX/QIX to enter them into the System. Going forward, the Exchange proposes to amend the Rule to reference the amended version Rule 4703(d) (discussed below), which will describe variances in behavior involving Non-Displayed Orders with Midpoint Pegging which will no longer depend strictly upon the Order entry protocol associated with the Orders.

Changes to Midpoint Peg Post-Only Orders

Presently, the behavior of Midpoint Peg Post-Only Orders also varies depending upon whether a participant uses OUCH/FLITE or RASH/FIX/QIX to enter them into the System. Amendments to the Rule are needed because upgrades to OUCH will allow for OUCH to perform functions that are currently available only using RASH, FIX, or QIX.

The Exchange proposes to amend Rule 4702(b)(5) so that variances in Midpoint Peg Post-Only Order behavior will occur going forward, not based upon use of any particular Order entry protocol, but instead based upon whether the Midpoint Peg Post-Only Order is "Fixed," i.e., the Order is pegged at the midpoint of the NBBO upon entry, and does not adjust with subsequent changes to the midpoint of the NBBO, or "Managed," i.e., the System adjusts the price of the Order after entry in accordance with changes to the midpoint of the NBBO.

Thus, whereas now, Rule 4702(b)(5)(B) prescribes certain behavior for Midpoint Peg Post-Only Orders entered through RASH, QIX, or FIX where the System will adjust the price after entry in accordance with shifts in the midpoint of the NBBO, the Exchange proposes to state that such behavior will apply to "Managed Midpoint Peg Post-Only Orders," regardless of the Order entry protocol used to enter it. This proposed amendment reflects the fact that going forward, OUCH may be used to enter Managed Midpoint Peg Post-Only Orders.

Likewise, whereas now, Rule 4702(b)(5)(B) prescribes different behavior for Midpoint Peg Post-Only Orders entered through OUCH or FLITE where the System does not adjust the price of the Order after entry in accordance with shifts in the midpoint of the NBBO, the Exchange proposes to state that such behavior will apply to "Fixed Midpoint Peg Post-Only Orders," regardless of the Order entry protocol used to enter it. Similarly, the Exchange proposes to amend text describing the conditions under which the System will cancel these Orders back to participants as applying to Fixed Midpoint Peg Post Post-Only Orders, rather than Midpoint Peg Post-Only Orders entered through OUCH or FLITE.

Changes to Market Maker Peg Orders

Rule 4702(b)(7)(A) presently provides that Market Maker Peg Orders may be entered through RASH, FIX, or QIX only. The Exchange proposes to amend this provision to state that the upgraded version of OUCH may be used to enter such Orders going forward.

Changes to Pegging Order Attribute

In addition to the above, the Exchange proposes to amend Rule 4703(d), which governs the Pegging Order Attribute, to account for the new capabilities of the upgraded version of OUCH.

As described in Rule 4703(d), Pegging is an Order Attribute that allows an Order to have its price automatically set with reference to the NBBO. The Exchange offers three types of Pegging: Primary Pegging, Market Pegging, and Midpoint Pegging.[12] The behavior of each of these types of Pegged Orders currently varies based upon the particular Order entry protocol associated with their use. With the introduction of the upgraded version of OUCH, these variances will narrow, as OUCH will be capable of handling Pegged Orders similar to how RASH, FIX, and QIX handle them. However, variances will not disappear entirely, as the upgraded version of OUCH will continue to handle Orders with Midpoint Pegging that the System cancels in response to changes to the Midpoint ("Fixed Midpoint Orders") the same way that the current iteration of OUCH and FLITE handles them.

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[12]   See Rule 4703(d) (defining "Primary Pegging as pegging with reference to the inside quotation on the same side of the market, "Market Pegging" as pegging with reference to the inside quotation on the opposite side of the market, and "Midpoint Pegging" as pegging with reference to the midpoint between the inside bid and the inside offer).

Indeed, pursuant to the proposed rule filing, the behavior of Pegged Orders will no longer vary strictly by the Order entry protocol that a participant uses; instead, variance will occur based upon whether the Pegged Orders are subject to management during their lifetimes, i.e., the Exchange may adjust the prices of those Orders during their lifetimes. Managed Pegged Orders ("Peg Managed Orders") will include Primary Pegged and Market Pegged Orders entered using OUCH, RASH, FIX, and QIX, as well as Midpoint Pegged Orders, entered using the same protocols, which the System may update in response to changes to the Midpoint ("Managed Midpoint Orders"). The Exchange will handle Managed Midpoint Orders differently from non-managed Orders, i.e., Fixed Midpoint Orders, in like circumstances.

The specific proposed amendments that effectuate the above are as follows.

Existing Rule 4703(d) states that if, at the time of entry, there is no price to which a Pegged Order, that has not been assigned a Routing Order Attribute, can be pegged, or pegging would lead to a price at which the Order cannot be posted, then the Order will not be immediately available on the Exchange Book and will be entered once there is a permissible price, provided, however, that the System will cancel the Pegged Order if no permissible pegging price becomes available within one second after Order entry.[13] This existing language applies to Primary, Market, and Midpoint Pegging Orders entered through RASH/QIX/FIX, but not Orders entered through OUCH/FLITE. The Exchange proposes to amend this provision of the Rule so that it applies to "Peg Managed Orders," rather than "Pegged Orders," which in practice will mean that the behavior it currently

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[13]   The Exchange may, in the exercise of its discretion, modify the length of this one
         second time period by posting advance notice of the applicable time period on its
         website.

describes for Primary Pegged and Market Pegged Orders entered through RASH/FIX will also now apply to such Orders entered through the upgraded version of OUCH,[14] as well as to Managed Midpoint Orders entered through RASH/FIX/upgraded OUCH. Moreover, the proposed amended provision would provide for Managed Midpoint Orders that are not assigned a Routing Order Attribute (or a Time in Force of IOC) to behave similarly if the Inside Bid and Inside Offer are crossed (i.e., the Managed Midpoint Order will not be immediately available on the Exchange Book unless and until a permissible price emerges within one second of entry (or other such time that the Exchange designates, at its discretion)).

Existing Rule 4703(d) also states that if a Pegged has been assigned a Routing Order Attribute, but there is no permissible price to which the Order can be pegged at the time of entry, then the Exchange will reject it, except that the Exchange will accept a Displayed Order with Market Pegging and a Market or a Primary Pegged Order with a Non-Display Attribute at their respective limit prices in this circumstance. The Exchange again proposes to amend this provision so that it applies to Peg Managed Orders, rather than Pegged Orders. It also proposes to apply this provision to Managed Midpoint Orders that are assigned a Routing Order Attribute, if the Inside Bid and Inside Offer are crossed. Finally, as is explained further below, the Exchange proposes to delete the last two sentences of this paragraph, which describe the behavior of Orders with Midpoint

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[14]   The Exchange also proposes to clarify that this provision applies to a Peg Managed Order that has not been assigned a Routing Order Attribute or a Time-in-Force of Immediate-Or-Cancel ("IOC"). This additional amendment makes it clear that IOC orders in this scenario will cancel immediately if no permissible pegging price is available upon Order entry, rather than waiting up to one second after Order entry to do so.

Pegging, and move them to the end of the next paragraph, which also pertains to Orders

with Midpoint Pegging. The Exchange proposes this organizational change for ease of

readability.

As to the next paragraph of Rule 4703(d), the Exchange proposes several changes.

First, the Exchange proposes to delete the first sentence of this paragraph, which lists the

Order entry protocols for which Primary Pegging and Market Pegging are presently

available (RASH, QIX, and FIX). This sentence is no longer needed because, as

discussed above, the Exchange proposes to add a new sentence that specifies that all Peg

Managed Orders will be available, not only through RASH, QIX, and FIX, but also

through OUCH, going forward. Second, the Exchange proposes to modify the second

sentence of the paragraph, which presently states that for an Order entered through

OUCH or FLITE with Midpoint Pegging, the Order will have its price set upon initial

entry to the Midpoint, unless the Order has a limit price, and that limit price is lower than

the Midpoint for an Order to buy (higher than the Midpoint for an Order to sell), in which

case the Order will be ranked on the Exchange Book at its limit price. The Exchange

proposes to apply this language to Midpoint Pegging Orders generally, rather than only

Midpoint Pegging Orders entered through OUCH or FLITE, as it will apply to both Fixed

Midpoint Orders and Managed Midpoint Orders. Third, the Exchange proposes to add

and partially restate the following language from the preceding paragraph:

> In the case of an Order with Midpoint Pegging, if the Inside Bid and Inside Offer
> are locked, the Order will be priced at the locking price; and for Orders with
> Midpoint Pegging entered through OUCH or FLITE, if the Inside Bid and Inside
> Offer are crossed or if there is no Inside Bid and/or Inside Offer, the Order will
> not be accepted. However, even if the Inside Bid and Inside Offer are locked, an
> Order with Midpoint Pegging that locked an Order on the Nasdaq Book would
> execute (provided, however, that a Midpoint Peg Post-Only Order would execute
> or post as described in Rule 4702(b)(5)(A)).

Specifically, the Exchange proposes to replace the phrase "and for Orders with Midpoint Pegging entered through OUCH or FLITE" with "and for Fixed Midpoint Orders," because going forward, some Midpoint Pegging Orders entered through the upgraded version of OUCH will not behave in this manner; only Fixed Midpoint Orders will do so.[15]

The Exchange proposes to amend the next paragraph, which describes how the Exchange handles Orders with Midpoint Pegging entered through OUCH or FLITE where the Exchange does not adjust the prices of the Orders based on changes to the Inside Bid or Offer that occur after the Orders post to the Exchange Book. The Exchange proposes to amend this paragraph to state that it applies to Fixed Midpoint Orders (rather than Orders with Midpoint Pegging entered through OUCH or FLITE) and to state expressly that it applies to such Orders after they post to the Exchange Book.

