

Required fields are shown with yellow backgrounds and asterisks.

Page 1 of * 25	SECURITIES AND EXCHANGE COMMISSION WASHINGTON, D.C. 20549 Form 19b-4		File No.* SR - 2018 - * 051	Amendment No. (req. for Amendments *)
Filing by The Nasdaq Stock Market LLC Pursuant to Rule 19b-4 under the Securities Exchange Act of 1934				
Initial * <input checked="" type="checkbox"/>	Amendment * <input type="checkbox"/>	Withdrawal <input type="checkbox"/>	Section 19(b)(2) * <input type="checkbox"/>	Section 19(b)(3)(A) * <input checked="" type="checkbox"/>
			Section 19(b)(3)(B) * <input type="checkbox"/>	
			Rule	
Pilot <input type="checkbox"/>	Extension of Time Period for Commission Action * <input type="checkbox"/>	Date Expires * <input type="text"/>	<input type="checkbox"/> 19b-4(f)(1)	<input type="checkbox"/> 19b-4(f)(4)
			<input type="checkbox"/> 19b-4(f)(2)	<input type="checkbox"/> 19b-4(f)(5)
			<input type="checkbox"/> 19b-4(f)(3)	<input checked="" type="checkbox"/> 19b-4(f)(6)
Notice of proposed change pursuant to the Payment, Clearing, and Settlement Act of 2010			Security-Based Swap Submission pursuant to the Securities Exchange Act of 1934	
Section 806(e)(1) * <input type="checkbox"/>		Section 806(e)(2) * <input type="checkbox"/>	Section 3C(b)(2) * <input type="checkbox"/>	
Exhibit 2 Sent As Paper Document <input type="checkbox"/>	Exhibit 3 Sent As Paper Document <input type="checkbox"/>			
Description				
Provide a brief description of the action (limit 250 characters, required when Initial is checked *).				
<input type="text" value="A proposal to amend The Nasdaq Options Market LLC Rules at Chapter 5"/>				
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 *	<input type="text" value="Angela"/>	Last Name *	<input type="text" value="Dunn"/>	
Title *	<input type="text" value="Principal Associate General Counsel"/>			
E-mail *	<input type="text" value="angela.dunn@nasdaq.com"/>			
Telephone *	<input type="text" value="(215) 496-5692"/>	Fax	<input type="text"/>	
Signature				
Pursuant to the requirements of the Securities Exchange Act of 1934,				
has duly caused this filing to be signed on its behalf by the undersigned thereunto duly authorized.				
(Title *)				
Date	<input type="text" value="06/29/2018"/>	<input type="text" value="Executive Vice President and General Counsel"/>		
By	<input type="text" value="Edward S. Knight"/>	<input type="text"/>		
(Name *)		<input type="text" value="edward.knight@nasdaq.com"/>		
NOTE: Clicking the button at right will digitally sign and lock this form. A digital signature is as legally binding as a physical signature, and once signed, this form cannot be changed.				

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

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

Form 19b-4 Information *

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The self-regulatory organization must provide all required information, presented in a clear and comprehensible manner, to enable the public to provide meaningful comment on the proposal and for the Commission to determine whether the proposal is consistent with the Act and applicable rules and regulations under the Act.

Exhibit 1 - Notice of Proposed Rule Change *

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The Notice section of this Form 19b-4 must comply with the guidelines for publication in the Federal Register as well as any requirements for electronic filing as published by the Commission (if applicable). The Office of the Federal Register (OFR) offers guidance on Federal Register publication requirements in the Federal Register Document Drafting Handbook, October 1998 Revision. For example, all references to the federal securities laws must include the corresponding cite to the United States Code in a footnote. All references to SEC rules must include the corresponding cite to the Code of Federal Regulations in a footnote. All references to Securities Exchange Act Releases must include the release number, release date, Federal Register cite, Federal Register date, and corresponding file number (e.g., SR-[SRO]-xx-xx). A material failure to comply with these guidelines will result in the proposed rule change being deemed not properly filed. See also Rule 0-3 under the Act (17 CFR 240.0-3)

