

Required fields are shown with yellow backgrounds and asterisks.

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"/>
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Description

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

A proposal to adopt new rule text within The Nasdaq Options Market LLC Rules at Chapter VI, Section 21.

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 * Saccomandi 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 Act of 1934,

has duly caused this filing to be signed on its behalf by the undersigned thereunto duly authorized.

(Title *)

Date 08/17/2018	Executive Vice President and General Counsel
By Edward S. Knight	
(Name *)	

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

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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

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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

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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 adopt new rule text within The Nasdaq Options Market LLC Rules at Chapter VI, Section 21. Specifically, the Exchange proposes to codify the definitions of the current protocols that Participants can use to enter quotes and orders on the Exchange and introduce a new protocol.

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 adopt new rule text at Chapter VI, Section 21 to codify the Financial Information eXchange (“FIX”) and Specialized Quote Feed (“SQF”) protocols. The Exchange proposes to adopt a new protocol and name it “Ouch to Trade Options” (“OTTO”) and rename and amend the current OTTO protocol on NOM as “Quote Using Orders” or “QUO”.³ The Exchange believes that codifying definitions of current and new protocols in its rules will increase transparency around its operations. Furthermore, the proposed definitions will be harmonized where appropriate with definitions contained in the rules of the Exchange’s affiliated options markets,⁴ by using consistent terms to define the buckets of information transmitted, or the features available, on each protocol. The protocols used by NOM Participants to submit quotes and orders play an important role in the operation of the System.

The Exchange notes it has two protocols today, SQF and proposed to be renamed QUO (formerly known as OTTO), that NOM Market Makers can use to meet their quoting obligations. All quotes on SQF are counted toward market making obligations. While a NOM Market Maker may enter an Immediate-or-Cancel Order through SQF this order does not rest on the Exchange’s order book and therefore does not count toward quoting obligations. In contrast orders that NOM Market Makers send through QUO will count toward market maker quoting obligations because orders submitted through QUO

³ Today the Exchange offers FIX, SQF and QUO (formerly known as OTTO) to its Participants.

⁴ Rules have been filed for Nasdaq ISE, LLC (“ISE”), Nasdaq GEMX, LLC (“GEMX”), Nasdaq MRX, LLC (“MRX”), Nasdaq BX, Inc. and Nasdaq Phlx, LLC.

will rest on the order book and allow NOM Market Makers to provide liquidity on NOM. NOM Market Makers cannot use QUO to submit quotes. As noted below in the section on QUO, specifically orders would count toward meeting quoting obligations for purposes of Rule 701, Opening, and Rule 804(e), regarding intra-day quoting.

The Exchange proposes to title proposed new Section 21 as “Order and Quote Protocols” and codify descriptions of the various current and new protocols that Participants may use to enter quotes and orders on NOM. Proposed new section (a) to Chapter VI, Section 21 would be entitled “Entry and Display of Orders and Quotes.” Proposed new Chapter VI, Section 21(a) would provide, “Participants may enter orders and quotes into the System as specified below.” The Exchange proposes to add a section Chapter VI, Section 21(a)(i) which states, “The Exchange offers Participants the following protocols for entering orders and quotes respectively.” Each protocol will be explained in greater detail below.

A. Financial Information eXchange Ports

This protocol is not memorialized within the Exchange’s Rulebook, however rule changes describing FIX were filed previously.⁵ The Exchange proposes to codify a description of FIX at Rule 1080(a)(i)(a) to add even greater specificity to this protocol.

The Exchange proposes to state that FIX is an interface that allows Participants (Market

⁵ See Securities Exchange Act Release No. 74616 (April 6, 2015), 80 FR 18450 (March 31, 2015) (SR-NASDAQ-2015-027). The FIX port was previously referred to as the “Order Entry Port” and described as a connection to routing orders to the Exchange via an external order entry port. NOM Participants access the Exchange’s network through order entry ports. A NOM Participant may have more than one order entry port. The Exchange recently renamed the “Order Entry Port” as the “FIX Port” in the Exchange’s Pricing Schedule. See Securities Exchange Act Release No. 83192 (May 9, 2018), 83 FR 22570 (May 15, 2018) (SR-NASDAQ-2018-036).

Makers and non-Market Maker Participants) and their Sponsored Customers to connect, send and receive messages related to orders to and from the Exchange. Features include the following: (1) execution messages; (2) order messages; and (3) risk protection triggers and cancel notifications.

