

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-82969 ; File No. SR-NASDAQ-2018-024)

March 30, 2018

Self-Regulatory Organizations; The Nasdaq Stock Market LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Clarify the Requirements for Delivery of a Contrary Exercise Advice

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 March 20, 2018, The Nasdaq Stock Market LLC (“Nasdaq” or “Exchange”) filed with the Securities and Exchange Commission (“Commission”) the proposed rule change as described in Items I, II, and III below, which Items have been prepared by the Exchange. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

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

The Exchange proposes to amend the rules of the Nasdaq Options Market LLC (“NOM”), at Chapter VIII, Exercises and Deliveries.

The text of the proposed rule change is available on the Exchange’s Website at <http://nasdaq.cchwallstreet.com>, 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

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

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 proposes to correct Chapter VIII, Exercises and Deliveries, Section 1, Exercise of Options Contracts, to clarify the requirements for delivery of a Contrary Exercise Advice. Section 1(b) currently provides that option holders desiring to exercise or not exercise expiring options must either (i) take no action and allow exercise determinations to be made in accordance with the Options Clearing Corporation’s Ex-by-Ex procedure where applicable, or (ii) submit a “Contrary Exercise Advice” to the Options Clearing Corporation through the participant’s clearing firm. In actual practice, however, an option holder delivers a Contrary Exchange Advice to the Exchange, not to the Options Clearing Corporation. The Exchange therefore proposes to replace the words “Options Clearing Corporation through the participants clearing firm” in Section 1(b)(ii) with a reference to the Exchange and make similar, conforming changes to Section 1(e)(i). As amended, Section 1(b) would be consistent with Nasdaq ISE Rule 1100(b) which directs option holders to submit Contrary Exercise Advices to the Exchange (not to the Options Clearing Corporation).

The Exchange proposes to further replace the words “by the deadline specified in paragraph (d) below” with the words “as specified in paragraph (d) below” given that paragraph (d) contains a number of requirements associated with submission of Contrary Exercise Advices in addition to the deadline. As revised, Section (b)(ii) tracks the language of ISE Rule 1100(b)(ii) which permits an options holder desiring to exercise or not exercise expiring options to “submit a “Contrary Exercise Advice” to the Exchange as specified in paragraph (d)”

(which, like the counterpart NOM paragraph (d) rule, specifies various requirements associated with submitting Contrary Exercise Advices).

Finally, the Exchange proposes to make a number of nonsubstantive revisions to Chapter VIII which are designed simply to facilitate administration of the rules. References to “NOM” and to “Nasdaq Regulation” are proposed to be replaced with references to “the Exchange.”³ Substituting the word “Exchange” for NOM in various places will provide the Exchange flexibility to determine the most appropriate department or individual within the Exchange to oversee the particular rule, and will also facilitate the incorporation by reference of the amended rule into the rules of NOM’s affiliated exchanges in the future.⁴

2. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act,⁵ in general, and furthers the objectives of Section 6(b)(5) of the Act,⁶ 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, by identifying the correct entity to which option holders must deliver Contrary Exercise Advices and by substituting the word “Exchange” for NOM in various

³ The changes are proposed to be made in Section 1(b), (d), (e), (f), (g), (h), (i) (k) and (l), as well as in Section 2(a) and (b), of Chapter VIII. The Exchange notes that Chapter 11, Exercises and Deliveries, of the ISE Rulebook likewise uses the generic term “the Exchange” throughout that chapter.

⁴ Recently, the Exchange added a shell structure to its Rulebook with the purpose of improving efficiency and readability and to align its rules closer to those of its five sister exchanges, Nasdaq BX, Inc.; Nasdaq PHLX LLC; Nasdaq ISE, LLC; Nasdaq GEMX, LLC; and Nasdaq MRX, LLC (“Affiliated Exchanges”). See Securities Exchange Act Release No. 82175 (November 29, 2017), 82 FR 57494 (December 5, 2017) (SR-NASDAQ-2017-125). The changes proposed herein are being made in connection with that effort, to align the NOM rules with those of the Affiliated Exchanges more closely.

⁵ 15 U.S.C. 78f(b).

⁶ 15 U.S.C. 78f(b)(5).

places which will enable the amended rule to be incorporated by reference into rules of affiliated exchanges in the future, which should enhance the ability of members of NOM and affiliated exchanges to understand and comply with a uniform set of rules across the exchanges.

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. The proposed rule changes will apply equally to all option holders desiring to exercise options under the NOM rules. Further, the proposed changes merely correct an incorrect reference to OCC and conform the wording of the rule more closely to that of a NOM rule for the sake of administrative convenience. The Exchange does not intend for or expect that such changes will have any impact on competition.

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 Act⁷ and subparagraph (f)(6) of Rule 19b-4 thereunder.⁸

⁷ 15 U.S.C. 78s(b)(3)(A)(iii).

⁸ 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.

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

IV. Solicitation of Comments

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

Electronic comments:

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>); or
- Send an e-mail to rule-comments@sec.gov. Please include File Number SR-NASDAQ-2018-024 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-2018-024. This file number should be included on the subject line if e-mail is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet website (<http://www.sec.gov/rules/sro.shtml>). Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications

relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for website viewing and printing in the Commission's Public Reference Room, 100 F Street, NE, Washington, DC 20549 on official business days between the hours of 10:00 a.m. and 3:00 p.m. Copies of the filing also will be available for inspection and copying at the principal office of the Exchange. All comments received will be posted without change. Persons submitting comments are cautioned that we do not redact or edit personal identifying information from comment submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR-NASDAQ-2018-024, 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.⁹

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Assistant Secretary

⁹ 17 CFR 200.30-3(a)(12).