The subsequent paragraph of Rule 4703(d) describes how the Exchange handles Pegged Orders entered through RASH, QIX, or FIX where the Exchange does adjust the prices of the Orders based on changes to the relevant Inside Quotation that occur after the Orders Post to the Exchange Book. Like the preceding paragraph, the Exchange proposes to amend this paragraph to state that it applies to Peg Managed Orders (rather than Orders entered through RASH, QIX, or FIX with Pegging). The Exchange also proposes to amend text in this paragraph which states that the Exchange will reject such an Order, if it assigned a Routing Order Attribute, and if the price to which it is pegged

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[15]   The Exchange also proposes to make a stylistic, non-substantive change to this text by deleting the phrase "In the case of an Order with Midpoint Pegging." The Exchange believes this phrase is no longer needed due to the fact that the new paragraph to which it proposes to move the text clearly applies to Orders with Midpoint Pegging.

becomes unavailable or pegging would lead to a price at which it cannot be posted. The proposed amended language states that the Exchange will cancel such an Order back to the participant in these circumstances, rather than "reject" it; the use of the term "cancel" is more appropriate than "reject" in this provision insofar as the Exchange only rejects Orders upon entry, but thereafter, it cancels them. Consistent with amendments elsewhere in the proposal, the Exchange also proposes to state that Managed Midpoint Orders assigned a Routing Order Attribute will cancel back to the participant if the Inside Bid and Inside Offer become crossed. The Exchange also proposes to qualify the foregoing by noting that an Order with Market Pegging, or an Order with Primary Pegging and a Non-Display Attribute, will be re-entered at its limit price. Finally, the Exchange proposes to amend the subsequent text, which presently reads as follows:

> "…if the Order is not assigned a Routing Order Attribute, the Order will be removed from the Nasdaq Book and will be re-entered once there is a permissible price, provided however, that the System will cancel the Pegged Order if no permissible pegging price becomes available within one second after the Order was removed and no longer available on the Nasdaq Book (the Exchange may, in the exercise of its discretion modify the length of this one second time period by posting advance notice of the applicable time period on its website)."

The Exchange proposes to amend this text to specify that it applies to a "Peg Managed Order," rather than simply an "Order." Additionally in this clause, the Exchange proposes to add, after the phrase, "if [a Peg Managed Order] is not assigned a Routing Order Attribute," the following text, for clarity: "and the price to which it is pegged becomes unavailable, pegging would lead to a price at which the Order cannot be posted, or, in the case of a Managed Midpoint Order, if the Inside Bid and Inside Offer become crossed, …." The Exchange believes that these conditions are implicit in the existing Rule text and should be made explicit to avoid confusion. Insofar as this proposed

amended text will now account for Managed Midpoint Orders, then the Exchange

proposes to delete the following existing text, which will otherwise be duplicative:

> "For an Order with Midpoint Pegging, if the Inside Bid and Inside Offer become
> crossed or if there is no Inside Bid and/or Inside Offer, the Order will be removed
> from the Exchange Book and will be re-entered at the new midpoint once there is
> a valid Inside Bid and Inside Offer that is not crossed; provided, however, that the
> System will cancel the Order with Midpoint Pegging if no permissible price
> becomes available within one second after the Order was removed and no longer
> available on the Exchange Book (the Exchange may, in the exercise of its
> discretion modify the length of this one second time period by posting advance
> notice of the applicable time period on its website)."

Finally, the Exchange proposes to restate the paragraph of Rule 4703(d) that

describes Pegging Order collars. In pertinent part, this paragraph presently states that

"any portion of a Pegging Order that could execute, either on the Exchange or when

routed to another market center, at a price of more than $0.25 or 5 percent worse than the

NBBO at the time when the order reaches the System, whichever is greater, will be

cancelled." The Exchange proposes to restate this text to account for the fact that under

certain conditions, the System will cancel Pegging Orders before clearing liquidity inside

the collar. For non-routable Pegged Orders, the System cancels these Orders prior to

polling the Exchange Book for liquidity (even inside of the collar) when the combination

of limit price, pegging, offset, discretionary price, discretionary pegging, and

discretionary offset attributes would result in the Order attempting to post to the book or

clear resting Orders beyond the collar price (even if such liquidity does not exist).[16] For

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[16]   For example, if NYSE is quoting $10.00 × $11.00 and a Displayed Sell Order of
         100 shares is setting the NBO by resting on the Book at $10.05, then an incoming
         Primary Peg Buy order with a Limit Price of $10.75 and an Offset Value of $0.56
         will be cancelled back without executing against the resting order at $10.05. The
         Primary Peg attribute initially sets the price of the Order at $10.00, then the offset
         amends the price to $10.56; the collar price is set to $10.05 + ($10.05 × 5%) =

routable Primary or Market Peg Orders, by contrast, the System will clear any liquidity

inside of the collar before cancelling.[17] The Exchange proposes to more precisely

describe this behavior with the following restated text:

> Any portion of a Pegging Order with a Routing attribute to buy (sell) that could
> execute, either on the Exchange or when routed to another market center, at a
> price of more than the greater of $0.25 or 5 percent higher (lower) than the NBO
> (NBB) at the time when the order reaches the System (the "Collar Price"), will be
> cancelled. An Order entered without a Routing attribute will be cancelled, if it
> would, as a result of the price determined by a Pegging or Discretionary Pegging
> attribute, execute or post to the Exchange Book at a price through the Collar
> Price.

Change to Reserve Attribute

The Exchange proposes to amend its rules governing the Reserve Order Attribute,

at Rule 4703(h) to state that when a Reserve Order is entered using OUCH with a

displayed size of an odd lot, the System will reject the Order, whereas if such an order is

entered using RASH or FIX, then as is the case now under the existing Rule, the System

will accept the Order but with the full size of the Order Displayed. The Exchange

believes that this new proposed behavior will benefit participants insofar as Reserve

Orders entered with odd lot displayed sizes are often the product of errors. Rather than

expose erroneous displayed sizes, OUCH will cancel the Orders and thus provide

participants with an opportunity to correct their errors, or to validate their original

choices, by re-entering the Reserve Order.

$10.5525, which is less than the price the incoming Order would attempt to book
at.

[17]   For example, if NYSE is quoting $10.00 × $11.00 and a Displayed Sell Order of
100 shares is setting the NBO by resting on the Book at $10.05, then an incoming
Primary Peg Buy order of 200 shares with a Limit Price of $10.75, an Offset
Value of $0.56, and the SCAN routing strategy will execute against the resting
order before the remainder is cancelled before booking outside the collar price.

Change to Trade Now Attribute

The Exchange proposes to amend its rules governing the Trade Now Order Attribute, at Rule 4703(m) to state that when the Trade Now Attribute is entered through RASH or FIX, and going forward, also through OUCH, the Trade Now Order Attribute may be enabled on an order-by-order or a port-level basis. In the next sentence in the paragraph, the existing text will continue to apply, but as to FLITE only, and not to OUCH. Thus, when entered through FLITE (but not OUCH), the Trade Now Order Attribute may be enabled on a port-level basis for all Order Types that support it, and for the Non-Displayed Order Type, also on an order-by-order basis.

The Exchange intends to implement the foregoing changes during the end of the Third Quarter or early in the Fourth Quarter of 2022. However, certain new functionality that will involve management of OUCH by the System may not be available until the Exchange completes upgrades to System, which the Exchange currently expects will occur in mid-2023. The Exchange will issue an Equity Trader Alert at least 7 days in advance of implementing the changes set forth in the proposal. The Alert will specify which functionalities will not be available initially, pending the System upgrade. The Exchange will issue another Equity Trader Alert at least 7 days in advance of implementing the remaining changes, once the requisite System upgrade is complete.

Change to Limit Up-Limit Down Mechanism

The Exchange proposed to amend its rules governing Limit Up-Limit Down ("LULD") functionality, at Rule 4120(a)(13)(E)(2)(a) to state that limit priced orders entered via the OUCH protocol, which are not assigned a Managed Pegging, Discretionary, or Reserve Attribute, shall be repriced upon entry only if the Price Bands

are such that the price of the limit-priced interest to buy (sell) would be above (below) the

upper (lower) Price Band. Additionally, the Exchange is proposing to amend Rule

4120(a)(13)(E)(2)(b) to state that limit-priced orders entered via RASH or FIX protocols,

or via the OUCH protocol if assigned a Managed Pegging, Discretionary, or Reserve

Attribute, the order shall be eligible to be repriced by the system multiple times if the

Price Bands move such that the price of resting limit-priced interest to buy (sell) would

be above (below) the upper (lower) Price Band.

The Exchange intends to implement the foregoing changes on November 14,

2022.

b.   Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the

Act,[18] in general, and furthers the objectives of Section 6(b)(5) of the Act,[19] in particular,

in that it is designed to promote just and equitable principles of trade, to remove

impediments to and perfect the mechanism of a free and open market and a national

market system, and, in general to protect investors and the public interest.

Generally speaking, it is consistent with the Act to amend the Rulebook to reflect

upgrades to the Exchange's OUCH Order entry protocols. The planned upgrades will

enable members to utilize OUCH in additional circumstances, including for the entry of:

(1) Price to Comply and Price to Display Orders with the Reserve Size, Primary and

Market Pegging, and Discretion Order Attributes; (2) Non-Displayed Orders with the

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[18]   15 U.S.C. 78f(b).

[19]   15 U.S.C. 78f(b)(5).

Primary and Market Pegging, Midpoint Pegging (in scenarios described in amended Rule
4703(d)), and Discretion Order Attributes; and (3) Market Maker Peg Orders.

Similarly, it is consistent with the Act to amend Rule 4702(b)(5), which describes
the behavior of Midpoint Peg Post-Only Orders, to reflect the fact that the planned
upgrades to OUCH will enable its use for the entry of "Managed" Midpoint Peg Post-
Only Orders – i.e., those for which the System updates price after entry along with
movements to the midpoint of the NBBO. Presently, members may enter Managed
Midpoint Peg Post-Only Orders only through RASH, QIX, or FIX. It is also consistent
with the Act to refer to such Orders as "Managed" while referring to Midpoint Peg Post-
Only Orders, whose prices do not change after entry, even if the NBBO midpoint shifts,
as "Fixed" Midpoint Peg Post-Only Orders. This terminology will avoid confusion that
would otherwise arise from the fact that OUCH may be used, going forward, to enter
both types of Orders.

