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

File No. * SR 2023 - * 018

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) * ☐

Pilot ☐

Extension of Time Period for Commission Action * ☐

Date Expires *

Rule

☐ 19b-4(f)(1)   ☐ 19b-4(f)(4)
☐ 19b-4(f)(2)   ☐ 19b-4(f)(5)
☐ 19b-4(f)(3)   ✓ 19b-4(f)(6)

Submit with link to Prefiling or Request for Waiver option

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 *).

Amend NOM Options 3 Rules

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 * Angela   Last Name * Dunn

Title * Principal Associate General Counsel

E-mail * Angela.Dunn@Nasdaq.com

Telephone * (215) 496-5692   Fax

Signature

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

Date 06/27/2023

By   John A. Zecca   (Title *) 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: 2023.06.27 15:28:59 -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-2023-018 19b4.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-2023-018 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-2023-018 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 The Nasdaq Options Market LLC ("NOM") Rules at Options 3, Options Trading Rules, at: Section 4 Entry and Display of Quotes; Section 5, Entry and Display of Orders; Section 7, Types of Orders and Order and Quote Protocols; and Section 15, Risk Protections. The Exchange also proposes to amend Options 5, Section 4, Order Routing.

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 (the "Board"). 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:

Angela Saccomandi Dunn
Principal Associate General Counsel
Nasdaq, Inc.

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

[2]   17 CFR 240.19b-4.

(215) 496-5692

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

   a.   Purpose

NOM proposes to amend Options 3, Options Trading Rules, at: Section 4 Entry and Display of Quotes; Section 5, Entry and Display of Orders; Section 7, Types of Orders and Order and Quote Protocols; and Section 15, Risk Protections. The Exchange also proposes to amend Options 5, Section 4, Order Routing. Each change will be discussed below. The amendments proposed herein seek to codify the current System functionality. The proposed amendments will not result in System changes.

Option 3, Sections 4 and 5

The Exchange proposes to codify existing functionality that allows Market Makers to submit their quotes to the Exchange in block quantities as a single bulk message. In other words, a Market Maker may submit a single message to the Exchange, which may contain bids and offers in multiple series. The Exchange's current rules do not specify bulk messaging for orders. The Exchange has historically provided Market Makers with information regarding bulk messaging in its publicly available technical specifications.[3] To promote greater transparency, the Exchange is seeking to codify this functionality in its Rulebook. Specifically, the Exchange proposes to amend NOM Options 3, Section 4(b)(3) to memorialize that quotes may be submitted as a bulk message. The Exchange also proposes to add a definition of "bulk message" in new

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[3]   See https://www.nasdaq.com/docs/2023/01/12/0054-Q23_SQF_8.2b%20akg_NAM.pdf (specifying for bulk quoting of up to 200 quotes per quote block message). The specifications note in other places the manner in which a Participant can send such quote block messages.

subparagraph (i) of Options 3, Section 4(b)(3), which will provide that a bulk message means a single electronic message submitted by a Market Maker to the Exchange which may contain a specified number of quotations as designated by the Exchange.[4] The bulk message, submitted via SQF,[5] may enter, modify, or cancel quotes. Bulk messages are handled by the System in the same manner as it handles a single quote message. MRX recently added bulk messages to MRX Options 3, Section 4(b)(3).[6] The proposed amendment to the Rulebook to add NOM Options 3, Section 4(b)(3) will not result in a System change.

The Exchange also proposes to amend NOM Options 3, Section 4(b)(6) to provide the following,

A quote will not be executed at a price that trades through another market or displayed at a price that would lock or cross another market. If, at the

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[4]   Id. As noted above, quote bulk messages can presently contain up to 200 quotes per message. This is the maximum amount that is permitted in a bulk message. The Exchange would announce any change to these specifications in an Options Technical Update distributed to all Participants.

[5]   "Specialized Quote Feed" or "SQF" is an interface that allows Market Makers to connect, send, and receive messages related to quotes and Immediate-or- Cancel Orders into and from the Exchange. Features include the following: (1) options symbol directory messages (e.g., underlying instruments); (2) system event messages (e.g., start of trading hours messages and start of opening); (3) trading action messages (e.g., halts and resumes); (4) execution messages; (5) quote messages; (6) Immediate-or-Cancel Order messages; (7) risk protection triggers and purge notifications; and (8) opening imbalance messages. The SQF Purge Interface only receives and notifies of purge requests from the Market Maker. Market Makers may only enter interest into SQF in their assigned options series. See Options 3, Section 7(e)(1)(B).

[6]   See Securities Exchange Act, Release No. 95982 (October 4, 2022), 87 FR 61391 (October 11, 2022) (SR-MRX-2022-18) (Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Amend Its Rules in Connection With a Technology Migration to Enhanced Nasdaq Functionality) ("SR-MRX-2022-18").

time of entry, a quote would cause a locked or crossed market violation or would cause a trade-through, violation, it will be re-priced to the current national best offer (for bids) or the current national best bid (for offers) *as non-displayed,* and displayed at one minimum price variance above (for offers) or below (for bids) the national best price.

Where a quote is re-priced to avoid a locked or crossed market, the best bid or offer will be non-displayed and the re-priced order will be displayed at a price that is one minimum trading increment inferior to the ABBO. A similar change is proposed for Options 3, Section 5(d). MRX recently amended Options 3, Section 4(b)(6) and Options 3, Section 5(d) to include this language.[7] At this time, the Exchange proposes to amend NOM's rule text to reflect that the actual price remains non-displayed in this scenario. The proposed amendment to the Rulebook to add NOM Options 3, Section 4(b)(6) will not result in a System change.

Similarly, the Exchange proposes to add a new NOM Options 3, Section 4(b)(7) to clarify that, today, NOM's System will automatically execute eligible quotes using the Exchange's displayed best bid and offer ("BBO") or the Exchange's non-displayed order book ("internal BBO")[8] if the best bid and/or offer on the Exchange has been repriced pursuant to Options 3, Section 5(d) and Options 3, Section 4(b)(6). This rule text seeks to codify the current System function and make clear that the internal BBO is comprised

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[7]   See Securities Exchange Act, Release No. 95807 (September 16, 2022), 87 FR 57933 (September 22, 2022) (SR-MRX-2022-16) (Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Amend Certain Rules in Connection With a Technology Migration to Enhanced Nasdaq Functionality) ("SR-MRX-2022-16").

[8]   The internal BBO refers to the Exchange's non-displayed book.

of both orders and quotes.[9] MRX recently amended Options 3, Section 4(b)(7) to include the same language.[10] At this time, the Exchange proposes to align NOM's rule text in Options 3, Section 4(b)(7) to MRX's rule text in Options 3, Section 4(b)(7). The proposed amendment to the Rulebook to add NOM Options 3, Section 4(b)(7) will not result in a System change.

Finally, the Exchange proposes to amend NOM Options 3, Section 5(c) to include a citation to Options 3, Section 4(b)(6) as the internal BBO is comprised of both orders and quotes, similar to MRX.[11]

The amendments proposed to Options 3, Sections 4 and 5 do not change the current System functionality.

Options 3, Section 7

The Exchange proposes to amend the "Post-Only Order type at Options 3, Section 7(a)(9) to rename the order type "Add Liquidity Order". The Exchange believes the name better describes this order type. This is also the name of a similar order type on MRX.[12] The Exchange also proposes to capitalize the term "Opening Process" which refers to NOM Options 3, Section 8.

The Exchange proposes to amend the description of Specialized Quote Feed or "SQF" within NOM Options 3, Section 7(e)(1)(B) to add rule text which states,

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[9]   The Exchange also proposes to re-number current Options 3, Section 4(b)(7) as (8).

[10]   See SR-MRX-2022-16.

[11]   Id.

[12]   See MRX Options 7, Section 7(n).

