

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"/>
Pilot <input type="checkbox"/>			Rule		
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 \*).  
 Removal of Listing Rule and other Amendments.

**Contact Information**  
 Provide the name, telephone number, and e-mail address of the person on the staff of the self-regulatory organization prepared to respond to questions and comments on the action.

First Name \* Angela      Last Name \* Dunn  
 Title \* Principal Associate General Counsel  
 E-mail \* Angela.Dunn@Nasdaq.com  
 Telephone \* (215) 496-5692      Fax

**Signature**  
 Pursuant to the requirements of the Securities Exchange Act of 1934,  
 has duly caused this filing to be signed on its behalf by the undersigned thereunto duly authorized.  
 (Title \*)  
 Date 01/29/2020      Executive Vice President and Chief Legal Counsel  
 By John A. Zecca      john.zecca@nasdaq.com  
 (Name \*)

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**

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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”)<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> is filing with the Securities and Exchange Commission (“SEC” or “Commission”) a proposal to amend The Nasdaq Options Market LLC (“NOM”) Rules at Options 1, Section 1 (Definitions), Options 2, Section 4 (Obligations of Market Makers), Section 5 (Market Maker Quotations), Options 3, Section 2 (Units of Trading and Meaning if Premium Quotes and Orders), Options 3, Section 3 (Minimum Increments), Options 3, Section 8 (Opening and Halt Cross), Options 3, Section 19 (Mass Cancellation of Trading Interest), Options 4, Section 5 (Series of Options Contracts Open for Trading), Options 4A, Section 2 (Definitions), Section 3 (Designation of a Broad-Based Index), Section 6 (Position Limits for Broad-Based Index Options), Section 11 (Trading Sessions), Section 12 (Terms of Index Options Contracts), Section 14 (Disclaimers), Options 5, Section 2 (Order Protection), Section 4 (Order Routing), Options 6C Exercises and Deliveries, and Options 7 (Pricing Schedule). The Exchange also proposes to relocate current rule text to new Options 2, Section 6 entitled “Market Maker Orders” and reserve certain rules within the Rulebook.

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.

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<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 17 CFR 240.19b-4.

(c) Not applicable.

2. Procedures of the Self-Regulatory Organization

The proposed rule change was approved by senior management of the Exchange pursuant to authority delegated by the Board of Directors of the Exchange (the “Board”) on September 25, 2019. 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

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 NOM’s Rules at Options 1, Section 1 (Definitions), Options 2, Section 4 (Obligations of Market Makers), Section 5 (Market Maker Quotations), Options 3, Section 2 (Units of Trading and Meaning if Premium Quotes and Orders), Options 3, Section 3 (Minimum Increments), Options 3, Section 8 (Opening and Halt Cross), Options 3, Section 19 (Mass Cancellation of Trading Interest), Options 4, Section 5 (Series of Options Contracts Open for Trading), Options 4A, Section 2 (Definitions), Section 3 (Designation of a Broad-Based Index), Section 6 (Position Limits for Broad-Based Index Options), Section 11 (Trading Sessions), Section 12 (Terms of Index Options Contracts), Section 14 (Disclaimers), Options 5, Section 2 (Order Protection), Section 4 (Order Routing), Options 6C Exercises and Deliveries, and Options 7 (Pricing Schedule). The Exchange also proposes to relocate current rule text to

new Options 2, Section 6 entitled “Market Maker Orders” and reserve certain rules within the Rulebook. Each change is described below.

#### Rulebook Harmonization

The Exchange recently harmonized its Rulebook in connection with other Nasdaq affiliated markets. The Exchange proposes to reserve certain rules within the Nasdaq Rulebook to represent the presence of rules in similar locations in other Nasdaq affiliated Rulebooks (e.g. Nasdaq Phlx LLC).<sup>3</sup>

The Exchange proposes to reserve Sections 17-22 within General 2, Organization and Administration. The Exchange proposes to reserve Sections 11-14 within Options 2, Options Market Participants. The Exchange proposes to reserve Sections 17-21 within Options 4A, Options Index Rules. The Exchange proposes to reserve new section Options 4B. The Exchange proposes to reserve Sections 8-13 within Options 6, Options Trade Administration. The Exchange proposes to reserve Section 7 within Options 6C, which is currently titled “Exercises and Deliveries.” The Exchange proposes to retitle Options 6C as “Margins” to harmonize the title to the other Nasdaq affiliated markets. The Exchange proposes to reserve Section 24 within Options 9, Business Conduct.

#### Definitions

The Exchange proposes to add the definition of an “Away Best Bid or Offer” or “ABBO” within Options 1, Section 1(a)(1). This term is utilized throughout the Rulebook. Defining this term will bring greater transparency to the Rulebook. The Exchange proposes to renumber the remaining definitions and also update corresponding cross-references within Options 7, Section 1.

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<sup>3</sup> See SR-Phlx-2020-03 (not yet published).

The Exchange proposes to remove the definitions of “class of options” and “series of options” as they are duplicative of the definitions for “class” and “series.” The Exchange proposes to remove the terms “System Book Feed” and “System Securities” from the Options 1, Section 1. The term “System Book Feed” is not utilized in the Rulebook currently. The term “System Securities” is only utilized within the definition of the term “System” at current Options 1, Section 1(a)(60) and within Options 3, Section 8, Opening and Halt Cross.” The term is simply replaced by referring to option series. The Exchange believes that replacing the term with the term “option series” will make the Rulebook clear.

Finally, the Exchange is removing the phrase “, or the United States dollar” from the definition of “foreign currency” within current Options 1, Section 1(a)(20). This reference is not needed in this string cite because the United States dollar is a medium of exchange as noted in the introductory phrase to the string cite.

#### Relocation of Options 2 Rules

The Exchange proposes to relocate Options 2, Section 4(d) and Section 5(e) to Options 2, Section 6, which is currently reserved. Specifically, the Exchange proposes to relocate these sections into Options 6(a) and (b), respectively. Proposed Options 2, Section 6 would be titled “Market Maker Orders.” This relocation will harmonize the location of these rule to other Nasdaq affiliated markets.

#### Removal of Various Listings

##### *Mini Options*

The Exchange has not listed Mini Options in several years and is proposing to delete its listing rules and other ancillary trading rules related to the listing of Mini

Options. The Exchange notes that it has no open interest in Mini Options.

Specifically, the Exchange proposes to amend Options 3, Section 2 (Units of Trading and Meaning of Premium Quotes and Orders), Options 3, Section 3 (Minimum Increments) and Options 4, Section 5 (Series of Options Contracts Open for Trading) at Supplementary Material .15) to remove references to the handling of Mini Options in the System. The Exchange also proposes to remove pricing for Mini Options within Options 7, Section 2 (Nasdaq Options Market—Fees and Rebates). The Exchange is also amending Supplementary Material .01 to Options 4A, Section 2.

In the event that the Exchange desires to list Mini Options in the future, it would file a rule change with the Commission to adopt rules to list Mini Options.

#### *U.S. Dollar-Settled Foreign Currency Options*

The Exchange has not listed U.S. Dollar-Settled Foreign Currency Options (“FCOs”) in several years and is proposing to delete its listing rules and other ancillary trading rules related to the listing of FCOs. The Exchange notes that it has no open interest in FCOs.

Specifically, the Exchange proposes to amend Supplementary Material .16 to Options 4, Section 5 (Series of Options Contracts Open for Trading) to remove references to the handling of FCOs in the System.

In the event that the Exchange desires to list FCOs in the future, it would file a rule change with the Commission to adopt rules to list FCOs.

#### *Mini-Nasdaq-100 Index*

The Exchange has not listed Mini-Nasdaq-100 Index options or “MNX” or “Mini-NDX” in several years and is proposing to delete its listing rules and other ancillary

trading rules related to the listing of Mini-Nasdaq-100 Index options. The Exchange notes that it has no open interest in Mini-Nasdaq-100 Index options.

Specifically, the Exchange proposes to amend Supplementary Material .05 to Options 4, Section 5 (Series of Options Contracts Open for Trading) and Options 4A, Section 12 (Terms of Index Options Contracts) to remove references to the handling of Mini-Nasdaq-100 Index options in the System.

In the event that the Exchange desires to list Mini-Nasdaq-100 Index options in the future, it would file a rule change with the Commission to adopt rules to list Mini-Nasdaq-100 Index options.

*MSCI EM Index and MSCI EAFE Index*

The Exchange has not listed the MSCI EM Index or MSCI EAFE Index in several years and is proposing to delete its listing rules and other ancillary trading rules related to the listing of the MSCI EM Index and MSCI EAFE Index. The Exchange notes that it has no open interest in the MSCI EM Index and MSCI EAFE Index.

Specifically, the Exchange proposes to amend Supplementary Material .01 to Options 4A, Section 2 (Definitions), Section 3 (Designation of a Broad-Based Index), Section 6 (Position Limits for Broad-Based Index Options), Section 11 (Trading Sessions) Section 12 (Terms of Index Options Contracts), Section 14 (Disclaimers) to remove references to the handling of the MSCI EM Index and MSCI EAFE Index in the System.

The Exchange proposes to add rule text within Options 4A, Section 12(a)(6) which indicates, “There are currently no P.M.-settled index options approved for trading on NOM.”

In the event that the Exchange desires to list the MSCI EM Index and/or MSCI EAFE Index in the future, it would file a rule change with the Commission to adopt rules to list the MSCI EM Index and/or MSCI EAFE Index.

#### Minimum Increments

The Exchange proposes to amend Options 3, Section 3 to relocate Section 3(a)(3) into a new Supplementary Material .01 and title the section, “Penny Pilot Program.” The Exchange also proposes to amend a typographical error in Options 3, Section 3(a)(3) to replace “QQQQs” with “QQQs.” The other changes relate to the removal of Mini Options as explained herein.

#### Mass Cancellation of Trading Interest

The Exchange proposes to amend the description of Options 3, Section 19 titled “Mass Cancellation of Trading Interest.” The proposed amended rule would state, “ An Options Participant may cancel any bids, offers, and orders in any series of options by requesting NOM Market Operations<sup>4</sup> staff to effect such cancellation as per the instructions of the Options Participant.” The Exchange is not amending the System with respect to this rule change. The proposed amended language merely makes clear that an Options Participant may contact NOM Market Operations and request the Exchange to cancel any bid, offer or order in any series of options. This is a voluntary service that is offered to market participants. The Exchange, would cancel such bid, offer or order pursuant to the Member’s instruction. This proposed new rule would conform to rules of

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<sup>4</sup> The request to Market Operations is a manual request which is made telephonically.

other Nasdaq affiliated markets.<sup>5</sup>

### Order Routing

Phlx recently amended Options 5, Section 4.<sup>6</sup> The Exchange proposes to make similar amendments to the NOM Rule. The amendments clarify and correct the rule text to represent current System functionality. Currently, Options 5, Section 4(a)(iii)(A), relating to DNR Orders, states,

Any incoming order interacting with such a resting DNR Order will execute at the ABBO price, unless (1) the ABBO is improved to a price which crosses the DNR displayed price, in which case the incoming order will execute at the previous ABBO price; (2) the ABBO is improved to a price which locks the DNR's displayed price, in which case the incoming order will execute at the DNR's displayed price. Should the best away market move to an inferior price level, the DNR Order will automatically re-price from its one MPV inferior to the original away best bid/offer price to one MPV away from the new away best bid/offer price or its original limit price.