Exhibit 1A- Notice of Proposed Rule Change, Security-Based Swap Submission, or Advance Notice by Clearing Agencies *

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The Notice section of this Form 19b-4 must comply with the guidelines for publication in the Federal Register as well as any requirements for electronic filing as published by the Commission (if applicable). The Office of the Federal Register (OFR) offers guidance on Federal Register publication requirements in the Federal Register Document Drafting Handbook, October 1998 Revision. For example, all references to the federal securities laws must include the corresponding cite to the United States Code in a footnote. All references to SEC rules must include the corresponding cite to the Code of Federal Regulations in a footnote. All references to Securities Exchange Act Releases must include the release number, release date, Federal Register cite, Federal Register date, and corresponding file number (e.g., SR-[SRO]-xx-xx). A material failure to comply with these guidelines will result in the proposed rule change, security-based swap submission, or advance notice being deemed not properly filed. See also Rule 0-3 under the Act (17 CFR 240.0-3)

Exhibit 2 - Notices, Written Comments, Transcripts, Other Communications

Add Remove View

Exhibit Sent As Paper Document

Copies of notices, written comments, transcripts, other communications. If such documents cannot be filed electronically in accordance with Instruction F, they shall be filed in accordance with Instruction G.

Exhibit 3 - Form, Report, or Questionnaire

Add Remove View

Exhibit Sent As Paper Document

Copies of any form, report, or questionnaire that the self-regulatory organization proposes to use to help implement or operate the proposed rule change, or that is referred to by the proposed rule change.

Exhibit 4 - Marked Copies

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The full text shall be marked, in any convenient manner, to indicate additions to and deletions from the immediately preceding filing. The purpose of Exhibit 4 is to permit the staff to identify immediately the changes made from the text of the rule with which it has been working.

Exhibit 5 - Proposed Rule Text

Add Remove View

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

Add Remove View

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 Chapter V, Section 3, entitled “Trading Halts” and Chapter VI, Section 6, entitled “Acceptance of Quotes and Orders.”

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”) on September 19, 2017. 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.
215-496-5692

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

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

a. Purpose

The Exchange proposes to amend Chapter V, Section 3, entitled "Trading Halts" to remove unnecessary rule text. The Exchange proposes to amend NOM Rules to adopt a zero bid options rule at Chapter VI, Section 6, entitled "Acceptance of Quotes and Orders." The Exchange proposes to adopt a zero bid options rule on NOM within Chapter VI, Section 6, entitled "Acceptance of Quotes and Orders" and remove rule text which the Exchange believes is unnecessary. Each proposal is described in more detail below.

Chapter V, Section 3

The Exchange proposes to amend Chapter V, Section 3(b), which currently provides, "In the event Nasdaq Regulation determines to halt trading, all trading in the effected class or classes of options shall be halted. NOM shall disseminate through its trading facilities and over OPRA a symbol with respect to such class or classes of options indicating that trading has been halted, and a record of the time and duration of the halt shall be made available to vendors." The Exchange proposes to remove the words "such class or" because the Exchange only disseminates over OPRA a symbol with respect to classes of options to indicate a trading halt. By amending this rule, the Exchange will add more transparency as to how it disseminates information regarding trading halts.

Chapter VI, Section 6

Today, the Exchange does not have a rule for the handling of options with no bid or zero bid options. The Exchange's handling of zero bid options on NOM is identical to

the manner in which zero bid is handled on Phlx.³ The Exchange proposes to add this new rule to Chapter VI, Section 6(a)(3). The new rule would provide, “In the case where the bid price for any options contract is \$0.00, a market order accepted into the System to sell that series shall be considered a limit order to sell at a price equal to the minimum trading increment as defined in Chapter VI, Section 5. Orders will be placed on the limit order book in the order in which they were received by the System. With respect to market orders to sell which are submitted prior to the Opening and persist after the Opening, those orders are posted at a price equal to the minimum trading increment as defined in Chapter VI, Section 5.”