"Immediate-or-Cancel Orders entered into SQF are not subject to the Order Price Protection, Market Order Spread Protection, or Size Limitation Protection in Options 3, Section 15(a)(1), (a)(2), and (b)(2) respectively." This rule text is currently noted within Options 3, Section 7(b)(2) above. The Exchange is adding the same language into the description of SQF to provide a more complete description. The addition of this information would align the level of information of NOM's rule text to NOM's rule text at Supplementary Material .03(c) to Options 3, Section 7. The Exchange is proposing a similar amendment to Options 3, Section 7(e)(1)(D) regarding Quote Using Orders or "QUO" [13] to state that, "Orders entered into QUO are not subject to the Order Price Protection or Size Limitation in Options 3, Section 15(a)(1) and (b)(2), respectively." All orders entered into QUO are not subject to the Order Price Protection or Size Limitation protections, not Immediate-or-Cancel Orders. Also, the Market Order Spread Protection is not applicable to QUO because QUO cannot be utilized to send Market Orders to the Exchange, only FIX may be utilized to send Market Orders. The proposed amendment to NOM Options 3, Section 7(e)(1)(B) and (D) will not result in System changes.

Options 3, Section 15

MRX recently amended its Order Price Protection ("OPP")[14] rule.[15] MRX's OPP

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[13]   "Quote Using Orders" or "QUO" is an interface that allows Market Makers to connect, send, and receive messages related to single-sided orders to and from the Exchange. Order Features include the following: (1) options symbol directory messages (e.g., underlying); (2) system event messages (e.g., start of trading hours messages and start of opening); (3) trading action messages (e.g., halts and resumes); (4) execution messages; (5) order messages; and (6) risk protection triggers and cancel notifications. Orders submitted by Market Makers over this interface are treated as quotes. Market Makers may only enter interest into QUO in their assigned options series.

[14]   OPP prevents the execution of Limit Orders at prices outside pre-set parameters.

rule utilized different rule text to explain the OPP functionality than is currently on

NOM. At this time, the Exchange proposes to amend NOM Options 3, Section 15(a)(1)

to align NOM's rule text to MRX's rule text within Options 3, Section 15(a)(1)(A).

Specifically, the Exchange proposes to remove the references to "day limit, good til

cancelled, and immediate or cancel orders" and, instead, simply refer to "Limit" Orders

as that order type accurately captures the scope of the orders subject to OPP. Further, the

Exchange proposes to remove "market orders" from the next sentence since OPP only

applies to limit orders. The Exchange also proposes to capitalize "Opening" and add

Process in Options 2, Section 15(a)(1)(A) to refer to the Opening Process within Options

3, Section 8. The proposed amendment to Options 3, Section 15(a)(1) will not result in a

System change.

Additionally, the Exchange proposes to amend its Acceptable Trade Range

("ATR") Rule within NOM Options 3, Section 15(b)(1).[16] MRX recently amended its

ATR rule.[17] MRX's ATR rule utilized different rule text to explain the ATR

functionality. At this time, the Exchange proposes to amend Options 3, Section

15(b)(1)(A) to add the word "quote" in that same sentence, where it was omitted and also

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[15]   See SR-MRX-2022-18.

[16]   ATR is designed to guard against the System from experiencing dramatic price
        swings by preventing the immediate execution of quotes and orders beyond the
        thresholds set by the protection.

[17]   See SR-MRX-2022-16.

add the words "after the Posting Period" to explain when a new ATR would be calculated

to provide more context to the rule.[18]

Additionally, similar to MRX Options 3, Section 15(a)(2)(A)(v) the Exchange

proposes to add the following rule text within NOM Options 3, Section 15(b)(1)(C),

> There will be three categories of options for Acceptable Trade Range: (1)
> Penny Interval Program Options trading in one cent increments for options
> trading at less than $3.00 and increments of five cents for options trading
> at $3.00 or more, (2) Penny Interval Program Options trading in one-cent
> increments for all prices, and (3) Non-Penny Interval Program Options.

This is how NOM operates today. This rule text makes clear the application of NOM

Options 3, Section 3 to the ATR rule by explicitly stating the Exchange's ability to set

different ATR values by options category. These ATR values are set forth in NOM's

System Settings document which is posted online.[19] The Exchange believes this rule text

will add greater clarity to the ATR rule. The proposed amendment to Options 3, Section

15(b)(1) will not result in a System change.

The Exchange proposes to capitalize the words "opening process" at the end of

Options 3, Section 15(c)(1) which refers to the Anti-Internalization functionality. The

term refers to the process within Options 3, Section 8.

The Exchange proposes to and the words "or quote" to Options 3, Section

15(c)(3) which refers to the Post-Only Quoting Protection. The paragraph refers to order

or quote throughout and was mistakenly omitted in one sentence.

Options 5, Section 4

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[18] The Exchange also proposes technical amendments to capitalize "the" and add
     opening parentheses in two places.

[19] https://www.nasdaq.com/docs/BXOptionsSystemSettings.

Options 5, Section 4 describes the manner in which NOM routes orders. The

Exchange proposes to amend NOM Options 5, Section 4(a) to eliminate the following

rule text,

> The term "System routing table" refers to the proprietary process for
> determining the specific trading venues to which the System routes orders
> and the order in which it routes them. The Exchange reserves the right to
> maintain a different System routing table for different routing options and
> to modify the System routing table at any time without notice.

When ISE filed to amend its routing rules, it did not include this sentence.[20] At this time,

the Exchange proposes to remove this unnecessary term that is not utilized elsewhere

within Options 5, Section 4. Removing this rule text will harmonize NOM's Options 5,

Section 4 rule with ISE's Options 5, Section 4(e). The proposed amendment to Options

5, Section 4(a) will not result in a System change.

b.   Statutory Basis

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

Act,[21] in general, and furthers the objectives of Section 6(b)(5) of the Act,[22] 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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20   See Securities Exchange Act Release No. 94894 (May 18, 2022), 87 FR 30294
        (May 12, 2022) (SR-ISE-2022-11) (Notice of Filing and Immediate Effectiveness
        of Proposed Rule Change To Amend Routing Functionality in Connection With a
        Technology Migration).

21   15 U.S.C. 78f(b).

22   15 U.S.C. 78f(b)(5).

Option 3, Sections 4 and 5

The Exchange believes that its proposal to memorialize its bulk message functionality within Options 3, Section 4(b)(3) is consistent with the Act as it will codify existing functionality, thereby promoting transparency in the Exchange's rules and reducing any potential confusion.[23] This functionality provides Market Makers with an additional tool to meet their various quoting obligations in a manner they deem appropriate, consistent with the purpose of the bulk message functionality to facilitate Market Makers' provision of liquidity. By providing Market Makers with additional control over the quotes they use to provide liquidity to the Exchange, this tool may benefit all investors through additional execution opportunities at potentially improved prices. Today, MRX offers this same functionality within Options 3, Section 4(b)(3). Further, the Exchange does not believe that the offering the bulk message functionality to only Market Makers would permit unfair discrimination. Market Makers play a unique and critical role in the options market by providing liquidity and active markets, and are subject to various quoting obligations which other market participants are not, including obligations to maintain active markets, update quotes in response to changed market conditions, to compete with other Market Makers in its appointed classes, and to provide intra-day quotes in its appointed classes.[24] Bulk message functionality provides Market Makers with a means to help them satisfy these obligations. The proposed amendment to the Rulebook to add NOM Options 3, Section 4(b)(3) will not result in a System change.

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[23]   As discussed above, this existing functionality is currently described in the Exchange's publicly available technical specifications. See supra note 3.

[24]   See Options 2, Sections 4 and 5.

The Exchange's proposal to amend Options 3, Section 4(b)(6) to make clear that the actual price remains non-displayed during re-pricing is consistent with the Act and removes impediments to and perfects the mechanism of a free and open market and a national market system because it displays a re-priced order that does not lock or cross an away market. The rule text clearly explains that the best bid or offer will be non-displayed and the re-priced order will be displayed. A similar change is proposed for NOM Options 3, Section 5(d). MRX recently amended Options 3, Section 4(b)(6) and Options 3, Section 5(d) to include the same language.[25] The proposed change aligns NOM's rule text to MRX's rule text. The proposed amendment to the Rulebook to add NOM Options 3, Section 4(b)(6) will not result in a System change.