The Exchange proposes to make non-substantive amendments to this rule text within Options 5, Section 4(a)(iii)(A), relating to DNR Orders, to align the rule text with Phlx Rule 1093. The Exchange proposes to instead provide:

Any incoming order interacting with such a resting DNR Order will execute at the ABBO price, unless (1) the ABBO is improved to a price which crosses the DNR **Order's already** displayed price, in which case the incoming order will execute at the previous ABBO price **as the away market crossed a displayed price; or** (2) the ABBO is improved to a price which locks the DNR **Order's** displayed price, in which case the incoming order will execute at the DNR **Order's** displayed price. Should the best away market move to an inferior price level, the DNR Order will automatically re-price from its one MPV inferior to the original **ABBO and display** one MPV away from the new **ABBO** or its original limit price.

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<sup>5</sup> See Nasdaq Phlx LLC ("Phlx"), Nasdaq ISE, LLC ("ISE"), Nasdaq GEMX, LLC ("GEMX") and Nasdaq MRX, LLC ("MRX") Options 3, Section 19.

<sup>6</sup> See Securities Exchange Act Release No. 87811 (December 20, 2019), 84 FR 72017 (December 30, 2019) (SR-Phlx-2019-56).

This proposed new text intends to make clear that if the Exchange's System is executing an incoming order against a resting DNR Order which is displayed, it would not consider an updated ABBO which crossed the displayed DNR Order. The System would not take into account the away market order or quote which crossed the DNR Order's displayed price. The Exchange is not trading-through an away market in this scenario, rather an away market is crossing NOM's displayed market and therefore that market has the obligation not to trade-through NOM's displayed price. A similar change is being made to the last sentence of Options 5, Section 4(a)(iii)(B)(4) for SEEK Orders and the last sentence Options 5, Section 4(a)(iii)(C)(4) for SRCH Orders. By way of example, consider the following sequence of events in the System,:

9:45:00:00:00 - MIAX Quote 0.95 x 1.20

9:45:00:00:10 – OPRA updates MIAX BBO 0.95 x 1.20

9:45:00:00:20 - NOM Local BBO Quote 1.00 x 1.15

9:45:00:00:30 - OPRA disseminates NOM BBO updates: 1.00 x 1.15

9:45:00:00:35: CBOE Quote 1.00 x 1.12

9:45:00:00:45 – OPRA disseminates CBOE BBO 1.00 x 1.12

9:45:00:00:50 - DNR Order: Buy 5 @ 1.15 (exposes @ ABBO of 1.12, displays 1 MPV from ABBO @ 1.11)

9:45:00:00:51 – OPRA disseminates NOM BBO updates: 1.11 x 1.15 (1.11 being the DNR Order displaying 1 MPV from ABBO)

9:45:00:00:60 - MIAX Quote updates to 1.00 x 1.10 (1.10 crosses the displayed DNR Order price, violating locked/crossed market rules; henceforth, we need not protect this price)

9:45:00:00:65 – OPRA disseminates MIAX BBO 1.00 x 1.10

9:45:00:00:75 - NOM Market Maker Order to Sell 5 @ 1.09

9:45:00:00:76 – Market Maker Order immediately executes against DNR Order 5 contracts @ 1.12 (1.12 being the 'previous' ABBO price disseminated by CBOE)

before the receipt of the DNR Order that was subsequently and illegally crossed by MIAX's 2<sup>nd</sup> quote)

9:45:00:00:77 - OPRA disseminates NOM BBO updates: 1.10 x 1.15 (reverts back to BBO set by NOM Local Quote since the DNR Order has executed)

The remainder of the changes to Options 5, Section 4(a)(iii)(A) are non-substantive changes designed to bring clarity to the rule text. By way of example, the Exchange proposes to add the word "Order" after "DNR," change the words "away best bid/offer price" to the acronym "ABBO" and add the words "display" and "already" to the rule text to make clear that the intent of the sentence.

The Exchange proposes to amend Options 5, Section 4(a)(iii)(B)(4) to amend the sentence which provides, "If there exists a locked ABBO when the SEEK Order is entered onto the Order Book, the SEEK Order will display at the locked ABBO price." The Exchange is amending this sentence to provide, "If there exists a locked ABBO when the SEEK Order is entered onto the Order Book, the SEEK Order will be entered at the ABBO price and displayed one MPV inferior to the ABBO." This is true of both SEEK and SRCH Orders. Where there exists a locked ABBO when the SEEK Order or SRCH Order is entered onto the Order Book, the SEEK Order or SRCH Order will be entered into the Order Book at the ABBO price and displayed one MPV inferior to the ABBO. The Exchange is proposing to add additional rule text to Options 5, Section 4(a)(iii)(B)(4). This amendment corrects the current rule text.

The Exchange also proposes to remove the sentence, "When checking the Order Book, the System will seek to execute at the price at which it would send the order to an away market." The Exchange proposes to remove this sentence because the price at which the order would route in explained in greater detail within Options 5, Section

4(a)(iii)(B)(4). Also, this sentence is confusing because the price at which an order would execute is dependent on the scenario within which an order would route.

Removing this sentence will remove any confusion related to the price at which the order would route. The Exchange also proposes to remove the same sentence concerning SRCH Orders within Options 5, Section 4(a)(iii)(C)(4).

#### Other Amendments

The Exchange proposes to correct the lettering within General 9, Section 1, General Standards. The Exchange proposes to correct a typographical error within Options 4A, Section 12. Specifically, the reference to Options 4, Section 6 should have referenced Options 4, Section 5 instead. The Exchange proposes to remove a reference to paragraph (c) within Options 5, Section 2, as there is no paragraph (c) within the Rule. The Exchange also proposes to update rulebook citations within Options 7, Pricing Schedule to reflect the proposed changes to Options 1, Section 1 (Definitions).

#### b. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act,<sup>7</sup> in general, and furthers the objectives of Section 6(b)(5) of the Act,<sup>8</sup> in particular, in that it is designed to promote just and equitable principles of trade, to remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general to protect investors and the public interest.

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<sup>7</sup> 15 U.S.C. 78f(b).

<sup>8</sup> 15 U.S.C. 78f(b)(5).

### Rulebook Harmonization

The Exchange's proposal to reserve various sections of the Rules in order to harmonize its Rulebook with other Nasdaq affiliated markets is not a substantive amendment.

### Definitions

The Exchange's proposal to add the definition of an "Away Best Bid or Offer" or "ABBO" within Options 1, Section 1(a)(1) is consistent with the Act because these amendments will add transparency to the Rulebook. The Exchange's proposal to remove the terms "class of options," "series of options," "System Book Feed" and "System Securities" from the Options 1, Section 1 is also consistent with the Act. The term "System Book Feed" is not utilized in the Rulebook currently and therefore this term does not need to be defined. The term "System Securities" is only utilized within the definition of the term "System" at current Options 1, Section 1(a)(60) and within Options 3, Section 8, Opening and Halt Cross." Replacing the term with the term "option series" will make the Rulebook clear.

### Relocation of Options 2 Rules

The proposal to relocate Options 2, Section 4(d) and Section 5(e) to Section 6 into Options 6(a) and (b), respectively is consistent with the Act. This amendment is not substantive.

### Removal of Various Listings

#### *Mini Options*

The Exchange's proposal to removal references to the listing and handling of Mini Options is consistent with the Act because Mini Options have not been listed in

several years. Also, the Exchange notes that it has no open interest in Mini Options. In the event that the Exchange desires to list Mini Options in the future, it would file a rule change with the Commission to adopt rules to list Mini Options.

*U.S. Dollar-Settled Foreign Currency Options*

The Exchange's proposal to removal references to the listing and handling of FCOs is consistent with the Act because FCOs have not been listed in several years. Also, the Exchange notes that it has no open interest in FCOs. In the event that the Exchange desires to list FCOs in the future, it would file a rule change with the Commission to adopt rules to list FCOs.

*Mini-Nasdaq-100 Index*

The Exchange's proposal to removal references to the listing and handling Mini-Nasdaq-100 Index options is consistent with the Act because Mini-Nasdaq-100 Index options have not been listed in several years. Also, the Exchange notes that it has no open interest in Mini-Nasdaq-100 Index options. In the event that the Exchange desires to list Mini-Nasdaq-100 Index options in the future, it would file a rule change with the Commission to adopt rules to list Mini-Nasdaq-100 Index options.

*MSCI EM Index and MSCI EAFE Index*

The Exchange's proposal to removal references to the listing and handling of MSCI EM Index and MSCI EAFE Index options is consistent with the Act because MSCI EM Index and MSCI EAFE Index options have not been listed in several years. Also, the Exchange notes that it has no open interest in MSCI EM Index and MSCI EAFE Index options. In the event that the Exchange desires to list MSCI EM Index and

MSCI EAFE Index options in the future, it would file a rule change with the Commission to adopt rules to list MSCI EM Index and MSCI EAFE Index options.

#### Minimum Increments

The Exchange's proposal to relocate parts of Options 3, Section 3 into a new Supplementary Material .01 and add a title for the Penny Pilot Program is consistent with the Act. This amendment will bring greater transparency to the Exchange's Rules.

#### Mass Cancellation of Trading Interest

The Exchange's proposal to amend the rule text of Mass Cancellation of Trading Interest rule within Options 3, Section 19 is consistent with the Act because the Exchange desires to conform the rule text to other Nasdaq affiliated markets.<sup>9</sup> Permitting Participants to contact Market Operations as a manual alternative to automated functionality, which similarly allows Participants to cancel interest, provides Participants experiencing their own system issues with a means to manage risk. Today, Participants are able to cancel interest, in an automated fashion through protocols<sup>10</sup> and the Kill Switch.<sup>11</sup> This is a voluntary services offered to all Participants.

This amended rule reflects the Exchange's current practice of allowing Participants to contact NOM Market Operations and request the Exchange to cancel any bid, offer or order in any series of options. The Exchange would continue to permit Participants to contact market operations and manually request cancellation of interest. The proposed amended language will make clear that an Options Participant may contact NOM Market

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<sup>9</sup> See note 5 above.

<sup>10</sup> See Options 3 at Supplementary Material .03 to Section 7.

<sup>11</sup> See Options 3, Section 17.

Operations and request the Exchange to cancel any bid, offer or order in any series of options. The Exchange would continue to cancel such bid, offer or order pursuant to the Participant's instruction.

This service, which permits Participants to cancel interest, does not diminish a Market Maker's obligation with respect to providing two-sided quotations and this rule is not inconsistent with other firm quote obligations of the Market Maker. Upon the request of a Participant, NOM Market Operations will continue to manually input a mass cancellation message into the System consistent with the Participant's instruction to cancel trading interest. Once the mass cancellation message is entered into the System by NOM Market Operations, the message will be accepted by the System in the order of receipt in the queue such that the interest that was already accepted into the System will be processed prior to the mass cancellation message. In addition, mass cancellation messages entered into the System by NOM Market Operations are handled by the System through the same queuing mechanism that a quote or order message is handled by the System. The Exchange notes its processing of a mass cancellation message inputted by NOM Market Operations and handled by the System is consistent with firm quote and order handling rules.