B. Specialized Quote Feed Ports

This protocol is not memorialized within the Exchange's Rulebook, however rule changes describing SQF were filed previously.⁶ The Exchange proposes to more specifically define an SQF Port. The Exchange proposes the following definition:

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 request from the Market Maker.⁷

The Exchange believes that this information provides a more thorough description of SQF.

⁶ See Securities Exchange Act Release No. 83193 (May 9, 2018), 83 FR 22539 (May 15, 2018) (SR-NASDAQ-2018-036). This rule change generally described SQF as an interface that allows market makers to send quotes, sweeps and auction responses into the Exchange.

⁷ All of the notification messages available on SQF ports as described above (i.e., options symbol directory messages, system event messages, trading action messages, etc.) are configurable in that NOM Market Makers can select the specific types of notifications they wish to receive on their SQF ports. As such, SQF Purge Interface ports are a subpart of SQF ports that have been configured to only receive and notify of purge requests.

C. Quote Using Orders (formerly OTTO)

Today, the Exchange offers a protocol named “Ouch to Trade Options” or “OTTO.” The Exchange has filed a description of the current OTTO in prior rule changes stating OTTO is a protocol which permits the transmission of orders to the Exchange by a Participant.⁸ Further, the prior filing noted Immediate-or-Cancel orders will not be cancelled pursuant to this Chapter VI, Section 6 because, by definition, these orders will cancel if not executed.⁹ All Participants have the ability to utilize OTTO. Today, orders submitted by NOM Market Makers over this interface are treated as quotes.¹⁰

The Exchange proposes to rename the current OTTO as “Quote Using Orders” or “QUO” and amend the protocol by restricting it to NOM Market Makers only because this protocol is predominately utilized by NOM Market Makers. Further, the Exchange is offering non-Market Makers the new OTTO protocol, described below, which some Participants, who are also members of ISE, GEMX and MRX,¹¹ utilize today. The Exchange also notes QUO users will be subject to certain quote protections specified in Chapter VI, Section 18(c) which are specific to NOM Market Makers and would otherwise not apply to non-Market Makers. This interface would continue to allow NOM Market Makers to connect, send, and receive messages related to single-sided orders to and from the

⁸ See Securities Exchange Act Release No. 78480 (August 4, 2016), 81 FR 52926 (August 10, 2016) (SR-NASDAQ-2016-097).

⁹ Id.

¹⁰ Id.

¹¹ The new OTTO protocol is the same protocol offered on ISE, GEMX and MRX.

Exchange. The Exchange proposes to add additional granularity to this protocol by stating that the 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. Similar to how the protocol operates today, orders submitted by NOM Market Makers over this interface are treated as quotes. These orders would therefore count toward meeting quoting obligations for purposes of Rule 701, Opening, and Rule 804(e), regarding intra-day quoting.

D. New Ouch to Trade Options

The Exchange proposes to introduce a new interface similar to OTTO offered on affiliated markets which would be available to all NOM Participants (Market Makers and non-Market Makers). In order to bring conformance to the protocols across its affiliated markets, the Exchange proposes to name the new interface “Ouch to Trade Options” or “OTTO” similar to the other markets.¹² This new protocol would allow Participants and their Sponsored Customers to connect, send, and receive messages related to orders to and from the Exchange. Features would 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

¹² To allow for the conformance suggested herein, the Exchange is proposing to rename the current protocol “Quote Using Orders” or “QUO.”

triggers and cancel notifications.¹³ Orders submitted by NOM Market Makers through the new OTTO will not count toward their quoting obligations.

Implementation

The Exchange proposes to rename the current OTTO to QUO and introduce the new OTTO protocol in Q4. The Exchange would issue an Options Trader Alert announcing the date on which these protocols would be available.

b. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act,¹⁴ in general, and furthers the objectives of Section 6(b)(5) of the Act,¹⁵ in particular, in that it is designed to promote just and equitable principles of trade and to protect investors and the public interest by adding greater transparency to the order and quote protocols available on NOM.

The Exchange believes that the proposed rule change is consistent with the protection of investors and the public interest as it codifies the current FIX and SQF protocols used to connect to the Exchange's System. With respect to these protocols in particular, the Exchange believes that including a description of the various order entry protocols into the Rulebook will benefit Participants by increasing transparency around the operation of the Exchange. Furthermore, the proposed descriptions of all protocols in one rule will reflect information available on these protocols, and will be harmonized

¹³ Unlike the current OTTO, orders submitted through the proposed new OTTO protocol would not be treated as quotes for purposes of Market Maker quoting obligations.