The Exchange's proposal to add a new Options 3, Section 4(b)(7) to clarify that, today, NOM's System will automatically execute eligible quotes using the Exchange's displayed best bid and offer ("BBO") or the Exchange's non-displayed order book ("internal BBO") if the best bid and/or offer on the Exchange has been repriced pursuant to Options 3, Section 5(d) and Options 3, Section 4(b)(6) is consistent with the Act and protects investors and the public interest. This rule text seeks to codify the current System function and make clear that the internal BBO is comprised or both orders and quotes, both of which are considered for price checks. MRX recently amended Options 3, Section 4(b)(7) to include this language.[26] The proposed change aligns NOM's rule text to MRX's rule text. The proposed amendment to the Rulebook to add NOM Options 3, Section 4(b)(7) will not result in a System change.

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[25]   See SR-MRX-2022-16.

[26]   Id.

Options 3, Section 7

The Exchange's proposal to amend the name of the "Post-Only Order type at Options 3, Section 7(a)(9) to rename the order type "Add Liquidity Order" is a non-substantive technical amendment that will align the name to that used on MRX.[27]

The Exchange's proposal to amend the description of SQF within Options 3, Section 7(e)(1)(B) and the description of QUO within Options 3, Section 7(e)(1)(D) is consistent with the Act as this rule text is currently noted within Options 3, Section 7(b)(2) above. The addition of this language into the description of SQF and QUO provides a more complete description of this protocol. The addition of this information also aligns the level of information with that offered on MRX for SQF within Supplementary Material .03(c) to Options 3, Section 7 and differentiates the information from QUO. All orders entered into QUO are not subject to the Order Price Protection or Size Limitation protections, not Immediate-or-Cancel Orders. Also, the Market Order Spread Protection is not applicable to QUO because QUO cannot be utilized to send Market Orders to the Exchange, only FIX may be utilized to send Market Orders. The proposed amendment to NOM Options 3, Section 7(e)(1)(B) will not result in a System change.

Options 3, Section 15

The Exchange's proposal to amend NOM Options 3, Section 15(a)(1) to align NOM's OPP rule text to MRX's OPP rule text within Options 3, Section 15(a)(1)(A) is

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[27]   See MRX Options 7, Section 7(n).

consistent with the Act[28] because removing the references to "day limit, good til cancelled, and immediate or cancel orders" and, instead, referring to "Limit" Orders accurately captures the scope of the orders subject to OPP. This change would also make unnecessary the reference to market orders. The proposed amendment to Options 3, Section 15(a)(1) will not result in a System change.

The Exchange's proposal to amend the ATR Rule within Options 3, Section 15(b)(1) is consistent with the Act. MRX recently amended its ATR rule.[29] MRX's ATR rule utilized different rule text to explain the ATR functionality. Amending NOM Section 15(b)(1) to add the words "after the Posting Period" to explain when a new ATR would be calculated provides more context to the rule will provide greater context to the sentence. Additionally, adding the word "quote" in the one sentence where it is omitted will add clarity the sentence. The proposed amendment to Options 3, Section 15(b)(1) will not result in a System change. Also, adding rule text within NOM Options 3, Section 15(b)(1)(C) to make clear the Exchange's ability to set different ATR values by options category is consistent with the Act because the ATR risk protection limits the range of prices at which an order and quote trades and would take into account the minimum increment. The ability for the Exchange to set the ATR based on the increment allows the Exchange to set appropriate limits. The Exchange believes this rule text will add greater clarity to the ATR rule. The proposed amendment to Options 3, Section 15(b)(1) will not result in a System change.

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[28]   MRX recently amended its Order Price Protection ("OPP") rule. See SR-MRX-2022-18.

[29]   See SR-MRX-2022-16.

Options 5, Section 4

Eliminating an unnecessary term in Options 5, Section 4(a) that is not utilized elsewhere within Options 5, Section 4which is unnecessary is consistent with the Act as it will remove confusion. The proposed amendment to Options 5, Section 4(a) will not result in a System change.

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.

Option 3, Sections 4 and 5

The Exchange believes that its proposal to memorialize its bulk message functionality within Options 3, Section 4(b)(3) does not impose an undue burden on intra-market competition. While the Exchange currently offers this functionality to Market Makers only, bulk messaging is intended to provide Market Makers with an additional tool to meet their various quoting obligations in a manner they deem appropriate. As such, the Exchange believes that this functionality may facilitate Market Makers' provision of liquidity, thereby benefiting all market participants through additional execution opportunities at potentially improved prices. Furthermore, while the Exchange will offer the proposed Post-Only Quote Configuration to Market Makers only, the proposed risk protection will enhance the ability of Market Makers to add liquidity and avoid removing liquidity from the Exchange's order book in the manner described above. Greater liquidity benefits all market participants by providing more trading opportunities and attracting greater participation by Market Makers. The Exchange believes that its proposal to memorialize its bulk message functionality within Options 3, Section 4(b)(3)

does not impose an undue burden on inter-market competition as other options exchanges may adopt this functionality.

The Exchange's proposal to amend NOM's rules at Options 3, Section 4(b)(6) and Options 3, Section 4(b)(7) do not impose an undue burden on competition because all options markets must not trade-through other orders on their markets as well as away markets. The proposed change aligns NOM's rule text to MRX's rule text.

Options 3, Section 7

The Exchange's proposal to amend the name of the "Post-Only Order type at Options 3, Section 7(a)(9) to rename the order type "Add Liquidity Order" is a non-substantive technical amendment that does not impose an undue burden on competition.

Amending the description of SQF within Options 3, Section 7(e)(1)(B) and the description of QUO within Options 3, Section 7(e)(1)(D) does not impose an undue burden on competition The addition of this language into the description of SQF and QUO provides a more complete description of this protocol.

Options 3, Section 15

The Exchange's proposal to amend NOM Options 3, Section 15(a)(1) to align NOM's OPP rule text to MRX's OPP rule text within Options 3, Section 15(a)(1)(A) does not impose an undue burden on competition because removing the references to "day limit, good til cancelled, and immediate or cancel orders" and, instead, referring to "Limit" Orders accurately captures the scope of the orders subject to OPP. This change would also make unnecessary the reference to market orders.

The Exchange's proposal to amend the ATR Rule within Options 3, Section 15(b)(1) does not impose an undue burden on competition. Amending NOM Section

15(b)(1) to add the words "after the Posting Period" to explain when a new ATR would be calculated provides more context to the rule will provide greater context to the sentence. Additionally, adding the word "quote" in the one sentence where it is omitted will add clarity the sentence. Adding rule text within NOM Options 3, Section 15(b)(1)(C) to make clear the Exchange's ability to set different ATR values by options category does not impose an undue burden on competition because the ability for the Exchange to set the ATR based on the increment allows the Exchange to set appropriate limits. The Exchange believes this rule text will add greater clarity to the ATR rule.

> Options 5, Section 4

Eliminating an unnecessary reference within amend Options 5, Section 4(a) does not impose an undue burden on competition because the term is not utilized elsewhere within Options 5, Section 4.

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)[30] of the Act and Rule 19b-4(f)(6) thereunder[31] in that it effects a change that: (i) does not significantly affect the protection of investors or the public interest; (ii)

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[30]   15 U.S.C. 78s(b)(3)(A)(iii).

[31]   17 CFR 240.19b-4(f)(6).

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 described in Items 3 and 4 above, the majority of the proposed rule changes are based on the rules of MRX. The proposed rule changes align the Exchange's System functionality across the Nasdaq affiliated options exchanges. The proposed rule changes are consistent with the protection of investors and the public interest because it will allow the Exchange to continue to harmonize its technology on Nasdaq affiliated options exchanges. All System functionality as described above will be available to all Participants, other than the bulk message functionality. While these tools are only available to Market Makers, the Exchange believes that its offerings will encourage Market Makers to quote tighter and deeper markets, which will increase liquidity on the Exchange, thereby benefiting all market participants in the quality of order interaction. The Exchange believes that the proposed changes do not significantly affect the protection of investors or the public interest for these reasons and further the proposed rule changes.