#### Order Routing

The Exchange's proposal to amend the sentence within Options 5, Section 4(a)(iii)(A) related to DNR Orders is consistent with the Act. The Exchange proposes to amend this rule text to clarify the current rule text. Specifically, the Exchange proposes to state, "Any incoming order interacting with such a resting DNR Order will execute at the ABBO price, unless (1) the ABBO is improved to a price which crosses the DNR

Order's already displayed price, in which case the incoming order will execute at the previous ABBO price as the away market crossed a displayed price; or (2) the ABBO is improved to a price which locks the DNR Order's displayed price, in which case the incoming order will execute at the DNR Order's displayed price." The System would not take into account the away market order or quote which crossed the DNR's displayed price. The Exchange is not trading-through an away market in this scenario, rather an away market is crossing NOM's displayed market and therefore that market has the obligation not to trade-through NOMs displayed price. Similar amendments were made to Options 5, Section 4(a)(iii)(B)(4) and Section 4(a)(iii)(C)(4). The remainder of the changes to this paragraph are clarifying non-substantive amendments.

The Exchange's proposal to remove the following sentence from Options 5, Section 4(a)(iii)(B)(4) and Section 4(a)(iii)(C)(4), "When checking the Order Book, the System will seek to execute at the price at which it would send the order to an away market," is consistent with the Act because this sentence is vague. The price at which an order would execute is dependent on the scenario within which an order would route. Removing this sentence will remove any confusion related to the price at which the order would route. The proposed rule would also add additional detail about the scenarios under which an order would route away.

With respect to SEEK Orders within Options 5, Section 4(a)(iii)(B) as well as SRCH Orders within Options 5, Section 4(a)(iii)(C) the amendments are consistent with the Act as they protect investors and the general public by amending current incorrect rule text. If there exists a locked ABBO when the SEEK Order or SRCH Order is entered onto the Order Book, the SEEK Order or SRCH Order will be entered at the ABBO price

and displayed one MPV inferior to the ABBO. The amendments to Options 5, Section 4 represent current System functionality. This new rule text will provide Participants with clarity as to the manner in which the System handles locked market conditions during routing. The proposed rule text is similar to rule text within Phlx Rule 1093.

#### Other Amendments

The Exchange's proposal to correct certain typographical errors and update rulebook citations are not substantive.

#### 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 that is not necessary or appropriate in furtherance of the purposes of the Act.

#### Rulebook Harmonization

The Exchange's proposal to reserve various rules in connection with a larger Rulebook harmonization do not impose an undue burden on competition because these amendments are non-substantive.

#### Definitions

The Exchange's proposal to add the definition of an "Away Best Bid or Offer" or "ABBO" within Options 1, Section 1(a)(1) and remove the terms "class of options," "series of options," "System Book Feed" and "System Securities" from the Options 1, Section 1 do not impose an undue burden on competition because these amendments will add transparency to the Rulebook.

#### Relocation of Options 2 Rules

The proposal to relocate Options 2, Section 4(d) and Section 5(e) to Section 6, into

Options 6(a) and (b) does not burden competition as this amendment is not substantive.

Removal of Various Listings

*Mini Options*

The Exchange's proposal to removal references to the listing and handling of Mini Options do not impose an undue burden on competition. Mini Options have not been listed in several years. Also, the Exchange notes that it has no open interest in Mini Options.

*U.S. Dollar-Settled Foreign Currency Options*

The Exchange's proposal to remove references to the listing of U.S. Dollar-Settled Foreign Currency Options ("FCOs") does not impose an undue burden on competition. FCOs have not been listed in several years. The Exchange notes that it has no open interest in FCOs.

*Mini-Nasdaq-100 Index*

The Exchange's proposal to removal references to the listing and handling of Mini-Nasdaq-100 Index options does not impose an undue burden on competition. Mini-Nasdaq-100 Index options have not been listed in several years. Also, the Exchange notes that it has no open interest in Mini-Nasdaq-100 Index options.

*MSCI EM Index and MSCI EAFE Index*

The Exchange's proposal to removal references to the listing and handling of MSCI EM Index and the MSCI EAFE Index does not impose an undue burden on competition. Neither the MSCI EM Index nor the MSCI EAFE Index have been listed in several years. Also, the Exchange notes that it has no open interest in either the MSCI EM Index or the MSCI EAFE.

### Minimum Increments

The Exchange's proposal to relocate parts of Options 3, Section 3 into a new Supplementary Material .01 and add a title for the Penny Pilot Program do not impose an undue burden on competition as these amendments are non-substantive.

### Mass Cancellation of Trading Interest

The Exchange's proposal to amend the rule text of the Mass Cancellation of Trading Interest rule within Options 3, Section 19 does not impose an undue burden on competition because there is no corresponding change to the manner in which this service will be offered. It will continue to be offered to all Participants.

### Order Routing

The Exchange believes that adding greater detail to its rules concerning routing of orders does not impose an undue burden on competition, rather it provides greater transparency as to the potential outcomes when utilizing different routing strategies. Further, the Exchange notes that market participants may elect not to route their orders. The Exchange continues to offer various options to its market participants with respect to routing.

### Other Amendments

The Exchange proposes to correct typographical error and update rulebook citations do not impose an undue burden on competition as these amendments are non-substantive.

5. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received from Members, Members, 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)<sup>12</sup> of the Act and Rule 19b-4(f)(6) thereunder<sup>13</sup> 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's proposal does not significantly affect the protection of investors or the public interest because the Exchange's proposal to add the definition of an "Away Best Bid or Offer" or "ABBO" within Options 1, Section 1(a)(1) and remove the terms "class of options," "series of options," "System Book Feed" and "System Securities" from the Options 1, Section 1 do not significantly affect the protection of investors or the public interest, rather these amendments will add transparency to the Rulebook. The Exchange proposes to relocate Options 2, Section 4(d) and Section 5(e) to Section 6, into Options 6(a) and (b) is not substantive. The Exchange's proposal to removal references to the listing and handling of Mini Options, FCOs Mini-Nasdaq-100 and MSCI EM and EAFE Index options do not significantly affect the protection of investors or the public interest because Mini Options, FCOs Mini-Nasdaq-100 and MSCI EM and EAFE Index

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<sup>12</sup> 15 U.S.C. 78s(b)(3)(A)(iii).

<sup>13</sup> 17 CFR 240.19b-4(f)(6).

options have not been listed in several years. Also, the Exchange notes that it has no open interest in either Mini Options, FCOs Mini-Nasdaq-100 and MSCI EM and EAFE Index options. The Exchange's proposal to relocate parts of Options 3, Section 3 into a new Supplementary Material .01 and add a title for the Penny Pilot Program do not significantly affect the protection of investors or the public interest because this amendment will bring greater transparency to the Exchange's Rules. The Exchange's proposal to conform the rule text of the Mass Cancellation of Trading Interest rule within Options 3, Section 19 to those of other Nasdaq affiliated markets<sup>14</sup> does not significantly affect the protection of investors or the public interest as the Exchange's proposal simply conforms the rule text. The Exchange is not amending the System with respect to this rule change. With respect to the amendments to order routing, the proposal does not significantly affect the protection of investors or the public interest, the rule text amends the current rule by adding additional clarifying rule text to the DNR language to make clear that manner in which the System would take into account the away market order or quote which crossed the DNR Order's displayed price. This amended rule text adds greater transparency to the current Rule. Removing the sentence, "When checking the Order Book, the System will seek to execute at the price at which it would send the order to an away market," does not significantly affect the protection of investors or the public interest because this sentence is vague. The price at which an order would execute is dependent on the scenario within which an order would route. With respect to the amendments to the SEEK Orders within Options 5, Section 4(a)(iii)(B) as well as SRCH Orders within Rule Options 5, Section 4(a)(iii)(C) these amendments do not significantly

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<sup>14</sup> See note 5 above.

affect the protection of investors or the public interest as they correct the current rule text to make clear that a SEEK Order or a SRCH Order would be entered at the ABBO price and display one MPV inferior to the ABBO where there exists a locked ABBO. The Exchange believes that this rule text will bring greater clarity to the Exchange's Rules. The Exchange notes the proposed rule text provides market participants with an expected outcome. The remainder of the changes to amend typographical errors and update rule citations are non-substantive. The Exchange's proposal to add the definition of an "Away Best Bid or Offer" or "ABBO" within Options 1, Section 1(a)(1) and remove the terms "class of options," "series of options," "System Book Feed" and "System Securities" from the Options 1, Section 1 does not impose any significant burden on competition because these amendments will add transparency to the Rulebook. The Exchange's proposal to removal references to the listing and handling of Mini Options, FCOs Mini-Nasdaq-100 and MSCI EM and EAFE Index options do not impose any significant burden on competition because Mini Options, FCOs Mini-Nasdaq-100 and MSCI EM and EAFE Index options have not been listed in several years. Also, the Exchange notes that it has no open interest in either Mini Options, FCOs Mini-Nasdaq-100 and MSCI EM and EAFE Index options. The Exchange's proposal to relocate parts of Options 3, Section 3 into a new Supplementary Material .01 and add a title for the Penny Pilot Program does not impose any significant burden on competition as these amendments are non-substantive. The Exchange's proposal to amend the Mass Cancellation of Trading Interest rule within Options 3, Section 19 does not impose any significant burden on competition because all Participants may utilize this service. The amended rule reflects the Exchange's current practice. The Exchange is conforming the

Mass Cancellation of Trading Interest rule to the rules of other Nasdaq affiliated markets.<sup>15</sup> The amendments to the routing rule do not impose any significant burden on competition as all Participants will uniformly be routed in accordance with the routing rule. Further, the Exchange notes that market participants may elect not to route their orders. The Exchange continues to offer various options to its market participants with respect to order routing. The remainder of the rule changes are non-substantive.

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 necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act. If the Commission takes such action, the Commission shall institute proceedings to determine whether the proposed rule should be approved or disapproved.

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 30-day operative delay contained in Rule 19b-4(f)(6)(iii) so that it may adopt the term “ABBO,” thereby adding greater transparency to its rules. Removing the rule text related

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<sup>15</sup> Phlx, ISE and GEMX have rules for the Mass Cancellation of Trading Interest at Options 3, Section 19.

to various options listing which are no longer listed on the Exchange will provide Participants with notice of the unavailability of these listing. Finally, the Exchange's amendment to the routing rules protect investors and the general public because they provide clarity as to the current operation of its System. The Exchange believes that this additional detail will provide market participants with greater information for each potential order routing strategy and in general provide greater transparency.