The Exchange intends to accept and convert market orders to sell allowing them an equal opportunity to trade if interest should arrive in the case of a no bid option. The Exchange notes that the orders would rest on the Order Book at the minimum price increment. The Exchange notes market orders “accepted into the System” would be converted to account for market orders that may not be accepted into the System due to Limit Up-Limit Down restrictions, which may prevent the market order from being accepted.⁴ Only after acceptance into the System will market orders be treated as a sell limit order at a price equal to the minimum trading increment.

Further, the Exchange proposes to add rule text which provides “Orders will be placed on the limit order book in the order in which they were received by the System.”⁵

³ See Phlx Rule 1035.

⁴ The Limit Up-Limit Down requirements must be met first before the proposed rule would apply.

⁵ The time of receipt for an order is the time such message is processed by the System.

The Exchange proposes to note that with respect to market orders to sell in zero bid options, which are submitted prior to the Opening Process⁶ and persist after the Opening Process, those orders are posted at a price equal to the minimum trading increment as defined in Chapter VI, Section 5.⁷ The Exchange's proposed rule will provide market participants with greater insight into the handling of orders where there is a zero bid. The Exchange believes that this proposed amendment will accurately describe the manner in which a zero-bid options series operates within the System both before and after the Opening Process.

The Exchange also proposes to amend Chapter VI, Section 6(b) which currently states, "All System orders entered by Participants directing or permitting routing to other market centers shall be routed for potential display and/or execution as set forth in Section 11 below. Routing shall be available in System securities as well as Non-System securities listed on other exchanges." The Exchange proposes to remove "Routing shall be available in System securities as well as Non-System securities listed on other exchanges." The Exchange defines "System Securities" at Chapter VI, Section 1(b) of the NOM Rules and defines "Non-System Securities" as all other options. Nasdaq originally programmed the System to differentiate between System Securities and Non-System Securities.⁸ Nasdaq stated in that filing it would accept orders in Non-System

⁶ The Exchange's Opening Process is described in Rule 701.

⁷ Chapter VI, Section 5, entitled "Minimum Increments" provides for the minimum increments of trading.

⁸ Securities Exchange Act Release No. 57478 (March 12, 2008), 73 FR 14521 (March 18, 2008) (SR-NASDAQ-2007-004 and SR-NASDAQ-2007-080) (Notice of Filing of Amendment No. 2 to a Proposed Rule Change and Order Granting Accelerated Approval to a Proposed Rule Change, as Amended, To Establish Rules Governing the Trading of Options on the NASDAQ Options Market; Order

Securities for routing but will not execute these orders in the System.⁹ In 2012, NOM's rule were amended to provide that routing is limited to System Securities. System Securities are all options that are currently trading on NOM pursuant to Chapter IV.¹⁰ Further, the Subsequent Filing provided that only System Securities are traded on NOM pursuant to Chapter IV. All other options are Non-System Securities.¹¹ The Subsequent filing noted that at one time, NOM offered routing of Non-System Securities but has not offered such routing since November 30, 2011. Finally, the Subsequent Filing noted that this routing feature was rarely used and was discontinued. Currently, NOM only routes securities that are listed on NOM. The Exchange proposes to remove this sentence related to routing which the Exchange believes should have been removed in connection with the Subsequent Filing.

b. Statutory Basis

The Exchange believes that the proposed rule change is consistent with Section 6(b) of the Securities Exchange Act of 1934,¹² in general, and furthers the objectives of

Approving a Proposed Rule Change Relating to the LLC Agreement Establishing the NASDAQ Options Market LLC and Delegation Agreement Delegating to NOM LLC the Authority To Operate the NASDAQ Options Market; Order Granting an Application of The NASDAQ Stock Market LLC for an Exemption Pursuant to Section 36(a) of the Exchange Act from the Requirements of Section 19(b) of the Exchange Act; and Order Granting an Exemption for the NASDAQ Options Market LLC from Section 11A(b) of the Exchange Act.)