Likewise, the Exchange believes that its proposed amendments to the Pegging
Order Attribute, at Rule 4703(d), are consistent with the Act. The proposed amendments
account for the fact that OUCH will become capable of use for the entry of Peg Managed
Orders, including Managed Midpoint Orders, in addition to Fixed Midpoint Orders. The
Exchange believes that it will be clearer and more coherent to describe the behavior of
Pegged Orders and Orders with Midpoint Pegging in the Rule with regard to whether
these Orders are "Managed" or "Fixed," rather than with regard to the protocol used to
enter them, especially as OUCH will be available for use in entering both Managed and
Fixed Pegging Orders going forward. Additionally, proposed amendments to Rule
4703(d) would reorganize the description of the behavior of various types of Pegged

Orders so that it flows more logically and is more readily comprehensible. Finally, proposed changes would describe the behavior of Pegged Orders more comprehensively, by adding language that was mistakenly omitted from the Rule.

Meanwhile, the Exchange's proposal to restate the Rule's description of the price collar applicable to Pegged Orders is consistent with the Act because it accounts for the fact that under certain conditions, the System will cancel Pegging Orders before clearing liquidity inside the collar.

The Exchange's proposal is consistent with the Act to amend its Rule governing the Reserve Order Attribute, at Rule 4703(h) to state that when a Reserve Order is entered using OUCH with a displayed size of an odd lot, the System will reject the Order. The Exchange believes that this new proposed behavior will benefit participants insofar as Reserve Orders entered with odd lot displayed sizes are often the product of errors. Rather than expose erroneous displayed sizes, OUCH will cancel the Orders and thus provide participants with an opportunity to correct their errors, or to validate their original choices, by re-entering the Reserve Order.

Additionally, the Exchange's proposal to amend its Rule governing the Trade Now Order Attribute, at Rule 4703(m), is consistent with the Act, because it accounts for the fact that when entered through the upgraded version of OUCH, the Trade Now Order Attribute may be enabled on an order-by-order or a port-level basis.

Finally, the Exchange's proposal to amend its Rule governing the Limit Up-Limit Down Mechanism, at Rules 4120(a)(12)(E)(2)(a) and 4120(a)(12)(E)(2)(b) are consistent with the Act because the proposed amendments align with OUCH's capability going forward, once upgraded, to handle certain Order Types and Order Attributes similar to

how RASH and FIX handle them. Additionally, as discussed above, variance will occur

in certain Order Types based upon whether the orders are subject to management during

their lifetimes.

4.   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. As a general principle, the proposed changes are reflective of the significant

competition among exchanges and non-exchange venues for order flow. In this regard,

proposed changes that facilitate enhancements to the Exchange's System and Order entry

protocols as well as those that amend and clarify the Exchange's Rules regarding its

Order Attributes, are pro-competitive because they bolster the efficiency, functionality,

and overall attractiveness of the Exchange in an absolute sense and relative to its peers.

        Moreover, none of the proposed changes will unduly burden intra-market

competition among various Exchange participants. Participants will experience no

competitive impact from its proposals, as these proposals will restate and reorganize

portions of the Rule to reflect the upgraded capabilities of OUCH, as well as to render the

descriptions of OUCH's new capabilities easier to read and understand.

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)

        The foregoing rule change has become effective pursuant to Section

19(b)(3)(A)(iii)[20] of the Act and Rule 19b-4(f)(6) thereunder[21] in that it effects a change

that: (i) does not significantly affect the protection of investors or the public interest; (ii)

does not impose any significant burden on competition; and (iii) by its terms, does not

become operative for 30 days after the date of the filing, or such shorter time as the

Commission may designate if consistent with the protection of investors and the public

interest.

As noted above, the proposed changes do not significantly affect the protection of

investors or the public interest; instead, they will further the interests of investors and the

public by, among other things, accounting for enhanced capabilities of OUCH to handle

more complex Order Types and Attributes, and doing so in a way that is clear and

coherent for participants to understand. None of the proposed changes are novel; they

provide for OUCH to have capabilities that already exist among the Exchange's other

order entry protocols, as well as make conforming and organizational changes.

Moreover, the proposed changes will not impose any significant or undue burden on

competition to the extent that they serve these purposes.

Furthermore, Rule 19b-4(f)(6)(iii)[22] requires a self-regulatory organization to give

the Commission written notice of its intent to file a proposed rule change under that

subsection at least five business days prior to the date of filing, or such shorter time as

designated by the Commission. The Exchange has provided such notice.

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[20]   15 U.S.C. 78s(b)(3)(A)(iii).

[21]   17 CFR 240.19b-4(f)(6).

[22]   17 CFR 240.19b-4(f)(6)(iii).

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.

8.   Proposed Rule Change Based on Rules of Another Self-Regulatory Organization
        or of the Commission

        This proposal is substantially similar to a proposal that Nasdaq BX, Inc. filed with

the Commission on August 12, 2012, SR-BX-2022-012, except that the Exchange's

proposal also accounts for OUCH-related changes to the Midpoint Peg Post-Only Order

Type, which does not exist on Nasdaq BX, as well as the QIX order entry protocol, which

also does not exist on BX. Such differences do not raise any novel or controversial

issues, as it remains the case that this proposal provides for OUCH to have capabilities

that already exist among the Exchange's other order entry protocols, as well as make

conforming and organizational changes. Moreover, the proposed changes will not

impose any significant or undue burden on competition to the extent that they serve these

purposes.

9.   Security-Based Swap Submissions Filed Pursuant to Section 3C of the Act
        Not applicable.

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

        Not applicable.

11.   <u>Exhibits</u>

1.   Notice of Proposed Rule Change for publication in the <u>Federal Register</u>.

5.   Text of the proposed rule change.

EXHIBIT 1

SECURITIES AND EXCHANGE COMMISSION
(Release No.   ; File No. SR-NASDAQ-2022-051)

September __, 2022

Self-Regulatory Organizations; The Nasdaq Stock Market LLC; Notice of Filing and
Immediate Effectiveness of Proposed Rule Change to Amend Equity 4, Rules 4120, 4702
and 4703[1] in light of Planned Changes to the System

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),[2] and

Rule 19b-4 thereunder,[3] notice is hereby given that on September 9, 2022, The Nasdaq

Stock Market LLC ("Nasdaq" or "Exchange") filed with the Securities and Exchange

Commission ("SEC" or "Commission") the proposed rule change as described in Items I,

II, and III, below, which Items have been prepared by the Exchange. The Commission is

publishing this notice to solicit comments on the proposed rule change from interested

persons.

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

The Exchange proposes to amend Equity 4, Rules 4120, 4702 and 4703[4] in light

of planned changes to the System.

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[1]   References herein to Nasdaq Rules in the 4000 Series shall mean Rules in Nasdaq
         Equity 4.

[2]   15 U.S.C. 78s(b)(1).

[3]   17 CFR 240.19b-4.

[4]   References herein to Nasdaq Rules in the 4000 Series shall mean Rules in Nasdaq
         Equity 4.

The text of the proposed rule change is available on the Exchange's Website at

https://listingcenter.nasdaq.com/rulebook/nasdaq/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 Exchange is preparing to introduce a new upgraded version of the OUCH

Order entry protocol[5] that will enable the Exchange to make functional enhancements

and improvements to specific Order Types[6] and Order Attributes.[7] Specifically,

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[5]   The OUCH Order entry protocol is a proprietary protocol that allows subscribers
        to quickly enter orders into the System and receive executions. OUCH accepts
        limit Orders from members, and if there are matching Orders, they will execute.
        Non-matching Orders are added to the Limit Order Book, a database of available
        limit Orders, where they are matched in price-time priority. OUCH only provides
        a method for members to send Orders and receive status updates on those Orders.
        See https://www.nasdaqtrader.com/Trader.aspx?id=OUCH.

[6]   An "Order Type" is a standardized set of instructions associated with an Order
        that define how it will behave with respect to pricing, execution, and/or posting to
        the Exchange Book when submitted to Nasdaq. See Equity 1, Section 1(a)(7).

[7]   An "Order Attribute" is a further set of variable instructions that may be
        associated with an Order to further define how it will behave with respect to
        pricing, execution, and/or posting to the Exchange Book when submitted to the
        Exchange. See id.

enhancements to OUCH will enable the Exchange to upgrade the logic and implementation of these Order Types and Order Attributes so that the features are more robust, streamlined, and harmonized across the Exchange's Systems and Order entry protocols. The Exchange developed OUCH with simplicity in mind, and therefore, it presently lacks certain complex order handling capabilities. By contrast, the Exchange specifically designed its RASH Order Entry Protocol[8] to support advanced functionality, including discretion, random reserve, pegging and routing. The introduction of OUCH upgrades will enable participants to utilize OUCH, in addition to RASH, to enter Order Types that require advanced functionality. Thus, the proposal does not seek to introduce new functionality, but rather, it offers to OUCH users advanced functionality that already exists for RASH users.

The Exchange plans to implement its enhancement of the OUCH protocol sequentially, by Order Type and Order Attribute.[9]

To support and prepare for the introduction of OUCH upgrades, the Exchange proposes to amend Rule 4702 pertaining to Order Types to specify that, going forward, OUCH may be used to enter certain Order Types together with certain Order Attributes, whereas now, Rule 4702 specifies that RASH, FIX, and QIX, but not OUCH, may be used to enter such combinations of Order Types and Attributes. The Exchange also

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8   The RASH (Routing and Special Handling) Order entry protocol is a proprietary protocol that allows members to enter Orders, cancel existing Orders and receive executions. RASH allows participants to use advanced functionality, including discretion, random reserve, pegging and routing. See http://nasdaqtrader.com/content/technicalsupport/specifications/TradingProducts/rash_sb.pdf.

9   The Exchange notes that its sister exchange, Nasdaq BX, Inc., filed a similar proposed rule changes with the Commission, see SR-BX-2022-012 (filed August 12, 2012), and Nasdaq PSX plans to do so concurrently with this filing.

proposes to adjust the current functionality of the Pegging,[10] Reserve,[11] and Trade Now

Order Attributes,[12] as described below, so that they align with how OUCH, once

upgraded, will handle these Order Attributes going forward.