¹⁴ 15 U.S.C. 78f(b).

¹⁵ 15 U.S.C. 78f(b)(5).

with language to be included in the rules of its affiliated exchanges to the extent that the protocols operate in the same manner.

With respect to the renamed and amended QUO protocol the Exchange believes that restricting it to NOM Market Makers and further expanding the description of the protocol is consistent with the Act because the Exchange is also proposing to add a new protocol on NOM which would be available to all Participants. NOM is restricting QUO to Market Makers because it is already predominately utilized by Market Makers today. The Exchange is offering non-Market Makers the new OTTO protocol, which some Participants, who are also members of ISE, GEMX and MRX, utilize today. The Exchange also notes QUO users will be subject to certain quote protections specified in Chapter VI, Section 18(c) which are specific to NOM Market Makers and would otherwise not apply to non-Market Makers. The amended definition will provide greater transparency concerning this protocol which is in use today.

Adopting a new protocol and naming it OTTO will bring greater conformance to the protocols across Nasdaq affiliated markets. The Exchange believes that the new proprietary protocol will offers Participants a range of important features including the ability to submit orders other than through FIX, while continuing to perform functions necessary to manage trading on the Exchange. The proposed new OTTO offers all NOM Participants the ability to send orders, similar to QUO. The new OTTO is intended to continue to permit non-Market Makers to have a protocol similar to the QUO (formerly OTTO) protocol offered on NOM today. The functionality offered on new OTTO mirrors the protocols offered on ISE, GEMX and MRX. The Exchange desires to conform its protocols across Nasdaq affiliated markets. The Exchange believes adopting

and codifying this protocol will increase transparency to the Participants. The Exchange also notes that today this protocol is offered on ISE, GEMX and MRX.

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

The Exchange does not believe that the proposed rule change will impose any burden on competition not necessary or appropriate in furtherance of the purposes of the Act. As explained above, the Exchange is codifying the quote and order entry protocols for FIX, SQF, renamed QUO and the new OTTO. Participants utilize the FIX, SQF and current OTTO protocols to connect to the Exchange's System. The Exchange will offer a new OTTO protocol and rename current OTTO to QUO. The Exchange does not believe that codifying these existing and new protocols in the Rulebook will have any competitive impact.

The Exchange does not believe limiting QUO to only Market Makers presents an undue burden on competition because, today, this protocol is predominately utilized by Market Makers. The Exchange is offering non-Market Makers the new OTTO protocol which some Participants, who are also members of ISE, GEMX and MRX, utilize today. The Exchange also notes QUO users will be subject to certain quote protections specified in Chapter VI, Section 18(c) which are specific to NOM Market Makers and would otherwise not apply to non-Market Makers.

Locating all the protocol descriptions within a single rule and adding context around each protocol will increase transparency around the operation of the Exchange without having any impact on inter-market or intra-market competition. All market participants have the ability to subscribe to the protocols for order entry. The quoting protocols are limited to the market participants who are permitted by rule to quote on

NOM, but the function is uniformly available to these eligible participants. Further, adopting OTTO will provide market participants with additional choices in selecting an order protocol other than FIX. Market Makers will be able to utilize either SQF or QUO to comply with quoting obligations. Every market participant will have more than one protocol available to utilize.

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)¹⁶ of the Act and Rule 19b-4(f)(6) thereunder¹⁷ in that it effects a change that: (i) does not significantly affect the protection of investors or the public interest; (ii) does not impose any significant burden on competition; and (iii) by its terms, does not become operative for 30 days after the date of the filing, or such shorter time as the Commission may designate if consistent with the protection of investors and the public interest.

The Exchange believes that this proposal does not significantly affect the protection of investors or the public interest because codifying the protocols in the Exchange's rulebook will add transparency as to the available protocols for the benefit of NOM Participants. Further adopting a new OTTO will provide market participants with

¹⁶ 15 U.S.C. 78s(b)(3)(A)(iii).

¹⁷ 17 CFR 240.19b-4(f)(6).

additional choices in selecting a protocol and conform protocols across Nasdaq affiliated markets. The proposed rule changes do not impose any significant burden on competition because all market participants have the ability to subscribe to the protocols for order entry. The quoting protocols are limited to the market participants who are permitted by rule to quote on NOM, but the function is uniformly available to these eligible participants. Every market participant will have more than one protocol available to utilize. Finally, limiting QUO to only Market Makers does not impose any significant burden on competition because, today, this protocol is predominately utilized by Market Makers and non-Market Makers are being offered the new OTTO protocol.