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

Phlx, ISE and GEMX have rules for the Mass Cancellation of Trading Interest at Options 3, Section 19. The amendments to the Order Routing rule are similar to amendments recently made to Phlx Rule 1093.<sup>16</sup> The amendments to Options 5, Section 4(a)(iii)(A), (B)(4) and (C)(4) are the same as amendments made recently to Phlx Rule 1093(a)(iii)(A), (B)(4) and (C)(6).

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.

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<sup>16</sup> See note 6 above.

**EXHIBIT 1**

## SECURITIES AND EXCHANGE COMMISSION

(Release No. \_\_\_\_\_ ; File No. SR-NASDAQ-2020-006)

January \_\_, 2020

Self-Regulatory Organizations; The Nasdaq Stock Market LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Remove Listing Rule and other Amendments

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”),<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on January 29, 2020, The Nasdaq Stock Market LLC (“Nasdaq” or “Exchange”) filed with the Securities and Exchange Commission (“SEC” or “Commission”) the proposed rule change as described in Items I, II, and III, below, which Items have been prepared by the Exchange. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

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

The Exchange proposes to amend The Nasdaq Options Market LLC (“NOM”) Rules at Options 1, Section 1 (Definitions), Options 2, Section 4 (Obligations of Market Makers), Section 5 (Market Maker Quotations), Options 3, Section 2 (Units of Trading and Meaning if Premium Quotes and Orders), Options 3, Section 3 (Minimum Increments), Options 3, Section 8 (Opening and Halt Cross), Options 3, Section 19 (Mass Cancellation of Trading Interest), Options 4, Section 5 (Series of Options Contracts Open for Trading), Options 4A, Section 2 (Definitions), Section 3 (Designation of a Broad-

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<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 17 CFR 240.19b-4.

Based Index), Section 6 (Position Limits for Broad-Based Index Options), Section 11 (Trading Sessions), Section 12 (Terms of Index Options Contracts), Section 14 (Disclaimers), Options 5, Section 2 (Order Protection), Section 4 (Order Routing), Options 6C Exercises and Deliveries, and Options 7 (Pricing Schedule). The Exchange also proposes to relocate current rule text to new Options 2, Section 6 entitled “Market Maker Orders” and reserve certain rules within the Rulebook. 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 NOM’s Rules at Options 1, Section 1 (Definitions), Options 2, Section 4 (Obligations of Market Makers), Section 5 (Market Maker Quotations), Options 3, Section 2 (Units of Trading and Meaning if Premium Quotes and Orders), Options 3, Section 3 (Minimum Increments), Options 3, Section 8 (Opening and Halt Cross), Options 3, Section 19 (Mass Cancellation of Trading Interest), Options 4, Section 5 (Series of Options Contracts Open for Trading), Options 4A, Section 2 (Definitions), Section 3 (Designation of a Broad-Based Index), Section 6 (Position

Limits for Broad-Based Index Options), Section 11 (Trading Sessions), Section 12 (Terms of Index Options Contracts), Section 14 (Disclaimers), Options 5, Section 2 (Order Protection), Section 4 (Order Routing), Options 6C Exercises and Deliveries, and Options 7 (Pricing Schedule). The Exchange also proposes to relocate current rule text to new Options 2, Section 6 entitled “Market Maker Orders” and reserve certain rules within the Rulebook. Each change is described below.

#### Rulebook Harmonization

The Exchange recently harmonized its Rulebook in connection with other Nasdaq affiliated markets. The Exchange proposes to reserve certain rules within the Nasdaq Rulebook to represent the presence of rules in similar locations in other Nasdaq affiliated Rulebooks (e.g. Nasdaq Phlx LLC).<sup>3</sup>

The Exchange proposes to reserve Sections 17-22 within General 2, Organization and Administration. The Exchange proposes to reserve Sections 11-14 within Options 2, Options Market Participants. The Exchange proposes to reserve Sections 17-21 within Options 4A, Options Index Rules. The Exchange proposes to reserve new section Options 4B. The Exchange proposes to reserve Sections 8-13 within Options 6, Options Trade Administration. The Exchange proposes to reserve Section 7 within Options 6C, which is currently titled “Exercises and Deliveries.” The Exchange proposes to retitle Options 6C as “Margins” to harmonize the title to the other Nasdaq affiliated markets. The Exchange proposes to reserve Section 24 within Options 9, Business Conduct.

#### Definitions

The Exchange proposes to add the definition of an “Away Best Bid or Offer” or

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<sup>3</sup> See SR-Phlx-2020-03 (not yet published).

“ABBO” within Options 1, Section 1(a)(1). This term is utilized throughout the Rulebook. Defining this term will bring greater transparency to the Rulebook. The Exchange proposes to renumber the remaining definitions and also update corresponding cross-references within Options 7, Section 1.

The Exchange proposes to remove the definitions of “class of options” and “series of options” as they are duplicative of the definitions for “class” and “series.” The Exchange proposes to remove the terms “System Book Feed” and “System Securities” from the Options 1, Section 1. The term “System Book Feed” is not utilized in the Rulebook currently. The term “System Securities” is only utilized within the definition of the term “System” at current Options 1, Section 1(a)(60) and within Options 3, Section 8, Opening and Halt Cross.” The term is simply replaced by referring to option series. The Exchange believes that replacing the term with the term “option series” will make the Rulebook clear.

Finally, the Exchange is removing the phrase “, or the United States dollar” from the definition of “foreign currency” within current Options 1, Section 1(a)(20). This reference is not needed in this string cite because the United States dollar is a medium of exchange as noted in the introductory phrase to the string cite.

#### Relocation of Options 2 Rules

The Exchange proposes to relocate Options 2, Section 4(d) and Section 5(e) to Options 2, Section 6, which is currently reserved. Specifically, the Exchange proposes to relocate these sections into Options 6(a) and (b), respectively. Proposed Options 2, Section 6 would be titled “Market Maker Orders.” This relocation will harmonize the location of these rule to other Nasdaq affiliated markets.

### Removal of Various Listings

#### *Mini Options*

The Exchange has not listed Mini Options in several years and is proposing to delete its listing rules and other ancillary trading rules related to the listing of Mini Options. The Exchange notes that it has no open interest in Mini Options.

Specifically, the Exchange proposes to amend Options 3, Section 2 (Units of Trading and Meaning of Premium Quotes and Orders), Options 3, Section 3 (Minimum Increments) and Options 4, Section 5 (Series of Options Contracts Open for Trading) at Supplementary Material .15) to remove references to the handling of Mini Options in the System. The Exchange also proposes to remove pricing for Mini Options within Options 7, Section 2 (Nasdaq Options Market—Fees and Rebates). The Exchange is also amending Supplementary Material .01 to Options 4A, Section 2.

In the event that the Exchange desires to list Mini Options in the future, it would file a rule change with the Commission to adopt rules to list Mini Options.

#### *U.S. Dollar-Settled Foreign Currency Options*

The Exchange has not listed U.S. Dollar-Settled Foreign Currency Options (“FCOs”) in several years and is proposing to delete its listing rules and other ancillary trading rules related to the listing of FCOs. The Exchange notes that it has no open interest in FCOs.

Specifically, the Exchange proposes to amend Supplementary Material .16 to Options 4, Section 5 (Series of Options Contracts Open for Trading) to remove references to the handling of FCOs in the System.

In the event that the Exchange desires to list FCOs in the future, it would file a rule change with the Commission to adopt rules to list FCOs.

*Mini-Nasdaq-100 Index*

The Exchange has not listed Mini-Nasdaq-100 Index options or “MNX” or “Mini-NDX” in several years and is proposing to delete its listing rules and other ancillary trading rules related to the listing of Mini-Nasdaq-100 Index options. The Exchange notes that it has no open interest in Mini-Nasdaq-100 Index options.

Specifically, the Exchange proposes to amend Supplementary Material .05 to Options 4, Section 5 (Series of Options Contracts Open for Trading) and Options 4A, Section 12 (Terms of Index Options Contracts) to remove references to the handling of Mini-Nasdaq-100 Index options in the System.

In the event that the Exchange desires to list Mini-Nasdaq-100 Index options in the future, it would file a rule change with the Commission to adopt rules to list Mini-Nasdaq-100 Index options.

*MSCI EM Index and MSCI EAFE Index*

The Exchange has not listed the MSCI EM Index or MSCI EAFE Index in several years and is proposing to delete its listing rules and other ancillary trading rules related to the listing of the MSCI EM Index and MSCI EAFE Index. The Exchange notes that it has no open interest in the MSCI EM Index and MSCI EAFE Index.

Specifically, the Exchange proposes to amend Supplementary Material .01 to Options 4A, Section 2 (Definitions), Section 3 (Designation of a Broad-Based Index), Section 6 (Position Limits for Broad-Based Index Options), Section 11(Trading Sessions)

Section 12 (Terms of Index Options Contracts), Section 14 (Disclaimers) to remove references to the handling of the MSCI EM Index and MSCI EAFE Index in the System.

The Exchange proposes to add rule text within Options 4A, Section 12(a)(6) which indicates, “There are currently no P.M.-settled index options approved for trading on NOM.”

In the event that the Exchange desires to list the MSCI EM Index and/or MSCI EAFE Index in the future, it would file a rule change with the Commission to adopt rules to list the MSCI EM Index and/or MSCI EAFE Index.

#### Minimum Increments

The Exchange proposes to amend Options 3, Section 3 to relocate Section 3(a)(3) into a new Supplementary Material .01 and title the section, “Penny Pilot Program.” The Exchange also proposes to amend a typographical error in Options 3, Section 3(a)(3) to replace “QQQQs” with “QQQs.” The other changes relate to the removal of Mini Options as explained herein.

#### Mass Cancellation of Trading Interest

The Exchange proposes to amend the description of Options 3, Section 19 titled “Mass Cancellation of Trading Interest.” The proposed amended rule would state, “ An Options Participant may cancel any bids, offers, and orders in any series of options by requesting NOM Market Operations<sup>4</sup> staff to effect such cancellation as per the instructions of the Options Participant.” The Exchange is not amending the System with respect to this rule change. The proposed amended language merely makes clear that an Options Participant may contact NOM Market Operations and request the Exchange to

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<sup>4</sup> The request to Market Operations is a manual request which is made telephonically.

cancel any bid, offer or order in any series of options. This is a voluntary service that is offered to market participants. The Exchange, would cancel such bid, offer or order pursuant to the Member's instruction. This proposed new rule would conform to rules of other Nasdaq affiliated markets.<sup>5</sup>

### Order Routing

Phlx recently amended Options 5, Section 4.<sup>6</sup> The Exchange proposes to make similar amendments to the NOM Rule. The amendments clarify and correct the rule text to represent current System functionality. Currently, Options 5, Section 4(a)(iii)(A), relating to DNR Orders, states,

Any incoming order interacting with such a resting DNR Order will execute at the ABBO price, unless (1) the ABBO is improved to a price which crosses the DNR displayed price, in which case the incoming order will execute at the previous ABBO price; (2) the ABBO is improved to a price which locks the DNR's displayed price, in which case the incoming order will execute at the DNR's displayed price. Should the best away market move to an inferior price level, the DNR Order will automatically re-price from its one MPV inferior to the original away best bid/offer price to one MPV away from the new away best bid/offer price or its original limit price.