<u>Changes to Use of Certain Order Types with Certain Order Attributes</u>

Pursuant to Rule 4702(b), the availability of certain Order Attributes for use with

certain Order Types presently depends upon the particular Order entry protocol a

participant uses to enter its Order. For Price to Comply and Price to Display Orders

entered though OUCH, the Reserve Size, Primary Pegging and Market Pegging, and

Discretion Attributes are not available to participants presently. For Non-Displayed

Orders entered through OUCH, the Primary Pegging, Market Pegging, and Discretion

Attributes are not available presently. The Exchange proposes to amend Rule 4702(b) so

that for each of the Order Types listed above, participants may utilize the corresponding

Order Attributes when participants enter their Orders using the upgraded version of

OUCH.

Meanwhile, for Non-Displayed Orders with the Midpoint Pegging Attribute, the

behavior of such Orders presently varies, as set forth in Rule 4703(d), based upon

whether a participant uses OUCH/FLITE or RASH/FIX/QIX to enter them into the

System. Going forward, the Exchange proposes to amend the Rule to reference the

amended version Rule 4703(d) (discussed below), which will describe variances in

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[10]   <u>See</u> Rule 4703(d).

[11]   <u>See</u> Rule 4703(h).

[12]   <u>See</u> Rule 4703(m)-(n).

behavior involving Non-Displayed Orders with Midpoint Pegging which will no longer depend strictly upon the Order entry protocol associated with the Orders.

Changes to Midpoint Peg Post-Only Orders

Presently, the behavior of Midpoint Peg Post-Only Orders also varies depending upon whether a participant uses OUCH/FLITE or RASH/FIX/QIX to enter them into the System. Amendments to the Rule are needed because upgrades to OUCH will allow for OUCH to perform functions that are currently available only using RASH, FIX, or QIX. The Exchange proposes to amend Rule 4702(b)(5) so that variances in Midpoint Peg Post-Only Order behavior will occur going forward, not based upon use of any particular Order entry protocol, but instead based upon whether the Midpoint Peg Post-Only Order is "Fixed," i.e., the Order is pegged at the midpoint of the NBBO upon entry, and does not adjust with subsequent changes to the midpoint of the NBBO, or "Managed," i.e., the System adjusts the price of the Order after entry in accordance with changes to the midpoint of the NBBO.

Thus, whereas now, Rule 4702(b)(5)(B) prescribes certain behavior for Midpoint Peg Post-Only Orders entered through RASH, QIX, or FIX where the System will adjust the price after entry in accordance with shifts in the midpoint of the NBBO, the Exchange proposes to state that such behavior will apply to "Managed Midpoint Peg Post-Only Orders," regardless of the Order entry protocol used to enter it. This proposed amendment reflects the fact that going forward, OUCH may be used to enter Managed Midpoint Peg Post-Only Orders.

Likewise, whereas now, Rule 4702(b)(5)(B) prescribes different behavior for Midpoint Peg Post-Only Orders entered through OUCH or FLITE where the System does

not adjust the price of the Order after entry in accordance with shifts in the midpoint of

the NBBO, the Exchange proposes to state that such behavior will apply to "Fixed

Midpoint Peg Post-Only Orders," regardless of the Order entry protocol used to enter it.

Similarly, the Exchange proposes to amend text describing the conditions under which

the System will cancel these Orders back to participants as applying to Fixed Midpoint

Peg Post Post-Only Orders, rather than Midpoint Peg Post-Only Orders entered through

OUCH or FLITE.

Changes to Market Maker Peg Orders

Rule 4702(b)(7)(A) presently provides that Market Maker Peg Orders may be

entered through RASH, FIX, or QIX only. The Exchange proposes to amend this

provision to state that the upgraded version of OUCH may be used to enter such Orders

going forward.

Changes to Pegging Order Attribute

In addition to the above, the Exchange proposes to amend Rule 4703(d), which

governs the Pegging Order Attribute, to account for the new capabilities of the upgraded

version of OUCH.

As described in Rule 4703(d), Pegging is an Order Attribute that allows an Order

to have its price automatically set with reference to the NBBO. The Exchange offers

three types of Pegging: Primary Pegging, Market Pegging, and Midpoint Pegging.[13] The

behavior of each of these types of Pegged Orders currently varies based upon the

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[13]   See Rule 4703(d) (defining "Primary Pegging as pegging with reference to the
         inside quotation on the same side of the market, "Market Pegging" as pegging
         with reference to the inside quotation on the opposite side of the market, and
         "Midpoint Pegging" as pegging with reference to the midpoint between the inside
         bid and the inside offer).

particular Order entry protocol associated with their use. With the introduction of the

upgraded version of OUCH, these variances will narrow, as OUCH will be capable of

handling Pegged Orders similar to how RASH, FIX, and QIX handle them. However,

variances will not disappear entirely, as the upgraded version of OUCH will continue to

handle Orders with Midpoint Pegging that the System cancels in response to changes to

the Midpoint ("Fixed Midpoint Orders") the same way that the current iteration of OUCH

and FLITE handles them.

Indeed, pursuant to the proposed rule filing, the behavior of Pegged Orders will

no longer vary strictly by the Order entry protocol that a participant uses; instead,

variance will occur based upon whether the Pegged Orders are subject to management

during their lifetimes, i.e., the Exchange may adjust the prices of those Orders during

their lifetimes. Managed Pegged Orders ("Peg Managed Orders") will include Primary

Pegged and Market Pegged Orders entered using OUCH, RASH, FIX, and QIX, as well

as Midpoint Pegged Orders, entered using the same protocols, which the System may

update in response to changes to the Midpoint ("Managed Midpoint Orders"). The

Exchange will handle Managed Midpoint Orders differently from non-managed Orders,

i.e., Fixed Midpoint Orders, in like circumstances.

The specific proposed amendments that effectuate the above are as follows.

Existing Rule 4703(d) states that if, at the time of entry, there is no price to which

a Pegged Order, that has not been assigned a Routing Order Attribute, can be pegged, or

pegging would lead to a price at which the Order cannot be posted, then the Order will

not be immediately available on the Exchange Book and will be entered once there is a

permissible price, provided, however, that the System will cancel the Pegged Order if no

permissible pegging price becomes available within one second after Order entry.[14]   This

existing language applies to Primary, Market, and Midpoint Pegging Orders entered

through RASH/QIX/FIX, but not Orders entered through OUCH/FLITE. The Exchange

proposes to amend this provision of the Rule so that it applies to "Peg Managed Orders,"

rather than "Pegged Orders," which in practice will mean that the behavior it currently

describes for Primary Pegged and Market Pegged Orders entered through RASH/FIX will

also now apply to such Orders entered through the upgraded version of OUCH,[15] as well

as to Managed Midpoint Orders entered through RASH/FIX/upgraded OUCH.

Moreover, the proposed amended provision would provide for Managed Midpoint Orders

that are not assigned a Routing Order Attribute (or a Time in Force of IOC) to behave

similarly if the Inside Bid and Inside Offer are crossed (i.e., the Managed Midpoint Order

will not be immediately available on the Exchange Book unless and until a permissible

price emerges within one second of entry (or other such time that the Exchange

designates, at its discretion)).

Existing Rule 4703(d) also states that if a Pegged has been assigned a Routing

Order Attribute, but there is no permissible price to which the Order can be pegged at the

time of entry, then the Exchange will reject it, except that the Exchange will accept a

Displayed Order with Market Pegging and a Market or a Primary Pegged Order with a

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[14]   The Exchange may, in the exercise of its discretion, modify the length of this one second time period by posting advance notice of the applicable time period on its website.

[15]   The Exchange also proposes to clarify that this provision applies to a Peg Managed Order that has not been assigned a Routing Order Attribute or a Time-in-Force of Immediate-Or-Cancel ("IOC"). This additional amendment makes it clear that IOC orders in this scenario will cancel immediately if no permissible pegging price is available upon Order entry, rather than waiting up to one second after Order entry to do so.

Non-Display Attribute at their respective limit prices in this circumstance. The Exchange

again proposes to amend this provision so that it applies to Peg Managed Orders, rather

than Pegged Orders. It also proposes to apply this provision to Managed Midpoint

Orders that are assigned a Routing Order Attribute, if the Inside Bid and Inside Offer are

crossed. Finally, as is explained further below, the Exchange proposes to delete the last

two sentences of this paragraph, which describe the behavior of Orders with Midpoint

Pegging, and move them to the end of the next paragraph, which also pertains to Orders

with Midpoint Pegging. The Exchange proposes this organizational change for ease of

readability.

As to the next paragraph of Rule 4703(d), the Exchange proposes several changes.

First, the Exchange proposes to delete the first sentence of this paragraph, which lists the

Order entry protocols for which Primary Pegging and Market Pegging are presently

available (RASH, QIX, and FIX). This sentence is no longer needed because, as

discussed above, the Exchange proposes to add a new sentence that specifies that all Peg

Managed Orders will be available, not only through RASH, QIX, and FIX, but also

through OUCH, going forward. Second, the Exchange proposes to modify the second

sentence of the paragraph, which presently states that for an Order entered through

OUCH or FLITE with Midpoint Pegging, the Order will have its price set upon initial

entry to the Midpoint, unless the Order has a limit price, and that limit price is lower than

the Midpoint for an Order to buy (higher than the Midpoint for an Order to sell), in which

case the Order will be ranked on the Exchange Book at its limit price. The Exchange

proposes to apply this language to Midpoint Pegging Orders generally, rather than only

Midpoint Pegging Orders entered through OUCH or FLITE, as it will apply to both Fixed

Midpoint Orders and Managed Midpoint Orders. Third, the Exchange proposes to add

and partially restate the following language from the preceding paragraph:

> In the case of an Order with Midpoint Pegging, if the Inside Bid and Inside Offer
> are locked, the Order will be priced at the locking price; and for Orders with
> Midpoint Pegging entered through OUCH or FLITE, if the Inside Bid and Inside
> Offer are crossed or if there is no Inside Bid and/or Inside Offer, the Order will
> not be accepted. However, even if the Inside Bid and Inside Offer are locked, an
> Order with Midpoint Pegging that locked an Order on the Nasdaq Book would
> execute (provided, however, that a Midpoint Peg Post-Only Order would execute
> or post as described in Rule 4702(b)(5)(A)).