The Exchange believes that its proposal to memorialize its bulk message functionality within Options 3, Section 4(b)(3) does not impose any significant burden on competition. While the Exchange currently offers this functionality to Market Makers only, bulk messaging is intended to provide Market Makers with an additional tool to meet their various quoting obligations in a manner they deem appropriate. As such, the Exchange believes that this functionality may facilitate Market Makers' provision of

liquidity, thereby benefiting all market participants through additional execution opportunities at potentially improved prices. The Exchange's proposal to amend Options 3, Section 4(b)(6) and Options 3, Section 4(b)(7) does not impose any significant burden on competition because all options markets must not trade-through other orders on their markets as well as away markets. The proposed change aligns NOM's rule text to MRX's rule text. The Exchange's proposal to amend NOM Options 3, Section 15(a)(1) to align NOM's OPP rule text to MRX's OPP rule text within Options 3, Section 15(a)(1)(A) does not impose any significant burden on competition because removing the references to "day limit, good til cancelled, and immediate or cancel orders" and, instead, referring to "Limit" Orders accurately captures the scope of the orders subject to OPP. This change would also make unnecessary the reference to market orders. The Exchange's proposal to amend the ATR Rule within Options 3, Section 15(b)(1) does not impose any significant burden on competition. Like MRX, NOM's ATR rule applies to orders and quotes as noted in the title to Options 3, Section 15(b), the ATR risk protection is an order and quote risk protection. Additionally, ATR does not apply during the Opening Process today. The proposed change aligns NOM's rule text to MRX's rule text. Adding rule text within NOM Options 3, Section 15(b)(1)(C) to make clear the Exchange's ability to set different ATR values by options category does not impose any significant burden on competition because the ability for the Exchange to set the ATR based on the increment allows the Exchange to set appropriate limits. The Exchange believes this rule text will add greater clarity to the ATR rule. Eliminating an unnecessary reference within amend Options 5, Section 4(a) does not impose any significant burden on competition because the term is not utilized elsewhere within Options 5, Section 4.

Furthermore, Rule 19b-4(f)(6)(iii)[32] 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.

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

Various proposed NOM rule changes are identical to MRX rule text, such as:

▪ the bulk message functionality proposed within NOM Options 3, Section

4(b)(3), which is identical to functionality within MRX Options 3, Section 4(b)(3);

▪ the amendment to quote and order re-pricing within NOM Options 3, Section

4(b)(6) and (7) and Options 3, Section 5(d), which are identical to MRX Options 3,

Section 4(b)(6) and (7) and Options 3, Section 5(d), respectively;

▪ the amendment to OPP within NOM Options 3, Section 15(a)(1) is identical to

rule text MRX Options 3, Section 15(a)(1)(A); and

▪ the amendment to ATR within NOM Options 3, Section 15(b)(1), which is

identical to MRX Options 3, Section 15(b)(1).

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[32]   17 CFR 240.19b-4(f)(6)(iii).

9.   <u>Security-Based Swap Submissions Filed Pursuant to Section 3C of the Act</u>

        Not applicable.

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

        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-2023-018)

June __, 2023

Self-Regulatory Organizations; The Nasdaq Stock Market LLC; Notice of Filing and
Immediate Effectiveness of Proposed Rule Change to Amend NOM Options 3 Rules

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

Rule 19b-4 thereunder,[2] notice is hereby given that on June 27, 2023, 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.   <u>Self-Regulatory Organization's Statement of the Terms of Substance of the
        Proposed Rule Change</u>

The Exchange proposes to amend The Nasdaq Options Market LLC ("NOM")

Rules at Options 3, Options Trading Rules, at: Section 4 Entry and Display of Quotes;

Section 5, Entry and Display of Orders; Section 7, Types of Orders and Order and Quote

Protocols; and Section 15, Risk Protections. The Exchange also proposes to amend

Options 5, Section 4, Order Routing.

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.

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

[2]   17 CFR 240.19b-4.

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

NOM proposes to amend Options 3, Options Trading Rules, at: Section 4 Entry

and Display of Quotes; Section 5, Entry and Display of Orders; Section 7, Types of

Orders and Order and Quote Protocols; and Section 15, Risk Protections. The Exchange

also proposes to amend Options 5, Section 4, Order Routing. Each change will be

discussed below. The amendments proposed herein seek to codify the current System

functionality. The proposed amendments will not result in System changes.

Option 3, Sections 4 and 5

The Exchange proposes to codify existing functionality that allows Market

Makers to submit their quotes to the Exchange in block quantities as a single bulk

message. In other words, a Market Maker may submit a single message to the Exchange,

which may contain bids and offers in multiple series. The Exchange's current rules do

not specify bulk messaging for orders. The Exchange has historically provided Market

Makers with information regarding bulk messaging in its publicly available technical

specifications.[3] To promote greater transparency, the Exchange is seeking to codify this functionality in its Rulebook. Specifically, the Exchange proposes to amend NOM Options 3, Section 4(b)(3) to memorialize that quotes may be submitted as a bulk message. The Exchange also proposes to add a definition of "bulk message" in new subparagraph (i) of Options 3, Section 4(b)(3), which will provide that a bulk message means a single electronic message submitted by a Market Maker to the Exchange which may contain a specified number of quotations as designated by the Exchange.[4] The bulk message, submitted via SQF,[5] may enter, modify, or cancel quotes. Bulk messages are handled by the System in the same manner as it handles a single quote message. MRX recently added bulk messages to MRX Options 3, Section 4(b)(3).[6] The proposed amendment to the Rulebook to add NOM Options 3, Section 4(b)(3) will not result in a System change.

The Exchange also proposes to amend NOM Options 3, Section 4(b)(6) to

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[3]   See https://www.nasdaq.com/docs/2023/01/12/0054-Q23_SQF_8.2b%20akg_NAM.pdf (specifying for bulk quoting of up to 200 quotes per quote block message). The specifications note in other places the manner in which a Participant can send such quote block messages.

[4]   Id. As noted above, quote bulk messages can presently contain up to 200 quotes per message. This is the maximum amount that is permitted in a bulk message. The Exchange would announce any change to these specifications in an Options Technical Update distributed to all Participants.

[5]   "Specialized Quote Feed" or "SQF" is an interface that allows Market Makers to connect, send, and receive messages related to quotes and Immediate-or- Cancel Orders into and from the Exchange. Features include the following: (1) options symbol directory messages (e.g., underlying instruments); (2) system event messages (e.g., start of trading hours messages and start of opening); (3) trading action messages (e.g., halts and resumes); (4) execution messages; (5) quote messages; (6) Immediate-or-Cancel Order messages; (7) risk protection triggers and purge notifications; and (8) opening imbalance messages. The SQF Purge Interface only receives and notifies of purge requests from the Market Maker. Market Makers may only enter interest into SQF in their assigned options series. See Options 3, Section 7(e)(1)(B).

[6]   See Securities Exchange Act, Release No. 95982 (October 4, 2022), 87 FR 61391 (October 11, 2022) (SR-MRX-2022-18) (Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Amend Its Rules in Connection With a Technology Migration to Enhanced Nasdaq Functionality) ("SR-MRX-2022-18").

provide the following,

> A quote will not be executed at a price that trades through another market or displayed at a price that would lock or cross another market. If, at the time of entry, a quote would cause a locked or crossed market violation or would cause a trade-through, violation, it will be re-priced to the current national best offer (for bids) or the current national best bid (for offers) *as non-displayed,* and displayed at one minimum price variance above (for offers) or below (for bids) the national best price.