⁹ Id.

¹⁰ Securities Exchange Act Release No. 67301 (June 28, 2012), 77 FR 39774 (July 5, 2012) (SR-Nasdaq-2012-077) (“Subsequent Filing”).

¹¹ Id.

¹² 15 U.S.C. 78f(b).

Section 6(b)(5) of the Act,¹³ in particular, in that it is designed to promote just and equitable principles of trade, to remove impediments to and perfect the mechanism for a free and open market and a national market system, and, in general, to protect investors and the public interest.

Chapter V, Section 3

The Exchange is providing greater transparency as to the manner in which the Exchange disseminates information over OPRA during a trading halt. The Exchange believes that this rule text is consistent with the Act and the protection of investors and the public interest because it brings greater clarity as to what type of information is provided during a halt.

Chapter VI, Section 6

The Exchange's proposal to adopt a zero bid rule is consistent with the Act and designed to promote just and equitable principles of trade and to protect investors and the public interest by adopting text which describes the handling of zero-bid options. The Exchange is treating all market orders to sell in zero bid options in the same fashion by converting all those orders, provided that the Exchange's disseminated bid price in such option is zero for an option listed only on the Exchange or, for an option listed on multiple exchanges and the disseminated NBBO includes a bid price of zero in the series. Market orders to sell in zero bid options will be placed on the limit order book in the order in which they were received by the System. The Exchange desires to prevent members from submitting market orders to sell in no bid series, which would execute at a price of \$0.00. The Exchange believes that the proposed rule will achieve this objective

¹³ 15 U.S.C. 78f(b)(5).

and continue to permit the Exchange to execute orders within its System at prices that reflect some value. Adding rule text regarding market orders to sell in zero bid options submitted prior to the Opening Process and persisting after the Opening Process is consistent with the Act because it provides more transparency as to the operation of this rule and as to how those market orders to sell in zero bid options will be handled by the System. Further, the Exchange believes that memorializing its current practice within the rule text will bring more clarity to the manner in which the zero bid rule operates to the benefits of all market participants.

Finally, the Exchange believes removing language concerning Non-System Securities in Chapter VI, Section 6(b) is consistent with the Act because it avoids confusion by removing language which should have been removed with the 2006 filing which distinguished System and Non-System Securities. The language discusses a distinction which was removed from the rules in 2012.¹⁴

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

In accordance with Section 6(b)(8) of the Act,¹⁵ the Exchange does not believe that the proposed rule change will impose any burden on intermarket or intra-market competition that is not necessary or appropriate in furtherance of the purposes of the Act.

Chapter V, Section 3

The Exchange's proposal to amend Chapter V, Section 3(b) to more specifically describe the information disseminated during a trading halt do not impose an undue

¹⁴ See note 10 above.

¹⁵ 15 U.S.C. 78f(b)(8).

burden on competition because the amendments add more transparency to the trading halt rule.

Chapter VI, Section 6

The Exchange's proposal to adopt a zero bid options rule does not impose an undue burden on competition because the proposed rule change will continue to apply uniformly for all market participants who enter market orders to sell into the System when there is a zero-bid options.

Finally, the removal of language concerning Non-System Securities in Chapter VI, Section 6(b) does not impose an undue burden on competition because this language references an obsolete functionality in the rulebook that was removed from the rules in 2012.¹⁶

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

The Exchange has not solicited, and does not intend to solicit, comments on this proposed rule change. The Exchange has not received any unsolicited written comments from members or other interested parties.