The Exchange proposes to make non-substantive amendments to this rule text within Options 5, Section 4(a)(iii)(A), relating to DNR Orders, to align the rule text with Phlx Rule 1093. The Exchange proposes to instead provide:

Any incoming order interacting with such a resting DNR Order will execute at the ABBO price, unless (1) the ABBO is improved to a price which crosses the DNR **Order's already** displayed price, in which case the incoming order will execute at the previous ABBO price **as the away market crossed a displayed price; or** (2) the ABBO is improved to a price which locks the DNR **Order's** displayed price, in which case the incoming order will execute at the DNR **Order's**

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<sup>5</sup> See Nasdaq Phlx LLC ("Phlx"), Nasdaq ISE, LLC ("ISE"), Nasdaq GEMX, LLC ("GEMX") and Nasdaq MRX, LLC ("MRX") Options 3, Section 19.

<sup>6</sup> See Securities Exchange Act Release No. 87811 (December 20, 2019), 84 FR 72017 (December 30, 2019) (SR-Phlx-2019-56).

displayed price. Should the best away market move to an inferior price level, the DNR Order will automatically re-price from its one MPV inferior to the original **ABBO and display** one MPV away from the new **ABBO** or its original limit price.

This proposed new text intends to make clear that if the Exchange's System is executing an incoming order against a resting DNR Order which is displayed, it would not consider an updated ABBO which crossed the displayed DNR Order. The System would not take into account the away market order or quote which crossed the DNR Order's displayed price. The Exchange is not trading-through an away market in this scenario, rather an away market is crossing NOM's displayed market and therefore that market has the obligation not to trade-through NOM's displayed price. A similar change is being made to the last sentence of Options 5, Section 4(a)(iii)(B)(4) for SEEK Orders and the last sentence Options 5, Section 4(a)(iii)(C)(4) for SRCH Orders. By way of example, consider the following sequence of events in the System,:

9:45:00:00:00 - MIAX Quote 0.95 x 1.20

9:45:00:00:10 – OPRA updates MIAX BBO 0.95 x 1.20

9:45:00:00:20 - NOM Local BBO Quote 1.00 x 1.15

9:45:00:00:30 - OPRA disseminates NOM BBO updates: 1.00 x 1.15

9:45:00:00:35: CBOE Quote 1.00 x 1.12

9:45:00:00:45 – OPRA disseminates CBOE BBO 1.00 x 1.12

9:45:00:00:50 - DNR Order: Buy 5 @ 1.15 (exposes @ ABBO of 1.12, displays 1 MPV from ABBO @ 1.11)

9:45:00:00:51 – OPRA disseminates NOM BBO updates: 1.11 x 1.15 (1.11 being the DNR Order displaying 1 MPV from ABBO)

9:45:00:00:60 - MIAX Quote updates to 1.00 x 1.10 (1.10 crosses the displayed DNR Order price, violating locked/crossed market rules; henceforth, we need not protect this price)

9:45:00:00:65 – OPRA disseminates MIAX BBO 1.00 x 1.10  
9:45:00:00:75 - NOM Market Maker Order to Sell 5 @ 1.09  
9:45:00:00:76 – Market Maker Order immediately executes against DNR Order 5 contracts @ 1.12 (1.12 being the ‘previous’ ABBO price disseminated by CBOE before the receipt of the DNR Order that was subsequently and illegally crossed by MIAX’s 2<sup>nd</sup> quote)

9:45:00:00:77 - OPRA disseminates NOM BBO updates: 1.10 x 1.15 (reverts back to BBO set by NOM Local Quote since the DNR Order has executed)

The remainder of the changes to Options 5, Section 4(a)(iii)(A) are non-substantive changes designed to bring clarity to the rule text. By way of example, the Exchange proposes to add the word “Order” after “DNR,” change the words “away best bid/offer price” to the acronym “ABBO” and add the words “display” and “already” to the rule text to make clear that the intent of the sentence.

The Exchange proposes to amend Options 5, Section 4(a)(iii)(B)(4) to amend the sentence which provides, “If there exists a locked ABBO when the SEEK Order is entered onto the Order Book, the SEEK Order will display at the locked ABBO price.” The Exchange is amending this sentence to provide, “If there exists a locked ABBO when the SEEK Order is entered onto the Order Book, the SEEK Order will be entered at the ABBO price and displayed one MPV inferior to the ABBO.” This is true of both SEEK and SRCH Orders. Where there exists a locked ABBO when the SEEK Order or SRCH Order is entered onto the Order Book, the SEEK Order or SRCH Order will be entered into the Order Book at the ABBO price and displayed one MPV inferior to the ABBO. The Exchange is proposing to add additional rule text to Options 5, Section 4(a)(iii)(B)(4). This amendment corrects the current rule text.

The Exchange also proposes to remove the sentence, “When checking the Order Book, the System will seek to execute at the price at which it would send the order to an

away market.” The Exchange proposes to remove this sentence because the price at which the order would route is explained in greater detail within Options 5, Section 4(a)(iii)(B)(4). Also, this sentence is confusing because the price at which an order would execute is dependent on the scenario within which an order would route.

Removing this sentence will remove any confusion related to the price at which the order would route. The Exchange also proposes to remove the same sentence concerning SRCH Orders within Options 5, Section 4(a)(iii)(C)(4).

#### Other Amendments

The Exchange proposes to correct the lettering within General 9, Section 1, General Standards. The Exchange proposes to correct a typographical error within Options 4A, Section 12. Specifically, the reference to Options 4, Section 6 should have referenced Options 4, Section 5 instead. The Exchange proposes to remove a reference to paragraph (c) within Options 5, Section 2, as there is no paragraph (c) within the Rule. The Exchange also proposes to update rulebook citations within Options 7, Pricing Schedule to reflect the proposed changes to Options 1, Section 1 (Definitions).

#### 2. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act,<sup>7</sup> in general, and furthers the objectives of Section 6(b)(5) of the Act,<sup>8</sup> in particular, in that it is designed to promote just and equitable principles of trade, to remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general to protect investors and the public interest.

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<sup>7</sup> 15 U.S.C. 78f(b).

<sup>8</sup> 15 U.S.C. 78f(b)(5).

### Rulebook Harmonization

The Exchange's proposal to reserve various sections of the Rules in order to harmonize its Rulebook with other Nasdaq affiliated markets is not a substantive amendment.

### Definitions

The Exchange's proposal to add the definition of an "Away Best Bid or Offer" or "ABBO" within Options 1, Section 1(a)(1) is consistent with the Act because these amendments will add transparency to the Rulebook. The Exchange's proposal to remove the terms "class of options," "series of options," "System Book Feed" and "System Securities" from the Options 1, Section 1 is also consistent with the Act. The term "System Book Feed" is not utilized in the Rulebook currently and therefore this term does not need to be defined. The term "System Securities" is only utilized within the definition of the term "System" at current Options 1, Section 1(a)(60) and within Options 3, Section 8, Opening and Halt Cross." Replacing the term with the term "option series" will make the Rulebook clear.

### Relocation of Options 2 Rules

The proposal to relocate Options 2, Section 4(d) and Section 5(e) to Section 6 into Options 6(a) and (b), respectively is consistent with the Act. This amendment is not substantive.

### Removal of Various Listings

#### *Mini Options*

The Exchange's proposal to removal references to the listing and handling of Mini Options is consistent with the Act because Mini Options have not been listed in

several years. Also, the Exchange notes that it has no open interest in Mini Options. In the event that the Exchange desires to list Mini Options in the future, it would file a rule change with the Commission to adopt rules to list Mini Options.

*U.S. Dollar-Settled Foreign Currency Options*

The Exchange's proposal to removal references to the listing and handling of FCOs is consistent with the Act because FCOs have not been listed in several years. Also, the Exchange notes that it has no open interest in FCOs. In the event that the Exchange desires to list FCOs in the future, it would file a rule change with the Commission to adopt rules to list FCOs.

*Mini-Nasdaq-100 Index*

The Exchange's proposal to removal references to the listing and handling Mini-Nasdaq-100 Index options is consistent with the Act because Mini-Nasdaq-100 Index options have not been listed in several years. Also, the Exchange notes that it has no open interest in Mini-Nasdaq-100 Index options. In the event that the Exchange desires to list Mini-Nasdaq-100 Index options in the future, it would file a rule change with the Commission to adopt rules to list Mini-Nasdaq-100 Index options.

*MSCI EM Index and MSCI EAFE Index*

The Exchange's proposal to removal references to the listing and handling of MSCI EM Index and MSCI EAFE Index options is consistent with the Act because MSCI EM Index and MSCI EAFE Index options have not been listed in several years. Also, the Exchange notes that it has no open interest in MSCI EM Index and MSCI EAFE Index options. In the event that the Exchange desires to list MSCI EM Index and

MSCI EAFE Index options in the future, it would file a rule change with the Commission to adopt rules to list MSCI EM Index and MSCI EAFE Index options.

#### Minimum Increments

The Exchange's proposal to relocate parts of Options 3, Section 3 into a new Supplementary Material .01 and add a title for the Penny Pilot Program is consistent with the Act. This amendment will bring greater transparency to the Exchange's Rules.

#### Mass Cancellation of Trading Interest

The Exchange's proposal to amend the rule text of Mass Cancellation of Trading Interest rule within Options 3, Section 19 is consistent with the Act because the Exchange desires to conform the rule text to other Nasdaq affiliated markets.<sup>9</sup> Permitting Participants to contact Market Operations as a manual alternative to automated functionality, which similarly allows Participants to cancel interest, provides Participants experiencing their own system issues with a means to manage risk. Today, Participants are able to cancel interest, in an automated fashion through protocols<sup>10</sup> and the Kill Switch.<sup>11</sup> This is a voluntary services offered to all Participants.

This amended rule reflects the Exchange's current practice of allowing Participants to contact NOM Market Operations and request the Exchange to cancel any bid, offer or order in any series of options. The Exchange would continue to permit Participants to contact market operations and manually request cancellation of interest. The proposed amended language will make clear that an Options Participant may contact NOM Market

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<sup>9</sup> See note 5 above.

<sup>10</sup> See Options 3 at Supplementary Material .03 to Section 7.

<sup>11</sup> See Options 3, Section 17.

Operations and request the Exchange to cancel any bid, offer or order in any series of options. The Exchange would continue to cancel such bid, offer or order pursuant to the Participant's instruction.

This service, which permits Participants to cancel interest, does not diminish a Market Maker's obligation with respect to providing two-sided quotations and this rule is not inconsistent with other firm quote obligations of the Market Maker. Upon the request of a Participant, NOM Market Operations will continue to manually input a mass cancellation message into the System consistent with the Participant's instruction to cancel trading interest. Once the mass cancellation message is entered into the System by NOM Market Operations, the message will be accepted by the System in the order of receipt in the queue such that the interest that was already accepted into the System will be processed prior to the mass cancellation message. In addition, mass cancellation messages entered into the System by NOM Market Operations are handled by the System through the same queuing mechanism that a quote or order message is handled by the System. The Exchange notes its processing of a mass cancellation message inputted by NOM Market Operations and handled by the System is consistent with firm quote and order handling rules.