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.

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

Not applicable.

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-2018-069)

August __, 2018

Self-Regulatory Organizations; The Nasdaq Stock Market LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to adopt new rule text within The Nasdaq Options Market LLC Rules at Chapter VI, Section 21.

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 August 17, 2018, The Nasdaq Stock Market LLC (“Nasdaq” or “Exchange”) filed with the Securities and Exchange Commission (“SEC” or “Commission”) the proposed rule change as described in Items I, II, and III, below, which Items have been prepared by the Exchange. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

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

The Exchange proposes to adopt new rule text within The Nasdaq Options Market LLC Rules at Chapter VI, Section 21. Specifically, the Exchange proposes to codify the definitions of the current protocols that Participants can use to enter quotes and orders on the Exchange and introduce a new protocol.

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.

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

The Exchange proposes to adopt new rule text at Chapter VI, Section 21 to codify the Financial Information eXchange (“FIX”) and Specialized Quote Feed (“SQF”) protocols. The Exchange proposes to adopt a new protocol and name it “Ouch to Trade Options” (“OTTO”) and rename and amend the current OTTO protocol on NOM as “Quote Using Orders” or “QUO”.³ The Exchange believes that codifying definitions of current and new protocols in its rules will increase transparency around its operations. Furthermore, the proposed definitions will be harmonized where appropriate with definitions contained in the rules of the Exchange’s affiliated options markets,⁴ by using consistent terms to define the buckets of information transmitted, or the features available, on each protocol. The protocols used by NOM Participants to submit quotes and orders play an important role in the operation of the System.

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⁴ Rules have been filed for Nasdaq ISE, LLC (“ISE”), Nasdaq GEMX, LLC (“GEMX”), Nasdaq MRX, LLC (“MRX”), Nasdaq BX, Inc. and Nasdaq Phlx, LLC.

The Exchange notes it has two protocols today, SQF and proposed to be renamed QUO (formerly known as OTTO), that NOM Market Makers can use to meet their quoting obligations. All quotes on SQF are counted toward market making obligations. While a NOM Market Maker may enter an Immediate-or-Cancel Order through SQF this order does not rest on the Exchange's order book and therefore does not count toward quoting obligations. In contrast orders that NOM Market Makers send through QUO will count toward market maker quoting obligations because orders submitted through QUO will rest on the order book and allow NOM Market Makers to provide liquidity on NOM. NOM Market Makers cannot use QUO to submit quotes. As noted below in the section on QUO, specifically orders would count toward meeting quoting obligations for purposes of Rule 701, Opening, and Rule 804(e), regarding intra-day quoting.

The Exchange proposes to title proposed new Section 21 as "Order and Quote Protocols" and codify descriptions of the various current and new protocols that Participants may use to enter quotes and orders on NOM. Proposed new section (a) to Chapter VI, Section 21 would be entitled "Entry and Display of Orders and Quotes." Proposed new Chapter VI, Section 21(a) would provide, "Participants may enter orders and quotes into the System as specified below." The Exchange proposes to add a section Chapter VI, Section 21(a)(i) which states, "The Exchange offers Participants the following protocols for entering orders and quotes respectively." Each protocol will be explained in greater detail below.

A. Financial Information eXchange Ports

This protocol is not memorialized within the Exchange's Rulebook, however rule

changes describing FIX were filed previously.⁵ The Exchange proposes to codify a description of FIX at Rule 1080(a)(i)(a) to add even greater specificity to this protocol. The Exchange proposes to state that FIX is an interface that allows Participants (Market Makers and non-Market Maker Participants) and their Sponsored Customers to connect, send and receive messages related to orders to and from the Exchange. Features include the following: (1) execution messages; (2) order messages; and (3) risk protection triggers and cancel notifications.

B. Specialized Quote Feed Ports

This protocol is not memorialized within the Exchange's Rulebook, however rule changes describing SQF were filed previously.⁶ The Exchange proposes to more specifically define an SQF Port. The Exchange proposes the following definition:

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

⁵ See Securities Exchange Act Release No. 74616 (April 6, 2015), 80 FR 18450 (March 31, 2015) (SR-NASDAQ-2015-027). The FIX port was previously referred to as the "Order Entry Port" and described as a connection to routing orders to the Exchange via an external order entry port. NOM Participants access the Exchange's network through order entry ports. A NOM Participant may have more than one order entry port. The Exchange recently renamed the "Order Entry Port" as the "FIX Port" in the Exchange's Pricing Schedule. See Securities Exchange Act Release No. 83192 (May 9, 2018), 83 FR 22570 (May 15, 2018) (SR-NASDAQ-2018-036).