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)¹⁷ of the Act and Rule 19b-4(f)(6) thereunder¹⁸ in that it effects a change

¹⁶ See note 10 above.

¹⁷ 15 U.S.C. 78s(b)(3)(A)(iii).

that: (i) does not significantly affect the protection of investors or the public interest; (ii) does not impose any significant burden on competition; and (iii) by its terms, does not become operative for 30 days after the date of the filing, or such shorter time as the Commission may designate if consistent with the protection of investors and the public interest.

The Exchange's proposal to amend Chapter V, Section 3(b) to more specifically describe the information disseminated during a trading halt does not significantly affect the protection of investors or the public interest because it adds more specificity to the rule. The Exchange's proposal to adopt a zero bid options rule does not significantly affect the protection of investors or the public interest because the proposed rule permits the order to rest on the order book at the minimum price increment. The Exchange believes that memorializing its current practice within the rule text will bring more clarity to the manner in which the zero bid rule operates to the benefits of all market participants. The Exchange's proposal to remove language concerning Non-System Securities in Chapter VI, Section 6(b) does not significantly affect the protection of investors or the public interest because the rule is obsolete and reflects a functionality that no longer exists. The Exchange's proposal to amend Chapter V, Section 3(b) to more specifically describe the information disseminated during a trading halt does not impose any significant burden on competition, rather the addition of this information to all market participants provides greater transparency as to the Exchange's operation during a trading halt. The Exchange's proposal to adopt a zero bid options rule does not impose any significant burden on competition, all market orders to sell in zero bid options will be

¹⁸ 17 CFR 240.19b-4(f)(6).

treated in the same fashion for all market participants, market orders to sell that series will be considered a limit order to sell at a price equal to the minimum trading increment as defined in Chapter VI, Section 5. Further, market orders to sell which are submitted prior to the Opening and persist after the Opening, will be posted at a price equal to the minimum trading increment as defined in Chapter VI, Section 5. The Exchange believes that the proposed rule will achieve this objective and continue to permit the Exchange to execute orders within its System at prices that reflect some value. The Exchange's proposal to remove language concerning Non-System Securities in Chapter VI, Section 6(b) does not impose any significant burden on competition because it references functionality that is not offered to any Participant.

Furthermore, Rule 19b-4(f)(6)(iii) 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: (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.

A proposed rule change filed under Rule 19b-4(f)(6) normally does not become operative prior to 30 days after the date of filing. Rule 19b-4(f)(6)(iii), however, permits the Commission to designate a shorter time if such action is consistent with the protection

of investors and the public interest. The Exchange requests that the Commission waive the operative delay to permit the Exchange to immediately reflect the operation of the zero-bid options on NOM. The Exchange's proposed rule is similar to Phlx Rule 1035. It is consistent with the protection of investors and the public interest to provide information as to the handling of zero bid options on NOM. The Exchange also proposes to immediately amend its rules to more specifically describe the information disseminated during a trading halt will add more transparency to the trading halt rule and remove obsolete rule text which describes outdated technology.

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

The proposed zero bid rule is the same as Phlx Rule 1035.

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

Not applicable.

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

Not applicable.

11. Exhibits

1. Notice of Proposed Rule Change for publication in the Federal Register.

5. Text of the proposed rule change.

EXHIBIT 1

SECURITIES AND EXCHANGE COMMISSION
(Release No. _____ ; File No. SR-NASDAQ-2018-051)

June __, 2018

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

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

The Exchange proposes to amend The Nasdaq Options Market LLC (“NOM”) Rules at Chapter V, Section 3, entitled “Trading Halts” and Chapter VI, Section 6, entitled “Acceptance of Quotes and Orders.”

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 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 amend Chapter V, Section 3, entitled “Trading Halts” to remove unnecessary rule text. The Exchange proposes to amend NOM Rules to adopt

a zero bid options rule at Chapter VI, Section 6, entitled “Acceptance of Quotes and Orders.” The Exchange proposes to adopt a zero bid options rule on NOM within Chapter VI, Section 6, entitled “Acceptance of Quotes and Orders” and remove rule text which the Exchange believes is unnecessary. Each proposal is described in more detail below.