#### Order Routing

The Exchange's proposal to amend the sentence within Options 5, Section 4(a)(iii)(A) related to DNR Orders is consistent with the Act. The Exchange proposes to amend this rule text to clarify the current rule text. Specifically, the Exchange proposes to state, "Any incoming order interacting with such a resting DNR Order will execute at the ABBO price, unless (1) the ABBO is improved to a price which crosses the DNR

Order's already displayed price, in which case the incoming order will execute at the previous ABBO price as the away market crossed a displayed price; or (2) the ABBO is improved to a price which locks the DNR Order's displayed price, in which case the incoming order will execute at the DNR Order's displayed price." The System would not take into account the away market order or quote which crossed the DNR's displayed price. The Exchange is not trading-through an away market in this scenario, rather an away market is crossing NOM's displayed market and therefore that market has the obligation not to trade-through NOMs displayed price. Similar amendments were made to Options 5, Section 4(a)(iii)(B)(4) and Section 4(a)(iii)(C)(4). The remainder of the changes to this paragraph are clarifying non-substantive amendments.

The Exchange's proposal to remove the following sentence from Options 5, Section 4(a)(iii)(B)(4) and Section 4(a)(iii)(C)(4), "When checking the Order Book, the System will seek to execute at the price at which it would send the order to an away market," is consistent with the Act because this sentence is vague. The price at which an order would execute is dependent on the scenario within which an order would route. Removing this sentence will remove any confusion related to the price at which the order would route. The proposed rule would also add additional detail about the scenarios under which an order would route away.

With respect to SEEK Orders within Options 5, Section 4(a)(iii)(B) as well as SRCH Orders within Options 5, Section 4(a)(iii)(C) the amendments are consistent with the Act as they protect investors and the general public by amending current incorrect rule text. If there exists a locked ABBO when the SEEK Order or SRCH Order is entered onto the Order Book, the SEEK Order or SRCH Order will be entered at the ABBO price

and displayed one MPV inferior to the ABBO. The amendments to Options 5, Section 4 represent current System functionality. This new rule text will provide Participants with clarity as to the manner in which the System handles locked market conditions during routing. The proposed rule text is similar to rule text within Phlx Rule 1093.

#### Other Amendments

The Exchange's proposal to correct certain typographical errors and update rulebook citations are not substantive.

#### 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 that is not necessary or appropriate in furtherance of the purposes of the Act.

#### Rulebook Harmonization

The Exchange's proposal to reserve various rules in connection with a larger Rulebook harmonization do not impose an undue burden on competition because these amendments are non-substantive.

#### Definitions

The Exchange's proposal to add the definition of an "Away Best Bid or Offer" or "ABBO" within Options 1, Section 1(a)(1) and remove the terms "class of options," "series of options," "System Book Feed" and "System Securities" from the Options 1, Section 1 do not impose an undue burden on competition because these amendments will add transparency to the Rulebook.

#### Relocation of Options 2 Rules

The proposal to relocate Options 2, Section 4(d) and Section 5(e) to Section 6, into Options 6(a) and (b) does not burden competition as this amendment is not substantive.

Removal of Various Listings*Mini Options*

The Exchange's proposal to removal references to the listing and handling of Mini Options do not impose an undue burden on competition. Mini Options have not been listed in several years. Also, the Exchange notes that it has no open interest in Mini Options.

*U.S. Dollar-Settled Foreign Currency Options*

The Exchange's proposal to remove references to the listing of U.S. Dollar-Settled Foreign Currency Options ("FCOs") does not impose an undue burden on competition. FCOs have not been listed in several years. The Exchange notes that it has no open interest in FCOs.

*Mini-Nasdaq-100 Index*

The Exchange's proposal to removal references to the listing and handling of Mini-Nasdaq-100 Index options does not impose an undue burden on competition. Mini-Nasdaq-100 Index options have not been listed in several years. Also, the Exchange notes that it has no open interest in Mini-Nasdaq-100 Index options.

*MSCI EM Index and MSCI EAFE Index*

The Exchange's proposal to removal references to the listing and handling of MSCI EM Index and the MSCI EAFE Index does not impose an undue burden on competition. Neither the MSCI EM Index nor the MSCI EAFE Index have been listed in several years. Also, the Exchange notes that it has no open interest in either the MSCI EM Index or the MSCI EAFE.

### Minimum Increments

The Exchange's proposal to relocate parts of Options 3, Section 3 into a new Supplementary Material .01 and add a title for the Penny Pilot Program do not impose an undue burden on competition as these amendments are non-substantive.

### Mass Cancellation of Trading Interest

The Exchange's proposal to amend the rule text of the Mass Cancellation of Trading Interest rule within Options 3, Section 19 does not impose an undue burden on competition because there is no corresponding change to the manner in which this service will be offered. It will continue to be offered to all Participants.

### Order Routing

The Exchange believes that adding greater detail to its rules concerning routing of orders does not impose an undue burden on competition, rather it provides greater transparency as to the potential outcomes when utilizing different routing strategies. Further, the Exchange notes that market participants may elect not to route their orders. The Exchange continues to offer various options to its market participants with respect to routing.

### Other Amendments

The Exchange proposes to correct typographical error and update rulebook citations do not impose an undue burden on competition as these amendments are non-substantive.

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

No written comments were either solicited or received.

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

Because the foregoing proposed rule change does not: (i) significantly affect the protection of investors or the public interest; (ii) impose any significant burden on competition; and (iii) become operative for 30 days from the date on which it was filed, or such shorter time as the Commission may designate, it has become effective pursuant to Section 19(b)(3)(A)(iii) of the Act<sup>12</sup> and subparagraph (f)(6) of Rule 19b-4 thereunder.<sup>13</sup>

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

IV. Solicitation of Comments

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

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<sup>12</sup> 15 U.S.C. 78s(b)(3)(A)(iii).

<sup>13</sup> 17 CFR 240.19b-4(f)(6). In addition, Rule 19b-4(f)(6) requires a self-regulatory organization to give the Commission written notice of its intent to file the proposed rule change at least five business days prior to the date of filing of the proposed rule change, or such shorter time as designated by the Commission. The Exchange has satisfied this requirement.

Electronic comments:

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>); or
- Send an e-mail to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include File Number SR-NASDAQ-2020-006 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-2020-006. 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-2020-006 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.<sup>14</sup>

Jill M. Peterson  
Assistant Secretary

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<sup>14</sup> 17 CFR 200.30-3(a)(12).

**EXHIBIT 5**

*New text is underlined and deleted text is in brackets.*

**The Nasdaq Stock Market LLC Rules**

\* \* \* \* \*

**General 2 Organization and Administration**

\* \* \* \* \*

**Section 17. Reserved**

**Section 18. Reserved**

**Section 19. Reserved**

**Section 20. Reserved**

**Section 21. Reserved**

**Section 22. Reserved**

\* \* \* \* \*

**General 9 Regulation**

\* \* \* \* \*

**Section 1. General Standards**

\* \* \* \* \*

**([b]d) Anti-Intimidation / Coordination**

Nasdaq is issuing this interpretation to codify a longstanding policy. It is conduct inconsistent with just and equitable principles of trade for any member or person associated with a member to coordinate the prices (including quotations), trades, or trade reports of such member with any other member or person associated with a member; to direct or request another member to alter a price (including a quotation); or to engage, directly or indirectly, in any conduct that threatens, harasses, coerces, intimidates, or otherwise attempts improperly to influence another member or person associated with a member. This includes, but is not limited to, any attempt to influence another member or person associated with a member to adjust or maintain a price or quotation, whether displayed on any facility operated by Nasdaq or otherwise, or refusals to trade or other conduct that retaliates against or discourages the competitive activities of another market maker or market participant. Nothing in this interpretation respecting coordination of quotes, trades, or trade reports shall be deemed to limit, constrain, or otherwise inhibit the freedom of a member or person associated with a member to:

\* \* \* \* \*

**([c]e) Confirmation of Callable Common Stock.** Exchange members and persons Nasdaq members and persons associated with a member shall comply with NASD Interpretive Material 2110-6 as if such Rule were part of the Nasdaq rules.

**([d]f) Use of Manipulative, Deceptive or Other Fraudulent Devices**

No member shall effect any transaction in, or induce the purchase or sale of, any security by means of any manipulative, deceptive or other fraudulent device or contrivance.

**([e]g) Interfering With the Transfer of Customer Accounts in the Context of Employment Disputes**

Exchange members and persons associated with a member shall comply with FINRA Rule 2140 as if such Rule were part of the Exchange's rules.

**([b]h)** For purposes of this Rule, references to Rule 11870 shall be construed as references to Nasdaq Rule 11870.

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**Options 1 General Provisions**

**Section 1. Definitions**

(a) With respect to these NOM Rules, the following terms shall have the meanings specified in this Rule. A term defined elsewhere in the Rules of the Exchange shall have the same meaning with respect to this Rule, unless otherwise defined below.

(1) The term "Away Best Bid or Offer" or "ABBO" means the displayed National Best Bid or Offer not including the Exchange's Best Bid or Offer.

([1]2) The term "account number" means a number assigned to a Participant. Participants may have more than one account number.

([2]3) The term "aggregate exercise price" means the exercise price of an options contract multiplied by the number of units of the underlying security covered by the options contract.

([3]4) The term "American-style option" means an options contract that, subject to the provisions of Options 5, Section 101 of these NOM Rules (relating to the cutoff time for exercise instructions) and to the Rules of the Clearing Corporation, may be exercised at any time from its commencement time until its expiration.

([4]5) The term a "badge" means an account number, which may contain letters and/or numbers, assigned to NOM Market Makers. A NOM Market Maker account may be associated with multiple badges.

([5]6) The term "bid" means a limit order to buy one or more options contracts.

([6]7) The term "call" means an options contract under which the holder of the option has the right, in accordance with the terms of the option, to purchase from the Clearing Corporation the number of shares of the underlying security covered by the options contract.

([7]8) The term "class" means, when applied to options, all option contracts of the same type and style covering the same underlying interest; provided, however, that OTC options and listed options that would otherwise constitute a single class of options shall constitute separate classes. When applied to futures, the term "class" means all futures covering the same underlying interest.

[(8) The term "class of options" means all options contracts of the same type and style covering the same underlying security.]

(9) The term "Clearing Corporation" means The Options Clearing Corporation.

(10) The term "Clearing Participant" means a Participant that is self-clearing or a Participant that clears NOM Transactions for other Participants of NOM.

(11) The term "closing index value" in respect of a particular index means the current index value calculated at the close of business on the day of exercise, or, if the day of exercise is not a trading day, on the last trading day before exercise (P.M.-settled), unless the settlement value of the index is based on the opening price of each component issue on the primary market (A.M.- settled).

(12) The term "closing purchase transaction" means a NOM Transaction that reduces or eliminates a short position in an options contract.

(13) The term "closing writing transaction" means a NOM Transaction that reduces or eliminates a long position in an options contract.