Where a quote is re-priced to avoid a locked or crossed market, the best bid or offer will be non-displayed and the re-priced order will be displayed at a price that is one minimum trading increment inferior to the ABBO. A similar change is proposed for Options 3, Section 5(d). MRX recently amended Options 3, Section 4(b)(6) and Options 3, Section 5(d) to include this language.[7] At this time, the Exchange proposes to amend NOM's rule text to reflect that the actual price remains non-displayed in this scenario. The proposed amendment to the Rulebook to add NOM Options 3, Section 4(b)(6) will not result in a System change.

Similarly, the Exchange proposes to add a new NOM Options 3, Section 4(b)(7) to clarify that, today, NOM's System will automatically execute eligible quotes using the Exchange's displayed best bid and offer ("BBO") or the Exchange's non-displayed order book ("internal BBO")[8] if the best bid and/or offer on the Exchange has been repriced pursuant to Options 3, Section 5(d) and Options 3, Section 4(b)(6). This rule text seeks to codify the current System function and make clear that the internal BBO is comprised

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[7]   See Securities Exchange Act, Release No. 95807 (September 16, 2022), 87 FR 57933 (September 22, 2022) (SR-MRX-2022-16) (Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Amend Certain Rules in Connection With a Technology Migration to Enhanced Nasdaq Functionality) ("SR-MRX-2022-16").

[8]   The internal BBO refers to the Exchange's non-displayed book.

of both orders and quotes.[9] MRX recently amended Options 3, Section 4(b)(7) to include

the same language.[10] At this time, the Exchange proposes to align NOM's rule text in

Options 3, Section 4(b)(7) to MRX's rule text in Options 3, Section 4(b)(7). The

proposed amendment to the Rulebook to add NOM Options 3, Section 4(b)(7) will not

result in a System change.

Finally, the Exchange proposes to amend NOM Options 3, Section 5(c) to include

a citation to Options 3, Section 4(b)(6) as the internal BBO is comprised of both orders

and quotes, similar to MRX.[11]

The amendments proposed to Options 3, Sections 4 and 5 do not change the

current System functionality.

Options 3, Section 7

The Exchange proposes to amend the "Post-Only Order type at Options 3, Section

7(a)(9) to rename the order type "Add Liquidity Order". The Exchange believes the

name better describes this order type. This is also the name of a similar order type on

MRX.[12] The Exchange also proposes to capitalize the term "Opening Process" which

refers to NOM Options 3, Section 8.

The Exchange proposes to amend the description of Specialized Quote Feed or

"SQF" within NOM Options 3, Section 7(e)(1)(B) to add rule text which states,

"Immediate-or-Cancel Orders entered into SQF are not subject to the Order Price

Protection, Market Order Spread Protection, or Size Limitation Protection in Options 3,

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[9]   The Exchange also proposes to re-number current Options 3, Section 4(b)(7) as (8).

[10]   See SR-MRX-2022-16.

[11]   Id.

[12]   See MRX Options 7, Section 7(n).

Section 15(a)(1), (a)(2), and (b)(2) respectively." This rule text is currently noted within Options 3, Section 7(b)(2) above. The Exchange is adding the same language into the description of SQF to provide a more complete description. The addition of this information would align the level of information of NOM's rule text to NOM's rule text at Supplementary Material .03(c) to Options 3, Section 7. The Exchange is proposing a similar amendment to Options 3, Section 7(e)(1)(D) regarding Quote Using Orders or "QUO" [13] to state that, "Orders entered into QUO are not subject to the Order Price Protection or Size Limitation in Options 3, Section 15(a)(1) and (b)(2), respectively." All orders entered into QUO are not subject to the Order Price Protection or Size Limitation protections, not Immediate-or-Cancel Orders. Also, the Market Order Spread Protection is not applicable to QUO because QUO cannot be utilized to send Market Orders to the Exchange, only FIX may be utilized to send Market Orders. The proposed amendment to NOM Options 3, Section 7(e)(1)(B) and (D) will not result in System changes.

Options 3, Section 15

MRX recently amended its Order Price Protection ("OPP")[14] rule.[15] MRX's OPP rule utilized different rule text to explain the OPP functionality than is currently on NOM. At this time, the Exchange proposes to amend NOM Options 3, Section 15(a)(1) to align NOM's rule text to MRX's rule text within Options 3, Section 15(a)(1)(A).

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[13]   "Quote Using Orders" or "QUO" is an interface that allows Market Makers to connect, send, and receive messages related to single-sided orders to and from the Exchange. Order Features include the following: (1) options symbol directory messages (e.g., underlying); (2) system event messages (e.g., start of trading hours messages and start of opening); (3) trading action messages (e.g., halts and resumes); (4) execution messages; (5) order messages; and (6) risk protection triggers and cancel notifications. Orders submitted by Market Makers over this interface are treated as quotes. Market Makers may only enter interest into QUO in their assigned options series.

[14]   OPP prevents the execution of Limit Orders at prices outside pre-set parameters.

[15]   See SR-MRX-2022-18.

Specifically, the Exchange proposes to remove the references to "day limit, good til cancelled, and immediate or cancel orders" and, instead, simply refer to "Limit" Orders as that order type accurately captures the scope of the orders subject to OPP. Further, the Exchange proposes to remove "market orders" from the next sentence since OPP only applies to limit orders. The Exchange also proposes to capitalize "Opening" and add Process in Options 2, Section 15(a)(1)(A) to refer to the Opening Process within Options 3, Section 8. The proposed amendment to Options 3, Section 15(a)(1) will not result in a System change.

Additionally, the Exchange proposes to amend its Acceptable Trade Range ("ATR") Rule within NOM Options 3, Section 15(b)(1).[16] MRX recently amended its ATR rule.[17] MRX's ATR rule utilized different rule text to explain the ATR functionality. At this time, the Exchange proposes to amend Options 3, Section 15(b)(1)(A) to add the word "quote" in that same sentence, where it was omitted and also add the words "after the Posting Period" to explain when a new ATR would be calculated to provide more context to the rule.[18]

Additionally, similar to MRX Options 3, Section 15(a)(2)(A)(v) the Exchange proposes to add the following rule text within NOM Options 3, Section 15(b)(1)(C),

> There will be three categories of options for Acceptable Trade Range: (1) Penny Interval Program Options trading in one cent increments for options trading at less than $3.00 and increments of five cents for options trading

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[16]   ATR is designed to guard against the System from experiencing dramatic price swings by preventing the immediate execution of quotes and orders beyond the thresholds set by the protection.

[17]   See SR-MRX-2022-16.

[18]   The Exchange also proposes technical amendments to capitalize "the" and add opening parentheses in two places.

at $3.00 or more, (2) Penny Interval Program Options trading in one-cent increments for all prices, and (3) Non-Penny Interval Program Options.

This is how NOM operates today. This rule text makes clear the application of NOM Options 3, Section 3 to the ATR rule by explicitly stating the Exchange's ability to set different ATR values by options category. These ATR values are set forth in NOM's System Settings document which is posted online.[19] The Exchange believes this rule text will add greater clarity to the ATR rule. The proposed amendment to Options 3, Section 15(b)(1) will not result in a System change.

The Exchange proposes to capitalize the words "opening process" at the end of Options 3, Section 15(c)(1) which refers to the Anti-Internalization functionality. The term refers to the process within Options 3, Section 8.

The Exchange proposes to and the words "or quote" to Options 3, Section 15(c)(3) which refers to the Post-Only Quoting Protection. The paragraph refers to order or quote throughout and was mistakenly omitted in one sentence.

Options 5, Section 4

Options 5, Section 4 describes the manner in which NOM routes orders. The Exchange proposes to amend NOM Options 5, Section 4(a) to eliminate the following rule text,

> The term "System routing table" refers to the proprietary process for determining the specific trading venues to which the System routes orders and the order in which it routes them. The Exchange reserves the right to maintain a different System routing table for different routing options and to modify the System routing table at any time without notice.

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[19]   https://www.nasdaq.com/docs/BXOptionsSystemSettings.