Chapter V, Section 3

The Exchange proposes to amend Chapter V, Section 3(b), which currently provides, “In the event Nasdaq Regulation determines to halt trading, all trading in the effected class or classes of options shall be halted. NOM shall disseminate through its trading facilities and over OPRA a symbol with respect to such class or classes of options indicating that trading has been halted, and a record of the time and duration of the halt shall be made available to vendors.” The Exchange proposes to remove the words “such class or” because the Exchange only disseminates over OPRA a symbol with respect to classes of options to indicate a trading halt. By amending this rule, the Exchange will add more transparency as to how it disseminates information regarding trading halts.

Chapter VI, Section 6

Today, the Exchange does not have a rule for the handling of options with no bid or zero bid options. The Exchange’s handling of zero bid options on NOM is identical to the manner in which zero bid is handled on Phlx.¹ The Exchange proposes to add this new rule to Chapter VI, Section 6(a)(3). The new rule would provide, “In the case where the bid price for any options contract is \$0.00, a market order accepted into the System to sell that series shall be considered a limit order to sell at a price equal to the minimum

¹ See Phlx Rule 1035.

trading increment as defined in Chapter VI, Section 5. Orders will be placed on the limit order book in the order in which they were received by the System. With respect to market orders to sell which are submitted prior to the Opening and persist after the Opening, those orders are posted at a price equal to the minimum trading increment as defined in Chapter VI, Section 5.”

The Exchange intends to accept and convert market orders to sell allowing them an equal opportunity to trade if interest should arrive in the case of a no bid option. The Exchange notes that the orders would rest on the Order Book at the minimum price increment. The Exchange notes market orders “accepted into the System” would be converted to account for market orders that may not be accepted into the System due to Limit Up-Limit Down restrictions, which may prevent the market order from being accepted.² Only after acceptance into the System will market orders be treated as a sell limit order at a price equal to the minimum trading increment.

Further, the Exchange proposes to add rule text which provides “Orders will be placed on the limit order book in the order in which they were received by the System.”³ The Exchange proposes to note that with respect to market orders to sell in zero bid options, which are submitted prior to the Opening Process⁴ and persist after the Opening Process, those orders are posted at a price equal to the minimum trading increment as

² The Limit Up-Limit Down requirements must be met first before the proposed rule would apply.

³ The time of receipt for an order is the time such message is processed by the System.

⁴ The Exchange’s Opening Process is described in Rule 701.

defined in Chapter VI, Section 5.⁵ The Exchange's proposed rule will provide market participants with greater insight into the handling of orders where there is a zero bid. The Exchange believes that this proposed amendment will accurately describe the manner in which a zero-bid options series operates within the System both before and after the Opening Process.

The Exchange also proposes to amend Chapter VI, Section 6(b) which currently states, "All System orders entered by Participants directing or permitting routing to other market centers shall be routed for potential display and/or execution as set forth in Section 11 below. Routing shall be available in System securities as well as Non-System securities listed on other exchanges." The Exchange proposes to remove "Routing shall be available in System securities as well as Non-System securities listed on other exchanges." The Exchange defines "System Securities" at Chapter VI, Section 1(b) of the NOM Rules and defines "Non-System Securities" as all other options. Nasdaq originally programmed the System to differentiate between System Securities and Non-System Securities.⁶ Nasdaq stated in that filing it would accept orders in Non-System

⁵ Chapter VI, Section 5, entitled "Minimum Increments" provides for the minimum increments of trading.