Specifically, the Exchange proposes to replace the phrase "and for Orders with Midpoint

Pegging entered through OUCH or FLITE" with "and for Fixed Midpoint Orders,"

because going forward, some Midpoint Pegging Orders entered through the upgraded

version of OUCH will not behave in this manner; only Fixed Midpoint Orders will do

so.[16]

The Exchange proposes to amend the next paragraph, which describes how the

Exchange handles Orders with Midpoint Pegging entered through OUCH or FLITE

where the Exchange does not adjust the prices of the Orders based on changes to the

Inside Bid or Offer that occur after the Orders post to the Exchange Book. The Exchange

proposes to amend this paragraph to state that it applies to Fixed Midpoint Orders (rather

than Orders with Midpoint Pegging entered through OUCH or FLITE) and to state

expressly that it applies to such Orders after they post to the Exchange Book.

The subsequent paragraph of Rule 4703(d) describes how the Exchange handles

Pegged Orders entered through RASH, QIX, or FIX where the Exchange does adjust the

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[16]   The Exchange also proposes to make a stylistic, non-substantive change to this
        text by deleting the phrase "In the case of an Order with Midpoint Pegging." The
        Exchange believes this phrase is no longer needed due to the fact that the new
        paragraph to which it proposes to move the text clearly applies to Orders with
        Midpoint Pegging.

prices of the Orders based on changes to the relevant Inside Quotation that occur after the Orders Post to the Exchange Book. Like the preceding paragraph, the Exchange proposes to amend this paragraph to state that it applies to Peg Managed Orders (rather than Orders entered through RASH, QIX, or FIX with Pegging). The Exchange also proposes to amend text in this paragraph which states that the Exchange will reject such an Order, if it assigned a Routing Order Attribute, and if the price to which it is pegged becomes unavailable or pegging would lead to a price at which it cannot be posted. The proposed amended language states that the Exchange will cancel such an Order back to the participant in these circumstances, rather than "reject" it; the use of the term "cancel" is more appropriate than "reject" in this provision insofar as the Exchange only rejects Orders upon entry, but thereafter, it cancels them. Consistent with amendments elsewhere in the proposal, the Exchange also proposes to state that Managed Midpoint Orders assigned a Routing Order Attribute will cancel back to the participant if the Inside Bid and Inside Offer become crossed. The Exchange also proposes to qualify the foregoing by noting that an Order with Market Pegging, or an Order with Primary Pegging and a Non-Display Attribute, will be re-entered at its limit price. Finally, the Exchange proposes to amend the subsequent text, which presently reads as follows:

> "…if the Order is not assigned a Routing Order Attribute, the Order will be removed from the Nasdaq Book and will be re-entered once there is a permissible price, provided however, that the System will cancel the Pegged Order if no permissible pegging price becomes available within one second after the Order was removed and no longer available on the Nasdaq Book (the Exchange may, in the exercise of its discretion modify the length of this one second time period by posting advance notice of the applicable time period on its website)."

The Exchange proposes to amend this text to specify that it applies to a "Peg Managed Order," rather than simply an "Order." Additionally in this clause, the Exchange proposes to add, after the phrase, "if [a Peg Managed Order] is not assigned a Routing

Order Attribute," the following text, for clarity: "and the price to which it is pegged becomes unavailable, pegging would lead to a price at which the Order cannot be posted, or, in the case of a Managed Midpoint Order, if the Inside Bid and Inside Offer become crossed, ..." The Exchange believes that these conditions are implicit in the existing Rule text and should be made explicit to avoid confusion. Insofar as this proposed amended text will now account for Managed Midpoint Orders, then the Exchange proposes to delete the following existing text, which will otherwise be duplicative:

> "For an Order with Midpoint Pegging, if the Inside Bid and Inside Offer become crossed or if there is no Inside Bid and/or Inside Offer, the Order will be removed from the Exchange Book and will be re-entered at the new midpoint once there is a valid Inside Bid and Inside Offer that is not crossed; provided, however, that the System will cancel the Order with Midpoint Pegging if no permissible price becomes available within one second after the Order was removed and no longer available on the Exchange Book (the Exchange may, in the exercise of its discretion modify the length of this one second time period by posting advance notice of the applicable time period on its website)."

Finally, the Exchange proposes to restate the paragraph of Rule 4703(d) that describes Pegging Order collars. In pertinent part, this paragraph presently states that "any portion of a Pegging Order that could execute, either on the Exchange or when routed to another market center, at a price of more than $0.25 or 5 percent worse than the NBBO at the time when the order reaches the System, whichever is greater, will be cancelled." The Exchange proposes to restate this text to account for the fact that under certain conditions, the System will cancel Pegging Orders before clearing liquidity inside the collar. For non-routable Pegged Orders, the System cancels these Orders prior to polling the Exchange Book for liquidity (even inside of the collar) when the combination of limit price, pegging, offset, discretionary price, discretionary pegging, and discretionary offset attributes would result in the Order attempting to post to the book or

clear resting Orders beyond the collar price (even if such liquidity does not exist).[17] For

routable Primary or Market Peg Orders, by contrast, the System will clear any liquidity

inside of the collar before cancelling.[18] The Exchange proposes to more precisely

describe this behavior with the following restated text:

> Any portion of a Pegging Order with a Routing attribute to buy (sell) that could
> execute, either on the Exchange or when routed to another market center, at a
> price of more than the greater of $0.25 or 5 percent higher (lower) than the NBO
> (NBB) at the time when the order reaches the System (the "Collar Price"), will be
> cancelled. An Order entered without a Routing attribute will be cancelled, if it
> would, as a result of the price determined by a Pegging or Discretionary Pegging
> attribute, execute or post to the Exchange Book at a price through the Collar
> Price.

Change to Reserve Attribute

The Exchange proposes to amend its rules governing the Reserve Order Attribute,

at Rule 4703(h) to state that when a Reserve Order is entered using OUCH with a

displayed size of an odd lot, the System will reject the Order, whereas if such an order is

entered using RASH or FIX, then as is the case now under the existing Rule, the System

will accept the Order but with the full size of the Order Displayed. The Exchange

believes that this new proposed behavior will benefit participants insofar as Reserve

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[17]   For example, if NYSE is quoting $10.00 × $11.00 and a Displayed Sell Order of
100 shares is setting the NBO by resting on the Book at $10.05, then an incoming
Primary Peg Buy order with a Limit Price of $10.75 and an Offset Value of $0.56
will be cancelled back without executing against the resting order at $10.05. The
Primary Peg attribute initially sets the price of the Order at $10.00, then the offset
amends the price to $10.56; the collar price is set to $10.05 + ($10.05 × 5%) =
$10.5525, which is less than the price the incoming Order would attempt to book
at.

[18]   For example, if NYSE is quoting $10.00 × $11.00 and a Displayed Sell Order of
100 shares is setting the NBO by resting on the Book at $10.05, then an incoming
Primary Peg Buy order of 200 shares with a Limit Price of $10.75, an Offset
Value of $0.56, and the SCAN routing strategy will execute against the resting
order before the remainder is cancelled before booking outside the collar price.

Orders entered with odd lot displayed sizes are often the product of errors. Rather than expose erroneous displayed sizes, OUCH will cancel the Orders and thus provide participants with an opportunity to correct their errors, or to validate their original choices, by re-entering the Reserve Order.

Change to Trade Now Attribute

The Exchange proposes to amend its rules governing the Trade Now Order Attribute, at Rule 4703(m) to state that when the Trade Now Attribute is entered through RASH or FIX, and going forward, also through OUCH, the Trade Now Order Attribute may be enabled on an order-by-order or a port-level basis. In the next sentence in the paragraph, the existing text will continue to apply, but as to FLITE only, and not to OUCH. Thus, when entered through FLITE (but not OUCH), the Trade Now Order Attribute may be enabled on a port-level basis for all Order Types that support it, and for the Non-Displayed Order Type, also on an order-by-order basis.

The Exchange intends to implement the foregoing changes during the end of the Third Quarter or early in the Fourth Quarter of 2022. However, certain new functionality that will involve management of OUCH by the System may not be available until the Exchange completes upgrades to System, which the Exchange currently expects will occur in mid-2023. The Exchange will issue an Equity Trader Alert at least 7 days in advance of implementing the changes set forth in the proposal. The Alert will specify which functionalities will not be available initially, pending the System upgrade. The Exchange will issue another Equity Trader Alert at least 7 days in advance of implementing the remaining changes, once the requisite System upgrade is complete.

Change to Limit Up-Limit Down Mechanism

The Exchange proposed to amend its rules governing Limit Up-Limit Down

("LULD") functionality, at Rule 4120(a)(13)(E)(2)(a) to state that limit priced orders

entered via the OUCH protocol, which are not assigned a Managed Pegging,

Discretionary, or Reserve Attribute, shall be repriced upon entry only if the Price Bands

are such that the price of the limit-priced interest to buy (sell) would be above (below) the

upper (lower) Price Band. Additionally, the Exchange is proposing to amend Rule

4120(a)(13)(E)(2)(b) to state that limit-priced orders entered via RASH or FIX protocols,

or via the OUCH protocol if assigned a Managed Pegging, Discretionary, or Reserve

Attribute, the order shall be eligible to be repriced by the system multiple times if the

Price Bands move such that the price of resting limit-priced interest to buy (sell) would

be above (below) the upper (lower) Price Band.

The Exchange intends to implement the foregoing changes on November 14,

2022.

> 2.   Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the

Act,[19] in general, and furthers the objectives of Section 6(b)(5) of the Act,[20] in particular,

in that it is designed to promote just and equitable principles of trade, to remove

impediments to and perfect the mechanism of a free and open market and a national

market system, and, in general to protect investors and the public interest.

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[19]   15 U.S.C. 78f(b).

[20]   15 U.S.C. 78f(b)(5).

Generally speaking, it is consistent with the Act to amend the Rulebook to reflect

upgrades to the Exchange's OUCH Order entry protocols. The planned upgrades will

enable members to utilize OUCH in additional circumstances, including for the entry of:

(1) Price to Comply and Price to Display Orders with the Reserve Size, Primary and

Market Pegging, and Discretion Order Attributes; (2) Non-Displayed Orders with the

Primary and Market Pegging, Midpoint Pegging (in scenarios described in amended Rule

4703(d)), and Discretion Order Attributes; and (3) Market Maker Peg Orders.