⁶ See Securities Exchange Act Release No. 83193 (May 9, 2018), 83 FR 22539 (May 15, 2018) (SR-NASDAQ-2018-036). This rule change generally described SQF as an interface that allows market makers to send quotes, sweeps and auction responses into the Exchange.

messages. The SQF Purge Interface only receives and notifies of purge request from the Market Maker.⁷

The Exchange believes that this information provides a more thorough description of SQF.

C. Quote Using Orders (formerly OTTO)

Today, the Exchange offers a protocol named “Ouch to Trade Options” or “OTTO.” The Exchange has filed a description of the current OTTO in prior rule changes stating OTTO is a protocol which permits the transmission of orders to the Exchange by a Participant.⁸ Further, the prior filing noted Immediate-or-Cancel orders will not be cancelled pursuant to this Chapter VI, Section 6 because, by definition, these orders will cancel if not executed.⁹ All Participants have the ability to utilize OTTO. Today, orders submitted by NOM Market Makers over this interface are treated as quotes.¹⁰

The Exchange proposes to rename the current OTTO as “Quote Using Orders” or “QUO” and amend the protocol by restricting it to NOM Market

⁷ All of the notification messages available on SQF ports as described above (i.e., options symbol directory messages, system event messages, trading action messages, etc.) are configurable in that NOM Market Makers can select the specific types of notifications they wish to receive on their SQF ports. As such, SQF Purge Interface ports are a subpart of SQF ports that have been configured to only receive and notify of purge requests.

⁸ See Securities Exchange Act Release No. 78480 (August 4, 2016), 81 FR 52926 (August 10, 2016) (SR-NASDAQ-2016-097).

⁹ Id.

¹⁰ Id.

Makers only because this protocol is predominately utilized by NOM Market Makers. Further, the Exchange is offering non-Market Makers the new OTTO protocol, described below, which some Participants, who are also members of ISE, GEMX and MRX,¹¹ utilize today. The Exchange also notes QUO users will be subject to certain quote protections specified in Chapter VI, Section 18(c) which are specific to NOM Market Makers and would otherwise not apply to non-Market Makers. This interface would continue to allow NOM Market Makers to connect, send, and receive messages related to single-sided orders to and from the Exchange. The Exchange proposes to add additional granularity to this protocol by stating that the 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. Similar to how the protocol operates today, orders submitted by NOM Market Makers over this interface are treated as quotes. These orders would therefore count toward meeting quoting obligations for purposes of Rule 701, Opening, and Rule 804(e), regarding intra-day quoting.

D. New Ouch to Trade Options

The Exchange proposes to introduce a new interface similar to OTTO offered on affiliated markets which would be available to all NOM Participants (Market Makers and non-Market Makers). In order to bring conformance to the protocols across its affiliated markets, the Exchange proposes to name the new

¹¹ The new OTTO protocol is the same protocol offered on ISE, GEMX and MRX.

interface “Ouch to Trade Options” or “OTTO” similar to the other markets.¹²

This new protocol would allow Participants and their Sponsored Customers to connect, send, and receive messages related to orders to and from the Exchange.

Features would 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.¹³ Orders submitted by NOM Market Makers through the new OTTO will not count toward their quoting obligations.

Implementation

The Exchange proposes to rename the current OTTO to QUO and introduce the new OTTO protocol in Q4. The Exchange would issue an Options Trader Alert announcing the date on which these protocols would be available.

2. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act,¹⁴ in general, and furthers the objectives of Section 6(b)(5) of the Act,¹⁵ in particular, in that it is designed to promote just and equitable principles of trade and to protect investors and the public interest by adding greater transparency to the order and quote

¹² To allow for the conformance suggested herein, the Exchange is proposing to rename the current protocol “Quote Using Orders” or “QUO.”

¹³ Unlike the current OTTO, orders submitted through the proposed new OTTO protocol would not be treated as quotes for purposes of Market Maker quoting obligations.

¹⁴ 15 U.S.C. 78f(b).

¹⁵ 15 U.S.C. 78f(b)(5).

protocols available on NOM.

The Exchange believes that the proposed rule change is consistent with the protection of investors and the public interest as it codifies the current FIX and SQF protocols used to connect to the Exchange's System. With respect to these protocols in particular, the Exchange believes that including a description of the various order entry protocols into the Rulebook will benefit Participants by increasing transparency around the operation of the Exchange. Furthermore, the proposed descriptions of all protocols in one rule will reflect information available on these protocols, and will be harmonized with language to be included in the rules of its affiliated exchanges to the extent that the protocols operate in the same manner.