⁶ Securities Exchange Act Release No. 57478 (March 12, 2008), 73 FR 14521 (March 18, 2008) (SR-NASDAQ-2007-004 and SR-NASDAQ-2007-080) (Notice of Filing of Amendment No. 2 to a Proposed Rule Change and Order Granting Accelerated Approval to a Proposed Rule Change, as Amended, To Establish Rules Governing the Trading of Options on the NASDAQ Options Market; Order Approving a Proposed Rule Change Relating to the LLC Agreement Establishing the NASDAQ Options Market LLC and Delegation Agreement Delegating to NOM LLC the Authority To Operate the NASDAQ Options Market; Order Granting an Application of The NASDAQ Stock Market LLC for an Exemption Pursuant to Section 36(a) of the Exchange Act from the Requirements of Section 19(b) of the Exchange Act; and Order Granting an Exemption for the NASDAQ Options Market LLC from Section 11A(b) of the Exchange Act.)

Securities for routing but will not execute these orders in the System.⁷ In 2012, NOM's rule were amended to provide that routing is limited to System Securities. System Securities are all options that are currently trading on NOM pursuant to Chapter IV.⁸ Further, the Subsequent Filing provided that only System Securities are traded on NOM pursuant to Chapter IV. All other options are Non-System Securities.⁹ The Subsequent filing noted that at one time, NOM offered routing of Non-System Securities but has not offered such routing since November 30, 2011. Finally, the Subsequent Filing noted that this routing feature was rarely used and was discontinued. Currently, NOM only routes securities that are listed on NOM. The Exchange proposes to remove this sentence related to routing which the Exchange believes should have been removed in connection with the Subsequent Filing.

2. Statutory Basis

The Exchange believes that the proposed rule change is consistent with Section 6(b) of the Securities Exchange Act of 1934,¹⁰ in general, and furthers the objectives of Section 6(b)(5) of the Act,¹¹ in particular, in that it is designed to promote just and equitable principles of trade, to remove impediments to and perfect the mechanism for a free and open market and a national market system, and, in general, to protect investors and the public interest.

⁷ Id.

⁸ Securities Exchange Act Release No. 67301 (June 28, 2012), 77 FR 39774 (July 5, 2012) (SR-Nasdaq-2012-077) (“Subsequent Filing”).

⁹ Id.

¹⁰ 15 U.S.C. 78f(b).

¹¹ 15 U.S.C. 78f(b)(5).

Chapter V, Section 3

The Exchange is providing greater transparency as to the manner in which the Exchange disseminates information over OPRA during a trading halt. The Exchange believes that this rule text is consistent with the Act and the protection of investors and the public interest because it brings greater clarity as to what type of information is provided during a halt.

Chapter VI, Section 6

The Exchange's proposal to adopt a zero bid rule is consistent with the Act and designed to promote just and equitable principles of trade and to protect investors and the public interest by adopting text which describes the handling of zero-bid options. The Exchange is treating all market orders to sell in zero bid options in the same fashion by converting all those orders, provided that the Exchange's disseminated bid price in such option is zero for an option listed only on the Exchange or, for an option listed on multiple exchanges and the disseminated NBBO includes a bid price of zero in the series. Market orders to sell in zero bid options will be placed on the limit order book in the order in which they were received by the System. The Exchange desires to prevent members from submitting market orders to sell in no bid series, which would execute at a price of \$0.00. The Exchange believes that the proposed rule will achieve this objective and continue to permit the Exchange to execute orders within its System at prices that reflect some value. Adding rule text regarding market orders to sell in zero bid options submitted prior to the Opening Process and persisting after the Opening Process is consistent with the Act because it provides more transparency as to the operation of this rule and as to how those market orders to sell in zero bid options will be handled by the

System. Further, the Exchange believes that memorializing its current practice within the rule text will bring more clarity to the manner in which the zero bid rule operates to the benefits of all market participants.