(14) The term "covered short position" means (i) an options position where the obligation of the writer of a call option is secured by a "specific deposit" or an "escrow deposit" meeting the conditions of Rules 610(f) or 610(g), respectively, of the Rules of the Clearing Corporation, or the writer holds in the same account as the short position, on a share-for-share basis, a long position either in the underlying security or in an options contract of the same class of options where the exercise price of the options contract in such long position is equal to or less than the exercise price of the options contract in such short position; and (ii) an options position where the writer of a put option holds in the same account as the short position, on a share-for-share basis, a long position in an options contract of the same class of options where the exercise price of the options contract in such long position is equal to or greater than the exercise price of the options contract in such short position.

- (15) The term "Customer" means a Public Customer or a broker-dealer.
- (16) The term "Customer Order" means an agency order for the account of a Public Customer, as defined herein or a broker-dealer.
- (17) The term "discretion" means the authority of a broker or dealer to determine for a Customer the type of option, the class or series of options, the number of contracts, or whether options are to be bought or sold.
- (18) The term "European-style option" means an options contract that, subject to the provisions of Options 5, Section 101 of these Rules (relating to the cutoff time for exercise instructions) and to the Rules of the Clearing Corporation, can be exercised only on the business day of expiration, or, in the case of option contracts expiring on a day that is not a business day, the last business day prior to its expiration date.
- (19) The term "exercise price" means the specified price per unit at which the underlying security may be purchased or sold upon the exercise of an options contract.
- (20) The term "foreign currency" means the standard unit of the official medium of exchange of a sovereign government or the Euro including the United States Government (e.g., the British pound, the Swiss franc, the Canadian dollar, the Australian dollar, the Japanese yen, the Mexican peso, the Brazilian real, the Chinese yuan, the Danish krone, the New Zealand dollar, the Norwegian krone, the Russian ruble, the South African rand, the South Korean won, or the Swedish krona[, or the United States dollar]).
- (21) The term "in-the-money" means the following: for call options, all strike prices at or below the offer in the underlying security on the primary listing market; for put options, all strike prices at or above the bid in the underlying security on the primary listing market. This definition shall only apply for purposes of Market Maker quoting obligations in Options 2, Section 5.
- (22) The term "index option" means an options contract that is an option on a broad-based, narrow-based or micro narrow-based index of equity securities prices.
- (23) The term "individual equity option" means an options contract which is an option on an equity security.
- (24) The term "long position" means a person's interest as the holder of one or more options contracts.

- (25) The term "mnemonic" means an acronym comprised of letters and/or numbers assigned to Participants. A Participant account may be associated with multiple mnemonics.
- (26) The terms "Nasdaq Options Order Entry Firm" or "Order Entry Firm" or "OEF" mean those Options Participants representing as agent Customer Orders on NOM and those non-Market Maker Participants conducting proprietary trading.
- (27) The term "Nasdaq Options Market Maker" or "Options Market Maker" mean an Options Participant registered with the Exchange for the purpose of making markets in options contracts traded on the Exchange and that is vested with the rights and responsibilities specified in Options 2 of these Rules.
- (28) The term "NOM" means The Nasdaq Options Market or Nasdaq Stock Exchange Options Market, an options trading facility of the Exchange under Section 3(a)(2) of the Exchange Act.
- (29) The term "NOM Book" means the electronic book of orders maintained by the NOM Trading System.
- (30) The term "NOM Rules" or "Rules of NOM" mean the Rules of The Nasdaq Options Market.
- (31) The term "NOM Transaction" means a transaction involving an options contract that is effected on or through NOM or its facilities or systems.
- (32) The term "NBBO" means the national best bid or offer as calculated by NOM based on market information received by NOM from OPRA.
- (33) The term "offer" means a limit order to sell one or more options contracts.
- (34) The term "opening purchase transaction" means a NOM Transaction that creates or increases a long position in an options contract.
- (35) The term "opening writing transaction" means a NOM Transaction that creates or increases a short position in an options contract.
- (36) The term "options contract" means a put or a call issued, or subject to issuance by the Clearing Corporation pursuant to the Rules of the Clearing Corporation.
- (37) The term "options market close" or "market close" mean the time specified by NOM for the cessation of trading in contracts on NOM for options on that market day.

(38) The term "options market open" or "market open" mean the time specified by NOM for the commencement of trading in contracts on NOM for options on that market day.

(39) The term "Options Participant" or "Participant" mean a firm, or organization that is registered with the Exchange pursuant to Options 2A of these Rules for purposes of participating in options trading on NOM as a "Nasdaq Options Order Entry Firm" or "Nasdaq Options Market Maker".

(40) The term "Options Principal" means a person engaged in the management and supervision of the Options Participant's business pertaining to options contracts that has responsibility for the overall oversight of the Options Participant's options related activities on the Exchange.

(41) The term "Options Participation Agreement" means the agreement to be executed by Options Participants to qualify to participate on NOM.

(42) The term "OPRA" means the Options Price Reporting Authority.

(43) The term "order" means a firm commitment to buy or sell options contracts as defined in Section 1(d) of Options 3.

(44) The term "out-of-the-money" means the following: for call options, all strike prices above the offer in the underlying security on the primary listing market; for put options, all strike prices below the bid in the underlying security on the primary listing market. This definition shall only apply for purposes of Market Maker quoting obligations in Options 2, Section 5.

(45) The term "outstanding" means an options contract which has been issued by the Clearing Corporation and has neither been the subject of a closing writing transaction nor has reached its expiration date.

(46) The term "pre-opening" means the period prior to the market open on NOM, beginning at a time specified by NOM, during which Participants may log on to the Trading System and submit, amend and withdraw orders, but no trading can occur.

(47) The term "Professional" means any person or entity that (i) is not a broker or dealer in securities, and (ii) places more than 390 orders in listed options per day on average during a calendar month for its own beneficial account(s). A Participant or a Public Customer may, without limitation, be a Professional. All Professional orders shall be appropriately marked by Participants.

(i) Calculation of Professional Orders. With respect to computing the number of orders in listed options per day on average during a calendar month for its own beneficial account(s), the following shall apply:

(a) Each order is counted toward the number of orders, regardless of the options exchange to which the order was routed in determining Professional orders.

(b) A cancel and replace order which replaces a prior order shall be counted as a second order, or multiple new orders in the case of "single-strike algorithms" which track the NBBO. A cancel message is not an order.

(c) An order that converts into multiple subordinate orders to achieve an execution strategy shall be counted as one order per side and series, even if the order is routed away. An order that cancels and replaces the resulting subordinate order and results in multiple sides/series shall be counted as a new order per side and series. An order that cancels and replaces the subordinate order on the same side and series will count as one order. For purposes of counting Public Customer orders, if one Public Customer order on the same side and series is subsequently broken-up by a broker into multiple orders for purposes of execution or routed away, this order will count as one order.

(48) The term "Public Customer" means a person that is not a broker or dealer in securities.

(49) The term "Public Customer Order" means an order for the account of a Public Customer.

(50) The term "put" means an options contract under which the holder of the option has the right, in accordance with the terms and provisions of the option and the Rules of the OCC, to sell to the Clearing Corporation the number of units of the underlying security covered by the options contract, at a price per unit equal to the exercise price, upon the timely exercise of such option.

(51) The term "Quarterly Option Series" means a series in an options class that is approved for listing and trading on the Exchange in which the series is opened for trading on any business day and expires at the close of business on the last business day of a calendar quarter.

(52) The term "quote" or "quotation" mean a bid or offer entered by a Market Maker as a firm order that updates the Market Maker's previous bid or offer, if any.

(53) The term "Responsible Person" means a United States-based officer, director or management-level employee of an Options Participant, who is registered with the Exchange as an Options Principal, responsible for the direct supervision and control of associated persons of that Options Participant.

(54) The term "Rules of the Clearing Corporation" or "Rules of the OCC" mean the Certificate of Incorporation, the By-Laws and the Rules of the Clearing Corporation, and all written interpretations thereof, as may be in effect from time to time.

(55) The term "series," when used in respect of options, means all option contracts of the same class and having otherwise identical terms including exercise price (or, in the case of delayed start option contracts that do not yet have a set exercise price, the same exercise price setting formula and exercise price setting date), expiration date, unit of trading and, in the case of futures options or commodity options, series marker if any;

and when used in respect of futures, means all futures of the same class having identical terms, including the same maturity date and series marker, if any.

[(56) The term "series of options" means all options contracts of the same class of options having the same exercise price and expiration date.]

[(57)56] The term "short position" means a person's interest as the writer of one or more options contracts.

[(58)57] The term "Short Term Option Series" means a series in an option class that is approved for listing and trading on the Exchange in which the series is opened for trading on any Monday, Tuesday, Wednesday, Thursday or Friday that is a business day and that expires on the Monday, Wednesday or Friday of the next business week, or, in the case of a series that is listed on a Friday and expires on a Monday, is listed one business week and one business day prior to that expiration. If a Tuesday, Wednesday, Thursday or Friday is not a business day, the series may be opened (or shall expire) on the first business day immediately prior to that Tuesday, Wednesday, Thursday or Friday, respectively. For a series listed pursuant to this section for Monday expiration, if a Monday is not a business day, the series shall expire on the first business day immediately following that Monday.

[(59)58] The term "SRO" means a self-regulatory organization as defined in Section 3(a)(26) of the Exchange Act.

[(60)59] The term "System" or "Trading System" mean the automated system for order execution and trade reporting owned and operated by The Nasdaq Options Market LLC. The Nasdaq Options Market comprises:

- (1) an order execution service that enables Participants to automatically execute transactions in options series [System Securities]; and provides Participants with sufficient monitoring and updating capability to participate in an automated execution environment;

(2) a trade reporting service that submits "locked-in" trades for clearing to a registered clearing agency for clearance and settlement; transmits last-sale reports of transactions automatically to the Options Price Reporting Authority for dissemination to the public and industry; and provides participants with monitoring and risk management capabilities to facilitate participation in a "locked-in" trading environment; and

(3) the data feeds described in Section 19.

[(61) The term "System Book Feed" mean a data feed for System securities.]

[(62) The term "System Securities" mean all options that are currently trading on NOM pursuant to Options 4. All other options shall be "Non System Securities."]

[(63)60] The term "type of option" means the classification of an options contract as either a put or a call.

[(64)61] The term "uncovered" means a short position in an options contract that is not covered.

[(65)62] The term "underlying security" when used in respect of any contract other than a cash-settled contract means the security or other asset which the Corporation is obligated to sell or purchase upon exercise or maturity of the contract. When used in respect of a cash-settled contract, the term means the index or other underlying interest on which the exercise settlement amount or final settlement price is based.

\* \* \* \* \*

## Options 2 Options Market Participants

\* \* \* \* \*

### Section 4. Obligations of Market Makers

(a) – (c) No change.

[(d) **Market Maker Orders.** Market Makers may enter all order types defined in Options 3, Section 7 in the options classes to which they are appointed and non-appointed.]

\* \* \* \* \*

### Section. 5 Market Maker Quotations

(a) - (d) No change.