When ISE filed to amend its routing rules, it did not include this sentence.[20] At this time,

the Exchange proposes to remove this unnecessary term that is not utilized elsewhere

within Options 5, Section 4. Removing this rule text will harmonize NOM's Options 5,

Section 4 rule with ISE's Options 5, Section 4(e). The proposed amendment to Options

5, Section 4(a) will not result in a System change.

2.   Statutory Basis

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

Act,[21] in general, and furthers the objectives of Section 6(b)(5) of the Act,[22] 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.

Option 3, Sections 4 and 5

The Exchange believes that its proposal to memorialize its bulk message

functionality within Options 3, Section 4(b)(3) is consistent with the Act as it will codify

existing functionality, thereby promoting transparency in the Exchange's rules and

reducing any potential confusion.[23] This functionality provides Market Makers with an

additional tool to meet their various quoting obligations in a manner they deem

appropriate, consistent with the purpose of the bulk message functionality to facilitate

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[20]   See Securities Exchange Act Release No. 94894 (May 18, 2022), 87 FR 30294 (May 12, 2022)
        (SR-ISE-2022-11) (Notice of Filing and Immediate Effectiveness of Proposed Rule Change To
        Amend Routing Functionality in Connection With a Technology Migration).

[21]   15 U.S.C. 78f(b).

[22]   15 U.S.C. 78f(b)(5).

[23]   As discussed above, this existing functionality is currently described in the Exchange's publicly
        available technical specifications. See supra note 3.

Market Makers' provision of liquidity. By providing Market Makers with additional control over the quotes they use to provide liquidity to the Exchange, this tool may benefit all investors through additional execution opportunities at potentially improved prices. Today, MRX offers this same functionality within Options 3, Section 4(b)(3). Further, the Exchange does not believe that the offering the bulk message functionality to only Market Makers would permit unfair discrimination. Market Makers play a unique and critical role in the options market by providing liquidity and active markets, and are subject to various quoting obligations which other market participants are not, including obligations to maintain active markets, update quotes in response to changed market conditions, to compete with other Market Makers in its appointed classes, and to provide intra-day quotes in its appointed classes.[24] Bulk message functionality provides Market Makers with a means to help them satisfy these obligations. The proposed amendment to the Rulebook to add NOM Options 3, Section 4(b)(3) will not result in a System change.

The Exchange's proposal to amend Options 3, Section 4(b)(6) to make clear that the actual price remains non-displayed during re-pricing is consistent with the Act and removes impediments to and perfects the mechanism of a free and open market and a national market system because it displays a re-priced order that does not lock or cross an away market. The rule text clearly explains that the best bid or offer will be non-displayed and the re-priced order will be displayed. A similar change is proposed for NOM Options 3, Section 5(d). MRX recently amended Options 3, Section 4(b)(6) and Options 3, Section 5(d) to include the same language.[25] The proposed change aligns

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[24]   See Options 2, Sections 4 and 5.

[25]   See SR-MRX-2022-16.

NOM's rule text to MRX's rule text. The proposed amendment to the Rulebook to add NOM Options 3, Section 4(b)(6) will not result in a System change.

The Exchange's proposal to add a new Options 3, Section 4(b)(7) to clarify that, today, NOM's System will automatically execute eligible quotes using the Exchange's displayed best bid and offer ("BBO") or the Exchange's non-displayed order book ("internal BBO") if the best bid and/or offer on the Exchange has been repriced pursuant to Options 3, Section 5(d) and Options 3, Section 4(b)(6) is consistent with the Act and protects investors and the public interest. This rule text seeks to codify the current System function and make clear that the internal BBO is comprised or both orders and quotes, both of which are considered for price checks. MRX recently amended Options 3, Section 4(b)(7) to include this language.[26] The proposed change aligns NOM's rule text to MRX's rule text. The proposed amendment to the Rulebook to add NOM Options 3, Section 4(b)(7) will not result in a System change.

Options 3, Section 7

The Exchange's proposal to amend the name of the "Post-Only Order type at Options 3, Section 7(a)(9) to rename the order type "Add Liquidity Order" is a non-substantive technical amendment that will align the name to that used on MRX.[27]

The Exchange's proposal to amend the description of SQF within Options 3, Section 7(e)(1)(B) and the description of QUO within Options 3, Section 7(e)(1)(D) is consistent with the Act as this rule text is currently noted within Options 3, Section 7(b)(2) above. The addition of this language into the description of SQF and QUO

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[26]   Id.

[27]   See MRX Options 7, Section 7(n).

provides a more complete description of this protocol. The addition of this information

also aligns the level of information with that offered on MRX for SQF within

Supplementary Material .03(c) to Options 3, Section 7 and differentiates the information

from QUO. All orders entered into QUO are not subject to the Order Price Protection or

Size Limitation protections, not Immediate-or-Cancel Orders. Also, the Market Order

Spread Protection is not applicable to QUO because QUO cannot be utilized to send

Market Orders to the Exchange, only FIX may be utilized to send Market Orders. The

proposed amendment to NOM Options 3, Section 7(e)(1)(B) will not result in a System

change.

Options 3, Section 15

The Exchange's proposal to amend NOM Options 3, Section 15(a)(1) to align

NOM's OPP rule text to MRX's OPP rule text within Options 3, Section 15(a)(1)(A) is

consistent with the Act[28] because removing the references to "day limit, good til

cancelled, and immediate or cancel orders" and, instead, referring to "Limit" Orders

accurately captures the scope of the orders subject to OPP. This change would also make

unnecessary the reference to market orders. The proposed amendment to Options 3,

Section 15(a)(1) will not result in a System change.

The Exchange's proposal to amend the ATR Rule within Options 3, Section

15(b)(1) is consistent with the Act. MRX recently amended its ATR rule.[29] MRX's

ATR rule utilized different rule text to explain the ATR functionality. Amending NOM

Section 15(b)(1) to add the words "after the Posting Period" to explain when a new ATR

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[28]   MRX recently amended its Order Price Protection ("OPP") rule. <u>See</u> SR-MRX-2022-18.

[29]   <u>See</u> SR-MRX-2022-16.

would be calculated provides more context to the rule will provide greater context to the sentence. Additionally, adding the word "quote" in the one sentence where it is omitted will add clarity the sentence. The proposed amendment to Options 3, Section 15(b)(1) will not result in a System change. Also, adding rule text within NOM Options 3, Section 15(b)(1)(C) to make clear the Exchange's ability to set different ATR values by options category is consistent with the Act because the ATR risk protection limits the range of prices at which an order and quote trades and would take into account the minimum increment. The ability for the Exchange to set the ATR based on the increment allows the Exchange to set appropriate limits. The Exchange believes this rule text will add greater clarity to the ATR rule. The proposed amendment to Options 3, Section 15(b)(1) will not result in a System change.

Options 5, Section 4

Eliminating an unnecessary term in Options 5, Section 4(a) that is not utilized elsewhere within Options 5, Section 4which is unnecessary is consistent with the Act as it will remove confusion. The proposed amendment to Options 5, Section 4(a) will not result in a System change.

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.

Option 3, Sections 4 and 5

The Exchange believes that its proposal to memorialize its bulk message functionality within Options 3, Section 4(b)(3) does not impose an undue burden on intra-market competition. While the Exchange currently offers this functionality to Market

Makers only, bulk messaging is intended to provide Market Makers with an additional tool to meet their various quoting obligations in a manner they deem appropriate. As such, the Exchange believes that this functionality may facilitate Market Makers' provision of liquidity, thereby benefiting all market participants through additional execution opportunities at potentially improved prices. Furthermore, while the Exchange will offer the proposed Post-Only Quote Configuration to Market Makers only, the proposed risk protection will enhance the ability of Market Makers to add liquidity and avoid removing liquidity from the Exchange's order book in the manner described above. Greater liquidity benefits all market participants by providing more trading opportunities and attracting greater participation by Market Makers. The Exchange believes that its proposal to memorialize its bulk message functionality within Options 3, Section 4(b)(3) does not impose an undue burden on inter-market competition as other options exchanges may adopt this functionality.