Similarly, it is consistent with the Act to amend Rule 4702(b)(5), which describes

the behavior of Midpoint Peg Post-Only Orders, to reflect the fact that the planned

upgrades to OUCH will enable its use for the entry of "Managed" Midpoint Peg Post-

Only Orders – i.e., those for which the System updates price after entry along with

movements to the midpoint of the NBBO. Presently, members may enter Managed

Midpoint Peg Post-Only Orders only through RASH, QIX, or FIX. It is also consistent

with the Act to refer to such Orders as "Managed" while referring to Midpoint Peg Post-

Only Orders, whose prices do not change after entry, even if the NBBO midpoint shifts,

as "Fixed" Midpoint Peg Post-Only Orders. This terminology will avoid confusion that

would otherwise arise from the fact that OUCH may be used, going forward, to enter

both types of Orders.

Likewise, the Exchange believes that its proposed amendments to the Pegging

Order Attribute, at Rule 4703(d), are consistent with the Act. The proposed amendments

account for the fact that OUCH will become capable of use for the entry of Peg Managed

Orders, including Managed Midpoint Orders, in addition to Fixed Midpoint Orders. The

Exchange believes that it will be clearer and more coherent to describe the behavior of

Pegged Orders and Orders with Midpoint Pegging in the Rule with regard to whether these Orders are "Managed" or "Fixed," rather than with regard to the protocol used to enter them, especially as OUCH will be available for use in entering both Managed and Fixed Pegging Orders going forward. Additionally, proposed amendments to Rule 4703(d) would reorganize the description of the behavior of various types of Pegged Orders so that it flows more logically and is more readily comprehensible. Finally, proposed changes would describe the behavior of Pegged Orders more comprehensively, by adding language that was mistakenly omitted from the Rule.

Meanwhile, the Exchange's proposal to restate the Rule's description of the price collar applicable to Pegged Orders is consistent with the Act because it accounts for the fact that under certain conditions, the System will cancel Pegging Orders before clearing liquidity inside the collar.

The Exchange's proposal is consistent with the Act to amend its Rule governing the Reserve Order Attribute, at Rule 4703(h) to state that when a Reserve Order is entered using OUCH with a displayed size of an odd lot, the System will reject the Order. The Exchange believes that this new proposed behavior will benefit participants insofar as Reserve Orders entered with odd lot displayed sizes are often the product of errors. Rather than expose erroneous displayed sizes, OUCH will cancel the Orders and thus provide participants with an opportunity to correct their errors, or to validate their original choices, by re-entering the Reserve Order.

Additionally, the Exchange's proposal to amend its Rule governing the Trade Now Order Attribute, at Rule 4703(m), is consistent with the Act, because it accounts for

the fact that when entered through the upgraded version of OUCH, the Trade Now Order

Attribute may be enabled on an order-by-order or a port-level basis.

Finally, the Exchange's proposal to amend its Rule governing the Limit Up-Limit

Down Mechanism, at Rules 4120(a)(12)(E)(2)(a) and 4120(a)(12)(E)(2)(b) are consistent

with the Act because the proposed amendments align with OUCH's capability going

forward, once upgraded, to handle certain Order Types and Order Attributes similar to

how RASH and FIX handle them. Additionally, as discussed above, variance will occur

in certain Order Types based upon whether the orders are subject to management during

their lifetimes.

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. As a general principle, the proposed changes are reflective of the significant

competition among exchanges and non-exchange venues for order flow. In this regard,

proposed changes that facilitate enhancements to the Exchange's System and Order entry

protocols as well as those that amend and clarify the Exchange's Rules regarding its

Order Attributes, are pro-competitive because they bolster the efficiency, functionality,

and overall attractiveness of the Exchange in an absolute sense and relative to its peers.

Moreover, none of the proposed changes will unduly burden intra-market

competition among various Exchange participants. Participants will experience no

competitive impact from its proposals, as these proposals will restate and reorganize

portions of the Rule to reflect the upgraded capabilities of OUCH, as well as to render the

descriptions of OUCH's new capabilities easier to read and understand.

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

Because the foregoing proposed rule change does not: (i) significantly affect the protection of investors or the public interest; (ii) impose any significant burden on competition; and (iii) become operative for 30 days from the date on which it was filed, or such shorter time as the Commission may designate, it has become effective pursuant to Section 19(b)(3)(A)(iii) of the Act[21] and subparagraph (f)(6) of Rule 19b-4 thereunder.[22]

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.

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[21] 15 U.S.C. 78s(b)(3)(A)(iii).

[22] 17 CFR 240.19b-4(f)(6). In addition, Rule 19b-4(f)(6) requires a self-regulatory organization to give the Commission written notice of its intent to file the proposed rule change at least five business days prior to the date of filing of the proposed rule change, or such shorter time as designated by the Commission. The Exchange has satisfied this requirement.

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-NASDAQ-2022-051 on the subject line.

Paper comments:

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

All submissions should refer to File Number SR-NASDAQ-2022-051. 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 Web site (http://www.sec.gov/rules/sro.shtml).

Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for 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; the Commission does not edit

personal identifying information from submissions. You should submit only information

that you wish to make available publicly.

All submissions should refer to File Number SR-NASDAQ-2022-051 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.[23]

J. Matthew DeLesDernier
Assistant Secretary

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[23]   17 CFR 200.30-3(a)(12).

EXHIBIT 5

Deleted text is [bracketed]. New text is underlined.

The Nasdaq Stock Market LLC Rules

* * * * *

Equity Rules

* * * * *

Equity 4: Equity Trading Rules
...

4120. Limit Up-Limit Down Plan and Trading Halts

(1) – (11) No change.

(12) Limit Up-Limit Down Mechanism.

(A) – (D) No change.

(E) **Repricing and Cancellation of Interest.** Exchange systems shall reprice and/or cancel buy (sell) interest that is priced or could be executed above (below) the Upper (Lower) Price Band. Any interest that is repriced pursuant to this Rule shall receive a new time stamp and new execution priority.

(1) **Market Orders.** If a market order with a time in force other than Immediate or Cancel cannot be fully executed at or within the Price Bands, Exchange systems shall post the unexecuted portion of the buy (sell) market order at the Upper (Lower) Price Band.

(2) **Limit-priced Interest.** Both displayable and non-displayable incoming limit-priced interest to buy (sell) that is priced above (below) the Upper (Lower) Price Band shall be repriced to the Upper (Lower) Price Band.

(a) For limit-priced orders entered via the OUCH protocol, which are not assigned a Managed Pegging, Discretionary, or Reserve Order Attribute, the order shall be repriced upon entry only if the Price Bands are such that the price of the limit-priced interest to buy (sell) would be above (below) the upper (lower) Price Band. Once slid:

(i) if the Price Bands move such that the price of the order to buy (sell) would be below (above) the lower (upper) Price Band, the order will not be re-priced again. Rather, the order will either remain on the book at the same price

or be cancelled back to the entering party, depending on how the entering party has configured its order entry port.

(ii) if the Price Bands move such that the price of the order to buy (sell) would be above (below) the upper (lower) Price Band, the order will not be re-priced again. Rather, the order will be cancelled.

(b) For limit-priced orders entered via RASH or FIX protocols, or via the OUCH protocol if assigned a Managed Pegging, Discretionary, or Reserve Order Attribute, the order shall be eligible to be repriced by the system multiple times if the Price Bands move such that the price of resting limit-priced interest to buy (sell) would be above (below) the upper (lower) Price Band. Once slid, if the Price Bands again move such that the price of resting limit interest to buy (sell) would be below (above) the upper (lower) Price Band the order will continue to be repriced either to its original limit price or to the new price bands, whichever is less aggressive.

* * * * *

4702. Order Types

(a) No change.

(b) Except where stated otherwise, the following Order Types are available to all Participants:

(1) (A) A "**Price to Comply Order**" is an Order Type designed to comply with Rule 610(d) under Regulation NMS by avoiding the display of quotations that lock or cross any Protected Quotation in a System Security during Market Hours. The Price to Comply Order is also designed to provide potential price improvement.

….

(B) No change.

(C) The following Order Attributes may be assigned to a Price to Comply Order:

• Price. As described above, the price of the Order may be adjusted to avoid locking or crossing a Protected Quotation, and may include a displayed price as well as a non-displayed price.

• Size.

• Reserve Size (available through OUCH, RASH, FIX and QIX only).

- A Time-in-Force other than IOC. (A Price to Comply Order entered with a Time-in-Force of IOC would be processed as a Non-Displayed Order with a Time-in-Force of IOC).

- Designation as an ISO. In accordance with Regulation NMS, a Price to Comply Order designated as an ISO would be processed at its entered limit price, since such a designation reflects a representation by the Participant that it has simultaneously routed one or more additional limit orders, as necessary, to execute against the full displayed size of any Protected Quotations that the Price to Comply Order would lock or cross.

- Routing (available through RASH, FIX and QIX only).

- Primary Pegging and Market Pegging (available through OUCH, RASH, FIX, and QIX only).

- Discretion (available through OUCH, RASH, FIX and QIX only).

- Participation in the Nasdaq Opening Cross, Nasdaq Halt Cross and/or the Nasdaq Closing Cross.

- Display. A Price to Comply Order is always displayed, although, as provided above, it may also have a non-displayed price and/or Reserve Size.

- Trade Now (available through OUCH, RASH, FLITE and FIX).

(2) (A) A "**Price to Display Order**" is an Order Type designed to comply with Rule 610(d) under Regulation NMS by avoiding the display of quotations that lock or cross any Protected Quotation in a System Security during Market Hours. Price to Display Orders are available solely to Participants that are Market Makers.

…

(B) No change.

(C) The following Order Attributes may be assigned to a Price to Display Order:

- Price. As described above, the price of the Order may be adjusted to avoid locking or crossing a Protected Quotation.

- Size.

- Reserve Size (available through OUCH, RASH, FIX and QIX only).

• A Time-in-Force other than IOC. (A Price to Display Order entered with a Time-in-Force of IOC would be processed as a Non-Displayed Order with a Time-in-Force of IOC).

• Designation as an ISO. In accordance with Regulation NMS, a Price to Display Order designated as an ISO would be processed at its entered limit price, since such a designation reflects a representation by the Participant that it has simultaneously routed one or more additional limit orders, as necessary, to execute against the full displayed size of any Protected Quotations that the Price to Display Order would lock or cross.