Finally, the Exchange believes removing language concerning Non-System Securities in Chapter VI, Section 6(b) is consistent with the Act because it avoids confusion by removing language which should have been removed with the 2006 filing which distinguished System and Non-System Securities. The language discusses a distinction which was removed from the rules in 2012.¹²

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

In accordance with Section 6(b)(8) of the Act,¹³ the Exchange does not believe that the proposed rule change will impose any burden on intermarket or intra-market competition that is not necessary or appropriate in furtherance of the purposes of the Act.

Chapter V, Section 3

The Exchange's proposal to amend Chapter V, Section 3(b) to more specifically describe the information disseminated during a trading halt do not impose an undue burden on competition because the amendments add more transparency to the trading halt rule.

Chapter VI, Section 6

The Exchange's proposal to adopt a zero bid options rule does not impose an undue burden on competition because the proposed rule change will continue to apply

¹² See note 10 above.

¹³ 15 U.S.C. 78f(b)(8).

uniformly for all market participants who enter market orders to sell into the System when there is a zero-bid options.

Finally, the removal of language concerning Non-System Securities in Chapter VI, Section 6(b) does not impose an undue burden on competition because this language references an obsolete functionality in the rulebook that was removed from the rules in 2012.¹⁴

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 Act¹⁵ and subparagraph (f)(6) of Rule 19b-4 thereunder.¹⁶

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

¹⁴ See note 10 above.

¹⁵ 15 U.S.C. 78s(b)(3)(A)(iii).

¹⁶ 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.

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-2018-051 on the subject line.

Paper comments:

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

All submissions should refer to File Number SR-NASDAQ-2018-051. This file number should be included on the subject line if e-mail is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet Web site (<http://www.sec.gov/rules/sro.shtml>).

Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any

person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for website viewing and printing in the Commission's Public Reference Room, 100 F Street, NE, Washington, DC 20549, on official business days between the hours of 10:00 a.m. and 3:00 p.m. Copies of the filing also will be available for inspection and copying at the principal office of the Exchange. All comments received will be posted without change; the Commission does not edit personal identifying information from submissions. You should submit only information that you wish to make available publicly.

All submissions should refer to File Number SR-NASDAQ-2018-051 and should be submitted on or before [insert date 21 days from publication in the Federal Register].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.¹⁷

Eduardo A. Aleman
Assistant Secretary

¹⁷ 17 CFR 200.30-3(a)(12).

EXHIBIT 5

New text is underlined; deleted text is in brackets.

The Nasdaq Stock Market Rules

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Options Rules

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Chapter V Regulation of Trading on NOM

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Sec. 3 Trading Halts

(a) No change.

(b) In the event Nasdaq Regulation determines to halt trading, all trading in the effected class or classes of options shall be halted. NOM shall disseminate through its trading facilities and over OPRA a symbol with respect to [such class or] classes of options indicating that trading has been halted, and a record of the time and duration of the halt shall be made available to vendors.

(c) – (e) No change.

Commentary: . . .

.01 No change.

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Chapter VI Trading Systems**Sec. 6 Acceptance of Quotes and Orders**

All bids or offers made and accepted on NOM in accordance with the NOM Rules shall constitute binding contracts, subject to applicable requirements of the Rules of the Exchange and the Rules of the Clearing Corporation.

(a) No change.

(1) and (2) No change.

(3) **Zero-Bid Option Series.** In the case where the bid price for any options contract is \$0.00, a market order accepted into the System to sell that series shall be considered a limit order to sell at a price equal to the minimum trading increment as defined in Chapter VI, Section 5. Orders will be placed on the limit order book in the order in which they were received by the System. With respect to market orders to sell which are submitted prior to the Opening and persist after the Opening, those orders are posted at a price equal to the minimum trading increment as defined in Chapter VI, Section 5.

(b) Routing - All System orders entered by Participants directing or permitting routing to other market centers shall be routed for potential display and/or execution as set forth in Section 11 below. [Routing shall be available in System securities as well as Non-System securities listed on other exchanges.]

(c) – (e) No change.

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