The Exchange's proposal to amend NOM's rules at Options 3, Section 4(b)(6) and Options 3, Section 4(b)(7) do not impose an undue burden on competition because all options markets must not trade-through other orders on their markets as well as away markets. The proposed change aligns NOM's rule text to MRX's rule text.

Options 3, Section 7

The Exchange's proposal to amend the name of the "Post-Only Order type at Options 3, Section 7(a)(9) to rename the order type "Add Liquidity Order" is a non-substantive technical amendment that does not impose an undue burden on competition.

Amending the description of SQF within Options 3, Section 7(e)(1)(B) and the description of QUO within Options 3, Section 7(e)(1)(D) does not impose an undue

burden on competition The addition of this language into the description of SQF and QUO provides a more complete description of this protocol.

Options 3, Section 15

The Exchange's proposal to amend NOM Options 3, Section 15(a)(1) to align NOM's OPP rule text to MRX's OPP rule text within Options 3, Section 15(a)(1)(A) does not impose an undue burden on competition because removing the references to "day limit, good til cancelled, and immediate or cancel orders" and, instead, referring to "Limit" Orders accurately captures the scope of the orders subject to OPP. This change would also make unnecessary the reference to market orders.

The Exchange's proposal to amend the ATR Rule within Options 3, Section 15(b)(1) does not impose an undue burden on competition. Amending NOM Section 15(b)(1) to add the words "after the Posting Period" to explain when a new ATR would be calculated provides more context to the rule will provide greater context to the sentence. Additionally, adding the word "quote" in the one sentence where it is omitted will add clarity the sentence. Adding rule text within NOM Options 3, Section 15(b)(1)(C) to make clear the Exchange's ability to set different ATR values by options category does not impose an undue burden on competition because the ability for the Exchange to set the ATR based on the increment allows the Exchange to set appropriate limits. The Exchange believes this rule text will add greater clarity to the ATR rule.

Options 5, Section 4

Eliminating an unnecessary reference within amend Options 5, Section 4(a) does not impose an undue burden on competition because the term is not utilized elsewhere within Options 5, Section 4.

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[30] and subparagraph (f)(6) of Rule 19b-4 thereunder.[31]

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

IV.   Solicitation of Comments

Interested persons are invited to submit written data, views and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act. Comments may be submitted by any of the following methods:

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[30]   15 U.S.C. 78s(b)(3)(A)(iii).

[31]   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.

Electronic Comments:

- Use the Commission's internet comment form
  (https://www.sec.gov/rules/sro.shtml); or

- Send an email to rule-comments@sec.gov. Please include file number
  SR-NASDAQ-2023-018 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-2023-018. This file
number should be included on the subject line if email is used. To help the Commission
process and review your comments more efficiently, please use only one method. The
Commission will post all comments on the Commission's internet website
(https://www.sec.gov/rules/sro.shtml). Copies of the submission, all subsequent
amendments, all written statements with respect to the proposed rule change that are filed
with the Commission, and all written communications relating to the proposed rule
change between the Commission and any person, other than those that may be withheld
from the public in accordance with the provisions of 5 U.S.C. 552, will be available for
website viewing and printing in the Commission's Public Reference Room, 100 F Street
NE, Washington, DC 20549, on official business days between the hours of 10 a.m. and 3
p.m. Copies of the filing also will be available for inspection and copying at the principal
office of the Exchange. Do not include personal identifiable information in submissions;
you should submit only information that you wish to make available publicly. We may
redact in part or withhold entirely from publication submitted material that is obscene or

subject to copyright protection. All submissions should refer to file number SR-NASDAQ-2023-018 and should be submitted on or before [INSERT DATE 21 DAYS AFTER DATE OF PUBLICATION IN THE *FEDERAL REGISTER*].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.[32]

Sherry R. Haywood,

Assistant Secretary.

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[32]   17 CFR 200.30-3(a)(12).

EXHIBIT 5

New text is underlined; deleted text is in brackets.

The NASDAQ Stock Market LLC Rules

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Options Rules

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Options 3 Options Trading Rules

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Section 4. Entry and Display of Quotes

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(b) Quotes are subject to the following requirements and conditions:

* * * * *

(3) Market Makers may enter bids and/or offers in the form of a two-sided quote. Only one quote may be submitted at a time for an option series. Quotes may be submitted as a bulk message.

> (i) A "bulk message" means a single electronic message submitted to the Exchange which may contain a specified number of quotations as designated by the Exchange. The bulk message, submitted via SQF, may enter, modify, or cancel quotes. Bulk messages are handled by the System in the same manner as it handles a single quote message.

* * * * *

(6) Trade-Through Compliance and Locked or Crossed Markets. A quote will not be executed at a price that trades through another market or displayed at a price that would lock or cross another market. If, at the time of entry, a quote would cause a locked or crossed market violation or would cause a trade-through, violation, it will be re-priced to the current national best offer (for bids) or the current national best bid (for offers) as non-displayed and displayed at one minimum price variance above (for offers) or below (for bids) the national best price.

(7) The System automatically executes eligible quotes using the Exchange's displayed best bid and offer ("BBO") or the Exchange's non-displayed order book ("internal BBO") if the best bid and/or offer on the Exchange has been repriced pursuant to Options 3, Section 5(d) below and subsection (6) above.

([7]8) Quotes submitted to the System are subject to following: risk protections provided for in Options 3, Section 15. Quotes submitted with minimum increments that are not valid pursuant to Options 3, Section 3 will be rounded up to the nearest

minimum price variation for offers and rounded down to the nearest minimum price variation for bids.

* * * * *

Section 5. Entry and Display of Orders

* * * * *

(c) The System automatically executes eligible orders using the Exchange's displayed best bid and offer ("BBO") or the Exchange's non-displayed order book ("internal BBO") if the best bid and/or offer on the Exchange has been repriced pursuant to subsection (d) below and Options 3, Section 4(b)(6) above. The contract size associated with Displayed Price Improving Orders to buy (sell) are displayed at the MPV below (above) the price of the Price Improving Order. Price Improving Orders will not be permitted to create a locked or crossed market or to cause a trade through violation.

(d) **Trade-Through Compliance and Locked or Crossed Markets**. An order will not be executed at a price that trades through another market or displayed at a price that would lock or cross another market. An order that is designated by the member as routable will be routed in compliance with applicable Trade-Through and Locked and Crossed Markets restrictions. An order that is designated by a member as non-routable will be re-priced in order to comply with applicable Trade-Through and Locked and Crossed Markets restrictions. If, at the time of entry, an order that the entering party has elected not to make eligible for routing would cause a locked or crossed market violation or would cause a trade-through violation, it will be re-priced to the current national best offer (for bids) or the current national best bid (for offers) as non-displayed and displayed at one minimum price variance above (for offers) or below (for bids) the national best price.

* * * * *

Section 7. Types of Orders and Order and Quote Protocols
The Exchange may determine to make certain order types and time-in-force, respectively, available on a class or System basis.

(a) The term "Order" shall mean a single order submitted to the System by a Participant that is eligible to submit such orders. The term "Order Type" shall mean the unique processing prescribed for designated orders that are eligible for entry into the System, and shall include:

* * * * *

(9) "[Post-Only]Add Liquidity Order" is an order that will not remove liquidity from the System. [Post-Only]Add Liquidity Orders are to be ranked and executed on the Exchange or cancelled, as appropriate, without routing away to another market. [Post-Only]Add Liquidity Orders are evaluated at the time of entry with respect to locking or crossing other orders as follows: (i) if an [Post-Only]Add

Liquidity Order would lock or cross an order on the System, the order will be re-priced to $.01 below the current low offer (for bids) or above the current best bid (for offers) and displayed by the System at one minimum price increment below the current low offer (for bids) or above the current best bid (for offers); and (ii) if a [Post-Only]Add Liquidity Order would not lock or cross an order on the System but would lock or cross the NBBO as reflected in the protected quotation of another market center, the order will be handled pursuant to Options 3, Section 5(b) – (d). Participants may choose to have their [Post-Only]Add Liquidity Orders returned whenever the order would lock or cross the NBBO or be placed on the order book at a price other than its limit price. [Post-Only]Add Liquidity Orders received prior to the [o]Opening Process will be eligible for execution during the [o]Opening [cross]Process and will be processed as per Options 3, Section 8. [Post-Only]Add Liquidity Orders received after market close will be rejected. [Post-Only]Add Liquidity Orders may not have a time-in-force designation of Good Til Cancelled or Immediate or Cancel.