With respect to the renamed and amended QUO protocol the Exchange believes that restricting it to NOM Market Makers and further expanding the description of the protocol is consistent with the Act because the Exchange is also proposing to add a new protocol on NOM which would be available to all Participants. NOM is restricting QUO to Market Makers because it is already predominately utilized by Market Makers today. The Exchange is offering non-Market Makers the new OTTO protocol, which some Participants, who are also members of ISE, GEMX and MRX, utilize today. The Exchange also notes QUO users will be subject to certain quote protections specified in Chapter VI, Section 18(c) which are specific to NOM Market Makers and would otherwise not apply to non-Market Makers. The amended definition will provide greater transparency concerning this protocol which is in use today.

Adopting a new protocol and naming it OTTO will bring greater conformance to the protocols across Nasdaq affiliated markets. The Exchange believes that the new

proprietary protocol will offers Participants a range of important features including the ability to submit orders other than through FIX, while continuing to perform functions necessary to manage trading on the Exchange. The proposed new OTTO offers all NOM Participants the ability to send orders, similar to QUO. The new OTTO is intended to continue to permit non-Market Makers to have a protocol similar to the QUO (formerly OTTO) protocol offered on NOM today. The functionality offered on new OTTO mirrors the protocols offered on ISE, GEMX and MRX. The Exchange desires to conform its protocols across Nasdaq affiliated markets. The Exchange believes adopting and codifying this protocol will increase transparency to the Participants. The Exchange also notes that today this protocol is offered on ISE, GEMX and MRX.

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

The Exchange does not believe that the proposed rule change will impose any burden on competition not necessary or appropriate in furtherance of the purposes of the Act. As explained above, the Exchange is codifying the quote and order entry protocols for FIX, SQF, renamed QUO and the new OTTO. Participants utilize the FIX, SQF and current OTTO protocols to connect to the Exchange's System. The Exchange will offer a new OTTO protocol and rename current OTTO to QUO. The Exchange does not believe that codifying these existing and new protocols in the Rulebook will have any competitive impact.

The Exchange does not believe limiting QUO to only Market Makers presents an undue burden on competition because, today, this protocol is predominately utilized by Market Makers. The Exchange is offering non-Market Makers the new OTTO protocol which some Participants, who are also members of ISE, GEMX and MRX, utilize today. The Exchange also notes QUO users will be subject to certain quote protections specified

in Chapter VI, Section 18(c) which are specific to NOM Market Makers and would otherwise not apply to non-Market Makers.

Locating all the protocol descriptions within a single rule and adding context around each protocol will increase transparency around the operation of the Exchange without having any impact on inter-market or intra-market competition. All market participants have the ability to subscribe to the protocols for order entry. The quoting protocols are limited to the market participants who are permitted by rule to quote on NOM, but the function is uniformly available to these eligible participants. Further, adopting OTTO will provide market participants with additional choices in selecting an order protocol other than FIX. Market Makers will be able to utilize either SQF or QUO to comply with quoting obligations. Every market participant will have more than one protocol available to utilize.

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 Act¹⁶ and subparagraph (f)(6) of Rule 19b-4 thereunder.¹⁷

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-2018-069 on the subject line.

¹⁶ 15 U.S.C. 78s(b)(3)(A)(iii).

¹⁷ 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.

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-2018-069. 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-2018-069 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.¹⁸

Eduardo A. Aleman
Assistant Secretary

¹⁸ 17 CFR 200.30-3(a)(12).

EXHIBIT 5

New text is underlined and deleted text is in brackets.

The Nasdaq Stock Market Rules

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Options Rules

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Chapter VI Trading Systems

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Section 21. Order and Quote Protocols

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

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

(A) “Financial Information eXchange” or “FIX” is an interface that allows Participants and their Sponsored Customers to connect, send, and receive messages related to orders to and from the Exchange. Features include the following: (1) execution messages; (2) order messages; and (3) risk protection triggers and cancel notifications.

(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 request from the Market Maker.

(C) “Ouch to Trade Options” or “OTTO” is an interface that allows Participants and their Sponsored Customers to connect, send, and receive messages related to orders to and from the Exchange. 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.

(D) “Quote Using Orders” or “QUO” is an interface that allows NOM 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 NOM Market Makers over this interface are treated as quotes.

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