• Routing (available through RASH, FIX and QIX only).

• Primary Pegging and Market Pegging (available through OUCH, RASH, FIX, and QIX only).

• Discretion (available through OUCH, RASH, FIX and QIX only).

• Participation in the Nasdaq Opening Cross, Nasdaq Halt Cross and/or the Nasdaq Closing Cross.

• Attribution. All Price to Display Orders are Attributable Orders.

• Display. A Price to Display Order is always displayed (but may also have Reserve Size).

(3) (A) A "**Non-Displayed Order**" is an Order Type that is not displayed to other Participants, but nevertheless remains available for potential execution against incoming Orders until executed in full or cancelled. In addition to the Non-Displayed Order Type, there are other Order Types that are not displayed on the Nasdaq Book. Thus, "Non- Display" is both a specific Order Type and an Order Attribute of certain other Order Types.

...

(B) No change.

(C) The following Order Attributes may be assigned to a Non-Displayed Order:

• Price. As described above, the price of the Order may be adjusted to avoid crossing a Protected Quotation.

• Size.

• Minimum Quantity.

- Time-in-Force.

- Designation as an ISO. In accordance with Regulation NMS, a Non-Displayed Order designated as an ISO would be processed at its entered limit price, since such a designation reflects a representation by the Participant that it has simultaneously routed one or more additional limit orders, as necessary, to execute against the full displayed size of any Protected Quotations that the Non-Displayed Order would cross. As discussed above, a Non-Displayed Order would be accepted at a price that locked a Protected Quotation, even if the Order was not designated as an ISO, because the non-displayed nature of the Order allows it to lock a Protected Quotation under Regulation NMS. Accordingly, the System would not interpret receipt of a Non-Displayed Order marked ISO that locked a Protected Quotation as the basis for determining that the Protected Quotation had been executed for purposes of accepting additional Orders at that price level.

- Routing (available through RASH, FIX and QIX only).

- Primary Pegging and Market Pegging (available through OUCH, RASH, FIX, and QIX only).

- Pegging to the Midpoint (see Rule 4703(d) with respect to differences [between OUCH and FLITE and RASH, FIX, and QIX]in behavior that occur in various scenarios involving Non-Displayed Orders with Midpoint Pegging).

- Discretion (available through OUCH, RASH, FIX and QIX only).

- Participation in the Nasdaq Opening Cross, Nasdaq Halt Cross and/or the Nasdaq Closing Cross.

- Trade Now (available through OUCH, RASH, FLITE and FIX).

 (4) No change.

(5) (A) A "**Midpoint Peg Post-Only Order**" is an Order Type with a Non-Display Order Attribute that is priced at the midpoint between the NBBO and that will execute upon entry only in circumstances where economically beneficial to the party entering the Order. The Midpoint Peg Post-Only Order is available during Market Hours only. As described below, a Midpoint Peg Post Only Order may be "Fixed" or "Managed."

…

(B) [If a]A Managed Midpoint Peg Post-Only Order [is entered through RASH, QIX, or FIX, the Midpoint Peg Post-Only Order]may be adjusted in the following manner after initial entry and posting to the Nasdaq Book:

- The price of the Midpoint Peg Post-Only Order will be updated repeatedly to equal the midpoint between the NBBO; provided, however, that the Order will not be priced higher (lower) than the limit price of an Order to buy (sell). In the event that the midpoint between the NBBO becomes higher than (lower than) the limit price of an Order to buy (sell), the price of the Order will stop updating and the Order will post (with a Non-Display Attribute) at its limit price, but will resume updating if the midpoint becomes lower than (higher than) the limit price of an Order to buy (sell). Similarly, if a Midpoint Peg Post-Only Order is on the Nasdaq Book and subsequently the NBBO is crossed, or if there is no NBBO, the Order will be removed from the Nasdaq Book and will be re-entered at the new midpoint once there is a valid NBBO that is not crossed. The Midpoint Peg Post-Only Order receives a new timestamp each time its price is changed.

[If a]A Fixed Midpoint Peg Post-Only Order [is entered through OUCH or FLITE, the Midpoint Peg Post-Only Order]may be adjusted in the following manner after initial entry and posting to the Nasdaq Book:

- The price at which the Midpoint Peg Post-Only Order is ranked on the Nasdaq Book is the midpoint between the NBBO, unless the Order has a limit price that is lower than the midpoint between the NBBO for an Order to buy (higher than the midpoint between the NBBO for an Order to sell), in which case the Order will be ranked on the Nasdaq Book at its limit price. The price of the Order will not thereafter be adjusted based on changes to the NBBO. However, a Fixed Midpoint Peg Post-Only Order [entered through OUCH or FLITE]will be cancelled back to the Participant after initial entry and posting to the Nasdaq Book if any of the following conditions are met:

- There is no National Best Bid and/or National Best Offer;

- The Order to buy (sell) is entered with a limit price above (below) the Midpoint of the NBBO and is ranked at the Midpoint of the NBBO; thereafter, the NBBO changes so that the Midpoint changes and the Order is no longer at the NBBO Midpoint;

- The Order to buy (sell) is entered at a limit price that is equal to or less than (greater than) the Midpoint of the NBBO and is ranked at its limit price; thereafter, the NBBO changes so that the Midpoint of the NBBO is lower (higher) than the limit price of the Order;

- The Order to buy (sell) is entered at a limit price that is equal to or less than (greater than) the Midpoint of the NBBO and is ranked at its limit price, thereafter the NBBO becomes crossed, such that the Midpoint of the crossed NBBO remains equal to or higher (lower) than the limit price of the Order, and then a new sell (buy) Order is received at a price that locks or crosses the limit price of the resting Midpoint Peg Post-Only Order; or

• The Order to buy (sell) is entered at a limit price that is greater than (less than) the Midpoint of the NBBO and is therefore ranked at the Midpoint of the NBBO, thereafter the NBBO becomes crossed but the Midpoint does not change, and then a new sell (buy) Order is received at a price that locks or crosses the Midpoint of the NBBO.

(C) The following Order Attributes may be assigned to a Midpoint Peg Post-Only Order:

• Price of more than $1 per share.

• Size.

• Time-in-Force; provided, however, that a Midpoint Peg Post-Only Order with a Time-in-Force of IOC may not be entered through RASH, QIX or FIX, and provided further that regardless of the Time-in-Force entered, a Midpoint Post-Only Order may not be active outside of Market Hours. Midpoint Peg Post-Only Orders may not participate in the Nasdaq Opening Cross, Nasdaq Halt Cross, or the Nasdaq Closing Cross. A Midpoint Peg Post-Only Order entered prior to the beginning of Market Hours will be rejected. Midpoint Peg Post-Only Orders will be cancelled by the System when a trading halt is declared, and any Midpoint Peg Post-Only Orders entered during a trading halt will be rejected. A Midpoint Peg Post-Only Order remaining on the Nasdaq Book at 4:00 p.m. ET will be cancelled by the System.

• Pegging to the midpoint is required for Managed Midpoint Peg Post-Only Orders [entered through RASH, QIX or FIX]. As discussed above, the price of a Fixed Midpoint Peg Post-Only Order [entered through OUCH or FLITE]will be pegged to the midpoint upon entry and not adjusted thereafter.

• Minimum Quantity.

• Non-Display. All Midpoint Peg Post-Only Orders are Non-Displayed.

• Trade Now (available through OUCH, RASH, FLITE and FIX).

(6) No change.

(7) (A) A "**Market Maker Peg Order**" is an Order Type designed to allow a Market Maker to maintain a continuous two-sided quotation at a displayed price that is compliant with the quotation requirements for Market Makers set forth in Equity 2, Section 5(a)(2). The displayed price of the Market Maker Peg Order is set with reference to a "Reference Price" in order to keep the displayed price of the Market Maker Peg Order within a bounded price range. A Market Maker Peg Order may be entered through OUCH, RASH, FIX or QIX only. A Market Maker Peg Order must be entered with a limit price beyond which the Order may not be priced. The

Reference Price for a Market Maker Peg Order to buy (sell) is the then-current National Best Bid (National Best Offer) (including Nasdaq), or if no such National Best Bid or National Best Offer, the most recent reported last-sale eligible trade from the responsible single plan processor for that day, or if none, the previous closing price of the security as adjusted to reflect any corporate actions (e.g., dividends or stock splits) in the security.

...

(8) – (16) No change.

* * * * *

4703. Order Attributes

As described in Rule 4702, the following Order Attributes may be assigned to those Order Types for which they are available.

(a) – (c) No change.

(d) **Pegging**. Pegging is an Order Attribute that allows an Order to have its price automatically set with reference to the NBBO; provided, however, that if Nasdaq is the sole market center at the Best Bid or Best Offer (as applicable), then the price of any Displayed Order with Primary Pegging (as defined below) will be set with reference to the highest bid or lowest offer disseminated by a market center other than Nasdaq. An Order with a Pegging Order Attribute may be referred to as a "Pegged Order." For purposes of this rule, the price to which an Order is pegged will be referred to as the Inside Quotation, the Inside Bid, or the Inside Offer, as appropriate. There are three varieties of Pegging:

  • Primary Pegging means Pegging with reference to the Inside Quotation on the same side of the market. For example, if the Inside Bid was $11, an Order to buy with Primary Pegging would be priced at $11.

  • Market Pegging means Pegging with reference to the Inside Quotation on the opposite side of the market. For example, if the Inside Offer was $11.06, an Order to buy with Market Pegging would be priced at $11.06.

  • Midpoint Pegging means Pegging with reference to the midpoint between the Inside Bid and the Inside Offer (the "Midpoint"). Thus, if the Inside Bid was $11 and the Inside Offer was $11.06, an Order with Midpoint Pegging would be priced at $11.03. An Order with Midpoint Pegging is not displayed. An Order with Midpoint Pegging may be executed in sub-pennies if necessary to obtain a midpoint price. Participants may specify two alternative forms of Midpoint Pegging when entering an Order: "Managed Midpoint" Orders, which the System may update in response to changes to the Midpoint; and "Fixed Midpoint" Orders, which the System will cancel in response to changes to the Midpoint, as set forth below.