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(e) Entry and Display of Orders and Quotes. Participants may enter orders and quotes into the System as specified below.

(1) The Exchange offers Participants the following protocols for entering orders and quotes respectively:

* * * * *

(B) **"Specialized Quote Feed"** or **"SQF"** is an interface that allows Market Makers to connect, send, and receive messages related to quotes and Immediate-or- Cancel Orders into and from the Exchange. Features include the following: (1) options symbol directory messages (e.g., underlying instruments); (2) system event messages (e.g., start of trading hours messages and start of opening); (3) trading action messages (e.g., halts and resumes); (4) execution messages; (5) quote messages; (6) Immediate-or-Cancel Order messages; (7) risk protection triggers and purge notifications; and (8) opening imbalance messages. The SQF Purge Interface only receives and notifies of purge requests from the Market Maker. Market Makers may only enter interest into SQF in their assigned options series. Immediate-or-Cancel Orders entered into SQF are not subject to the Order Price Protection, Market Order Spread Protection, or Size Limitation in Options 3, Section 15(a)(1) and (a)(2), and (b)(2), respectively.

* * * * *

(D) **"Quote Using Orders"** or **"QUO"** is an interface that allows Market Makers to connect, send, and receive messages related to single-sided orders to and from the Exchange. Order Features include the following: (1) options symbol directory messages (e.g., underlying); (2) system event messages (e.g., start of trading hours messages and start of opening); (3) trading action messages (e.g., halts and

resumes); (4) execution messages; (5) order messages; and (6) risk protection triggers and cancel notifications. Orders submitted by Market Makers over this interface are treated as quotes. Market Makers may only enter interest into QUO in their assigned options series. <u>Orders entered into QUO are not subject to the Order Price Protection or Size Limitation in Options 3, Section 15(a)(1) and (b)(2), respectively.</u>

* * * * *

Section 15. Risk Protections

(a) The following are order risk protections on NOM:

(1) **Order Price Protection ("OPP").** OPP is a feature of the System that prevents [certain day limit, good til cancelled, and immediate or cancel]<u>Limit</u> [o]<u>O</u>rders at prices outside of pre-set standard limits from being accepted by the System. OPP applies to all options but does not apply to [market orders or] Intermarket Sweep Orders. OPP does not apply to orders entered through QUO.

(A) OPP is operational each trading day after the [o]<u>O</u>pening <u>Process</u> until the close of trading, except during trading halts. OPP may be temporarily deactivated on an intra-day basis at the Exchange's discretion.

* * * * *

(b) The following are order and quote risk protections on NOM:

(1) **Acceptable Trade Range.** The System will calculate an Acceptable Trade Range to limit the range of prices at which an order/quote will be allowed to execute. The Acceptable Trade Range is calculated by taking the reference price, plus or minus a value to be determined by the Exchange. (i.e., the reference price - (x) for sell orders/quotes and the reference price + (x) for buy orders/quotes). Upon receipt of a new order/quote, the reference price is the NBB <u>or internal best bid</u> for sell orders/quotes and the NBO <u>or internal best offer</u> for buy orders/quotes or the last price at which the order/quote is posted whichever is higher for a buy order/quote or lower for a sell order/quote.

(A) If an order/quote reaches the outer limit of the Acceptable Trade Range (the "Threshold Price") without being fully executed, it will be posted at the Threshold Price for a brief period, not to exceed one second ("Posting Period"), to allow more liquidity to be collected. Upon posting, either the current Threshold Price of the order/quote or an updated NBB for buy orders/quotes or the NBO for sell orders/quotes (whichever is higher for a buy order/quote lower for a sell order/quote) then becomes the reference price for calculating a new Acceptable Trade Range. If the order<u>/quote</u> remains unexecuted <u>after the Posting Period</u>, a New Acceptable Trade Range will be calculated and the order/quote will execute, route, or post up to the new Acceptable Trade Range Threshold Price. This

process will repeat until either (i) the order/quote is executed, cancelled, or posted at its limit price or (ii) the order/quote has been subject to a configurable number of instances of the Acceptable Trade Range as determined by the Exchange (in which case it will be returned).

* * * * *

(C) There will be three categories of options for Acceptable Trade Range: (1) Penny Interval Program Options trading in one cent increments for options trading at less than $3.00 and increments of five cents for options trading at $3.00 or more, (2) Penny Interval Program Options trading in one-cent increments for all prices, and (3) Non-Penny Interval Program Options.

* * * * *

(c) The following are quote risk protections on NOM:

(1) **Anti-Internalization.** Quotes and orders entered by Options Market Makers will not be executed against quotes and orders entered on the opposite side of the market by the same market maker using the same Market Maker identifiers, or alternatively, if selected by the Participant, the same account number or Participant identifier. In such a case, the System will cancel the oldest of the quotes or orders back to the entering party prior to execution. This functionality shall not apply during an [o]Opening Process.

* * * * *

(3) **Post-Only Quoting Protection**. NOM Market Makers may elect to configure their SQF or QUO protocols to prevent their quotes from removing liquidity ("Post-Only Quote Configuration"). A Post-Only Quote Configuration would re-price or cancel a NOM Market Maker's quote that would otherwise lock or cross any resting order or quote on the NOM order book upon entry. When configured for re-price, quotes would be re-priced to $.01 below the current low offer (for bids) or above the current best bid (for offers) and displayed by the System at one minimum price increment below the current low offer (for bids) or above the current best bid (for offers). Notwithstanding the aforementioned, as is the case today, if a quote with a Post-Only Quote Configuration would not lock or cross an order or quote on the System but would lock or cross the NBBO, the quote will be handled pursuant to Options 3, Section 4(b)(6). When configured for cancel, Participants will have their quotes returned whenever the quote would lock or cross the NBBO or be placed on the book at a price other than its limit price. This functionality shall not apply during an Opening Process.

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Options 5 Order Protection and Locked and Crossed Markets

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Section 4. Order Routing

(a) NOM offers two routing strategies, SEEK and SRCH. Each of these routing strategies will be explained in more detail below. An order may in the alternative be marked Do Not Route or "DNR". The Exchange notes that for purposes of this rule the System will route SEEK and SRCH Orders with no other contingencies. The System checks the Order Book for available contracts for potential execution against the SEEK or SRCH orders. After the System checks the Order Book for available contracts, orders are sent to other available market centers for potential execution. For purposes of this rule, a Route Timer shall not exceed one second and shall begin at the time orders are accepted into the System, and the System will consider whether an order can be routed at the conclusion of each Route Timer. For purposes of this rule, NOM's opening process is governed by Options 3, Section 8 and includes an opening after a trading halt ("Opening and Halt Cross").

Routing instructions may be combined with all available order types and times-in-force, with the exception of order types and times-in-force whose terms are inconsistent with the terms of a particular routing instruction. [The term "System routing table" refers to the proprietary process for determining the specific trading venues to which the System routes orders and the order in which it routes them. The Exchange reserves the right to maintain a different System routing table for different routing instructions and to modify the System routing table at any time without notice.] The order routing process shall be available to Participants from 9:30 a.m. Eastern Time until market close and shall route orders as described below. Participants can designate orders as either available for routing or not available for routing. All routing of orders shall comply with Chapter XII, Options Order Protection and Locked and Crossed Market Rules.

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