Pegging is available only during Market Hours. An Order with Pegging may specify a limit price beyond which the Order may not be executed; provided, however, that if an Order has been assigned a Pegging Order Attribute and a Discretion Order Attribute, the Order may execute at any price within the discretionary price range, even if beyond the limit price specified with respect to the Pegging Order Attribute. If an Order with Pegging is priced at its limit price, the price of the Order may nevertheless be changed to a less aggressive price based on changes to the Inside Quotation. In addition, an Order with Primary Pegging or Market Pegging may specify an Offset Amount, such that the price of the Order will vary from the Inside Quotation by the selected Offset Amount. The Offset Amount may be either aggressive or passive. Thus, for example, if a Participant entered an Order to buy with Primary Pegging and a passive Offset Amount of $0.05 and the Inside Bid was $11, the Order would be priced at $10.95. If the Participant selected an aggressive Offset Amount of $0.02, however, the Order would be priced at $11.02. An Order with Primary Pegging and an Offset Amount will not be Displayed, unless the Order is Attributable. An Order with Midpoint Pegging will not be Displayed. An Order with Market Pegging and no Offset behaves as a "market order" with respect to any liquidity on the Nasdaq Book at the Inside Quotation on the opposite side of the market because it is immediately executable at that price.

Primary Pegged, Market Pegged, and Managed Midpoint Orders (collectively, "Peg Managed Orders") are available through OUCH, RASH, QIX, and FIX only.

If, at the time of entry, there is no price to which a Peg[ged] Managed Order, that has not been assigned a Routing Order Attribute or a Time in Force of IOC, can be pegged or pegging would lead to a price at which the Order cannot be posted, or in the case of a Managed Midpoint Order, the Inside Bid and Inside Offer are crossed, the Order will not be immediately available on the Nasdaq Book and will be entered once there is a permissible price; provided, however, that the System will cancel the Pegged Order if no permissible pegging price becomes available within one second after Order entry (the Exchange may, in the exercise of its discretion, modify the length of this one second time period by posting advance notice of the applicable time period on its website).

For a Peg[ged] Managed Order that has been assigned a Routing Order Attribute, if there is no permissible price to which the Order can be pegged at the time of entry, pegging would lead to a price at which the Order cannot be posted, or in the case of a Managed Midpoint Order, the Inside Bid and Inside Offer are crossed, the Order will be rejected; provided, however, that a Displayed Order that has Market Pegging, or an Order with a Non-Display Attribute that has Primary Pegging or Market Pegging, will be accepted at its limit price. [In the case of an Order with Midpoint Pegging, if the Inside Bid and Inside Offer are locked, the Order will be priced at the locking price; and for Orders with Midpoint Pegging entered through OUCH or FLITE, if the Inside Bid and Inside Offer are crossed or if there is no Inside Bid and/or Inside Offer, the Order will not be accepted. However, even if the Inside Bid and Inside Offer are locked, an Order with Midpoint Pegging that locked an Order on the Nasdaq Book would execute (provided, however, that a Midpoint Peg Post-Only Order would execute or post as described in Rule 4702(b)(5)(A)).]

[Primary Pegging and Market Pegging are available through RASH, QIX, and FIX only. An Order entered through OUCH or FLITE with Midpoint Pegging]A Midpoint Pegging Order will have its price set upon initial entry to the Midpoint, unless the Order has a limit price, and that limit price is lower than the Midpoint for an Order to buy (higher than the Midpoint for an Order to sell), in which case the Order will be ranked on the Nasdaq Book at its limit price. If the Inside Bid and Inside Offer are locked, a Midpoint Pegging Order will be priced at the locking price; and for Fixed Midpoint Orders, if the Inside Bid and Inside Offer are crossed or if there is no Inside Bid and/or Inside Offer, the Order will not be accepted. However, even if the Inside Bid and Inside Offer are locked, an Order with Midpoint Pegging that locked an Order on the Nasdaq Book would execute (provided, however, that a Midpoint Peg Post-Only Order would execute or post as described in Rule 4702(b)(5)(A)).

[T]After posting to the Nasdaq Book, the price of [the]a Fixed Midpoint Order will not thereafter be adjusted based on changes to the Inside Bid or Offer. However, [an Order with Midpoint Pegging]a Fixed Midpoint Order [entered through OUCH or FLITE]will be cancelled back to the Participant after initial entry and posting to the Nasdaq Book if any of following conditions are met:

  • There is no Inside Bid and/or Inside Offer;

  • The Order to buy (sell) is entered with a limit price above (below) the Midpoint and is ranked at the Midpoint; thereafter the Inside Bid and/or Inside Offer change so that the Midpoint changes and the Order is no longer at the Midpoint;

  • The Order to buy (sell) is entered at a limit price that is equal to or less than (greater than) the Midpoint and is ranked at its limit price; thereafter, the Inside Bid and/or Inside Offer change so that the Midpoint is lower (higher) than the limit price of the Order;

  • The Order to buy (sell) is entered at a limit price that is equal to or less than (greater than) the Midpoint and is ranked at its limit price; thereafter the Inside Bid and Inside Offer become crossed, such that the Midpoint of the crossed Quotation remains equal to or higher (lower) than the limit price of the Order, and then a new sell (buy) Order is received at a price that locks or crosses the limit price of the resting Order marked for Midpoint Pegging; or

  • The Order to buy (sell) is entered at a limit price that is greater than (less than) the Midpoint and is therefore ranked at the Midpoint; thereafter the Inside Bid and Inside Offer become crossed but the Midpoint does not change, and then a new sell (buy) Order is received at a price that locks or crosses the Midpoint of the Inside Bid and Inside Offer.

A[n] Peg Managed Order [entered through RASH, QIX or FIX with Pegging]will have its price set upon initial entry and will thereafter have its price reset in accordance with changes to the relevant Inside Quotation. An Order with Pegging receives a new

timestamp whenever its price is updated and therefore will be evaluated with respect to possible execution (and routing, if it has been assigned a Routing Order Attribute) in the same manner as a newly entered Order. If the price to which an Order is pegged becomes unavailable[or], pegging would lead to a price at which the Order cannot be posted, or, in the case of a Managed Midpoint Order, if the Inside Bid and Inside Offer become crossed, the Order will be [rejected]cancelled back to the participant if assigned a Routing Order Attribute; provided, however, that an Order with Market Pegging, or an Order with Primary Pegging and a Non-Display Attribute, shall be re-entered at its limit price.[i]If [the]a Peg Managed Order is not assigned a Routing Order Attribute, and the price to which it is pegged becomes unavailable, pegging would lead to a price at which the Order cannot be posted, or, in the case of a Managed Midpoint Order, if the Inside Bid and Inside Offer become crossed, the Order will be removed from the Nasdaq Book and will be re-entered once there is a permissible price, provided however, that the System will cancel the Pegged Order if no permissible pegging price becomes available within one second after the Order was removed and no longer available on the Nasdaq Book (the Exchange may, in the exercise of its discretion modify the length of this one second time period by posting advance notice of the applicable time period on its website). [For an Order with Midpoint Pegging, if the Inside Bid and Inside Offer become crossed or if there is no Inside Bid and/or Inside Offer, the Order will be removed from the Nasdaq Book and will be re-entered at the new midpoint once there is a valid Inside Bid and Inside Offer that is not crossed; provided, however, that the System will cancel the Order with Midpoint Pegging if no permissible price becomes available within one second after the Order was removed and no longer available on the Nasdaq Book (the Exchange may, in the exercise of its discretion modify the length of this one second time period by posting advance notice of the applicable time period on its website).]

Pegging Orders are subject to a collar. [Any portion of a Pegging Order that could execute, either on the Exchange or when routed to another market center, at a price of more than $0.25 or 5 percent worse than the NBBO at the time when the order reaches the System, whichever is greater, will be cancelled.] Any portion of a Pegging Order with a Routing attribute to buy (sell) that could execute, either on the Exchange or when routed to another market center, at a price of more than the greater of $0.25 or 5 percent higher (lower) than the NBO (NBB) at the time when the order reaches the System (the "Collar Price"), will be cancelled. An Order entered without a Routing attribute will be cancelled, if it would, as a result of the price determined by a Pegging or Discretionary Pegging attribute, execute or post to the Exchange Book at a price through the Collar Price.

Orders with Midpoint Pegging will be cancelled by the System when a trading halt is declared, and any Orders with Midpoint Pegging entered during a trading halt will be rejected.

(e) – (g) No change.

(h) Reserve Size. Reserve Size is an Order Attribute that permits a Participant to stipulate that an Order Type that is displayed may have its displayed size replenished from additional non-displayed size. An Order with Reserve Size may be referred to as a "Reserve Order." At the time of entry, the displayed size of such an Order selected by the Participant must be one or more normal units of trading; an Order with a displayed size of a mixed lot will be rounded down to the nearest round lot. A Reserve Order with displayed size of an odd lot: (i) entered using OUCH will be rejected; or (ii) entered using RASH or FIX will be accepted but with the full size of the Order displayed. Reserve Size is not available for Orders that are not displayed; provided, however, that if a Participant enters Reserve Size for a Non-Displayed Order with a Time-in-Force of IOC, the full size of the Order, including Reserve Size, will be processed as a Non- Displayed Order.

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(i) – (j) No change.

(m) **Trade Now**. Trade Now is an Order Attribute that allows: (i) a resting Order that becomes locked or crossed, as applicable, at its non-displayed price by the posted price of an incoming Displayed Order or a Midpoint Peg Post-Only Order to execute against a locking or crossing Order(s) as a liquidity taker automatically; and (ii) a Non-Displayed Order with Midpoint Pegging or a Midpoint Peg Post-Only Order (collectively, "Midpoint Orders") to execute against a M-ELO+CB automatically, subject to the eligibility requirements set forth below. Any remaining shares of the resting Order will remain posted on the Nasdaq Book with the same priority.

- When entered through the OUCH, RASH or FIX protocols, the Trade Now Order Attribute may be enabled on an order-by-order or a port-level basis. When entered through OUCH or FLITE, the Trade Now Order Attribute may be enabled on a port-level basis for all Order Types that support it, and for the Non-Displayed Order Type, also on an order-by-order basis.

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