[(e) *Options Classes Other Than Those in Which Registered.* A Market Maker shall be considered an OEF under the Rules in all classes of options listed on NOM. The total

number of contracts executed by a Market Maker in options in which it is not registered as a Market Maker shall not exceed 25 percent of the total number of all contracts executed by the Market Maker in any calendar quarter.]

**Section 6. [Reserved] Market Maker Orders**

(a) Market Makers may enter all order types defined in Options 3, Section 7 in the options classes to which they are appointed and non-appointed.

(b) Options Classes Other Than Those in Which Registered. A Market Maker shall be considered an OEF under the Rules in all classes of options listed on NOM. The total number of contracts executed by a Market Maker in options in which it is not registered as a Market Maker shall not exceed 25 percent of the total number of all contracts executed by the Market Maker in any calendar quarter.

\* \* \* \* \*

**Section 11. Reserved**

**Section 12. Reserved**

**Section 13. Reserved**

**Section 14. Reserved**

**Options 3 Options Trading Rules**

\* \* \* \* \*

**Section 2. Units of Trading and Meaning of Premium Quotes and Orders**

(a) No change.

(b) No change.

[(1) *Mini Options*. Bids and offers for an option contract overlying 10 shares shall be expressed in terms of dollars per 1/10th part of the total value of the contract. An offer of ".50" shall represent an offer of \$5.00 on an option contract having a unit of trading consisting of 10 shares.]

\* \* \* \* \*

**Section 3. Minimum Increments**

(a) The Board may establish minimum quoting increments for options contracts traded on NOM. Such minimum increments established by the Board will be designated as a stated policy, practice, or interpretation with respect to the administration of this Rule within the meaning of Section 19 of the Exchange Act and will be filed with the SEC as a rule change for effectiveness upon filing. Until such time as the Board makes a change in the increments, the following principles shall apply:

(1) If the options series is trading at less than \$3.00, five (5) cents; and

(2) If the options series is trading at \$3.00 or higher, ten (10) cents[; and].

[(3) For a pilot period scheduled to expire on June 30, 2020 or the date of permanent approval, if earlier, if the options series is trading pursuant to the Penny Pilot program one (1) cent if the options series is trading at less than \$3.00, five (5) cents if the options series is trading at \$3.00 or higher, unless for QQQs, SPY and IWM where the minimum quoting increment will be one cent for all series regardless of price. A list of such options shall be communicated to membership via an Options Trader Alert ("OTA") posted on the Exchange's web site.

The Exchange may replace any pilot issues that have been delisted with the next most actively traded multiply listed options classes that are not yet included in the pilot, based on trading activity in the previous six months. The replacement issues may be added to the pilot on the second trading day in the first month of each quarter.

(4) All Mini Options contracts shall have a minimum price variation as set forth in Options 4, Supplementary Material .15 to Section 6.]

(b) The minimum trading increment for options contracts traded on NOM will be one (1) cent for all series.

(c) A quote submitted to the System with an invalid trading increment will be re-priced. The quote will be rounded up to the nearest valid minimum price variation for offers and rounded down for bids.

**Supplementary Material to Options 3, Section 3:**

**.01 Penny Pilot Program:** For a pilot period scheduled to expire on June 30, 2020 or the date of permanent approval, if earlier, if the options series is trading pursuant to the Penny Pilot program one (1) cent if the options series is trading at less than \$3.00, five (5) cents if the options series is trading at \$3.00 or higher, unless for QQQs, SPY and IWM where the minimum quoting increment will be one cent for all series regardless of price. A list of such options shall be communicated to membership via an Options Trader Alert ("OTA") posted on the Exchange's web site.

The Exchange may replace any pilot issues that have been delisted with the next most actively traded multiply listed options classes that are not yet included in the pilot, based on trading activity in the previous six months. The replacement issues may be added to the pilot on the second trading day in the first month of each quarter.

\* \* \* \* \*

**Section 8. Opening and Halt Cross**

\* \* \* \* \*

Processing of NOM Opening Cross. For the opening of trading of options series traded on NOM[System securities], the Opening Cross shall occur at or after 9:30, if the dissemination of a regular market hours quote or trade (as determined by the Exchange) by the Market for the Underlying Security has occurred (or, in the case of index options, the Exchange has received the opening price of the underlying index). Or, in the case of a trading halt, the Opening Cross shall occur when trading resumes pursuant to Options 3, Section 9. Market hours trading shall commence or, in the case of a halted option, resume when the Nasdaq Opening Cross concludes.

In each case, the opening of trading or resumption of trading after a halt of options series[System securities] will be dependent on the following criteria, provided the ABBO is not crossed:

\* \* \* \* \*

**Section. 19 Mass Cancellation of Trading Interest**

An Options Participant may [simultaneously] cancel [all its] any bids, offers, and orders in [all]any series of options by requesting NOM Market O[o]perations staff to effect such cancellation as per the instructions of the Options Participant.

\* \* \* \* \*

**Options 4 Options Listing Rules**

\* \* \* \* \*

**Section. 5 Series of Options Contracts Open for Trading**

\* \* \* \* \*

**Supplementary Material to Options 4, Section 5**

\* \* \* \* \*

**.05 Reserved.** [Notwithstanding Supplementary Material .01 above, the intervals between strike prices for Mini-Nasdaq-100 Index ("MNX" or "Mini-NDX") options series shall be determined in accordance with Supplementary Material .15 below.]

\* \* \* \* \*

**[.15 Mini Options Contracts**

(a) After an option class on a stock, Exchange-Traded Fund Share, Trust Issued Receipt, Exchange Traded Note, and other Index Linked Security with a 100 share deliverable has been approved for listing and trading on the Exchange, series of option contracts with a 10 share deliverable on that stock, Exchange-Traded Fund Share, Trust Issued Receipt, Exchange Traded Note, and other Index Linked Security may be listed for all expirations opened for trading on the

Exchange. Mini Option contracts may currently be listed on SPDR S&P 500 ("SPY"), Apple Inc. ("AAPL"), SPDR Gold Trust ("GLD"), Alphabet Inc. ("GOOGL") and Amazon.com Inc. ("AMZN").

(b) Strike prices for Mini Options shall be set at the same level as for regular options. For example, a call series strike price to deliver 10 shares of stock at \$125 per share has a total deliverable value of \$1250, and the strike price will be set at 125.

(c) No additional series of Mini Options may be added if the underlying security is trading at \$90 or less. The underlying security must trade above \$90 for five consecutive days prior to listing Mini Options contracts in an additional expiration month.

(d) The minimum price variation for bids and offers for Mini Options shall be the same as permitted for standard options on the same security. For example, if a security participates in the Penny Pilot Program, Mini Options on the same underlying security may be quoted in the same minimum increments, e.g., \$0.01 for all quotations in series that are quoted at less than \$3 per contract and \$0.05 for all quotations in series that are quoted at \$3 per contract or greater, \$0.01 for all SPY option series, and Mini Options do not separately need to qualify for the Penny Pilot Program.

**.16 U.S. Dollar-Settled Foreign Currency Options ("FCOs").** Within each class of approved U.S. Dollar- Settled Foreign Currency options, the Exchange may open for trading series of options expiring in consecutive calendar months ("consecutive month series"), as provided in subparagraph (A), and series of options expiring at three-month intervals ("cycle month series"), as provided in subparagraph (B) of this paragraph. Prior to the opening of trading in any series of U.S. Dollar- Settled FCOs, the Exchange shall fix the expiration month and exercise price of option contracts included in each such series.

(A) Consecutive Month Series

With respect to each class of U.S. Dollar-Settled FCOs, series of options having up to four consecutive expiration months may be opened for trading simultaneously, with the shortest-term series initially having no more than two months to expiration. Additional consecutive month series of the same class may be opened for trading on the Exchange at or about the time a prior consecutive month series expires, and the expiration month of each such new series shall normally be the month immediately succeeding the expiration month of the then outstanding consecutive month series of the same class of options having the longest remaining time to expiration.

(B) Cycle Month Series

The Exchange may designate one expiration cycle for each class of U.S. Dollar-Settled FCOs. An expiration cycle shall consist of four calendar months ("cycle months") occurring at three-month intervals.

With respect to any particular class of U.S. Dollar-Settled FCOs, series of options expiring in the four cycle months designated by the Exchange for that class may be opened for trading simultaneously, with the shortest-term series initially having approximately three months to expiration. Additional cycle month series of the same class may be opened for trading on the Exchange at or about the time a prior cycle month series expires, and the expiration month of each such new series shall normally be approximately three months after the expiration month of the then outstanding cycle month series of the same class of options having the longest remaining time to expiration.

(C) Long-Term Series

The Exchange may list, with respect to any U.S. Dollar-Settled FCOs having up to three years from the time they are listed until expiration. There may be up to ten options series, options having up to thirty-six months from the time they are listed until expiration. There may be up to six additional expiration months. Strike price interval and bid/ask differential rules shall not apply to such options series until the time to expiration is less than nine months.

(D) For each expiration month opened for trading of U.S. Dollar-Settled FCOs, in addition to the strike prices listed by the Exchange pursuant to the Supplementary Material at .16 to this Section 6, the Exchange shall also list a single strike price of \$0.01.

(E) Additional series of options of the same class may be opened for trading on the Exchange as the market price of the underlying foreign currency moves substantially from the initial exercise price or prices. The opening of a new series of options on the Exchange shall not affect any other series of options of the same class previously opened.]

\* \* \* \* \*

**Options 4A Options Index Rules**

\* \* \* \* \*

**Section 2. Definitions**

\* \* \* \* \*

**Options 4A, Supplementary Material to Section 2**

01. The reporting authorities designated by the Exchange in respect of each index underlying an index options contract traded on the Exchange are as provided below.

***Index Reporting Authority***

*Nasdaq 100 Index - The Nasdaq Stock Market*

*[Mini Nasdaq 100 Index - The Nasdaq Stock Market ]*

*PHLX Oil Service Sector<sup>SM</sup> - The Nasdaq Stock Market*

*PHLX Semiconductor Sector<sup>SM</sup> - The Nasdaq Stock Market*

*PHLX Housing Sector<sup>TM</sup> - The Nasdaq Stock Market*

*[MSCI EM Index - MSCI Inc.*

*MSCI EAFE Index -MSCI Inc.]*

**Section 3. Designation of a Broad-Based Index**

\* \* \* \* \*

[(d) MSCI EM Index

(1) NOM may trade options on the MSCI EM Index if each of the following conditions is satisfied:

- (A) The index is broad-based, as defined in Options 4A, Section 2(j);
- (B) Options on the index are designated as P.M.-settled index options;
- (C) The index is capitalization-weighted, price-weighted, modified capitalization-weighted or equal dollar-weighted;
- (D) The index consists of 500 or more component securities;
- (E) All of the component securities of the index will have a market capitalization of greater than \$100 million;
- (F) No single component security accounts for more than fifteen percent (15%) of the weight of the index, and the five highest weighted component securities in the index do not, in the aggregate, account for more than fifty percent (50%) of the weight of the MSCI EM Index;

(G) Non-U.S. component securities (stocks or ADRs) that are not subject to comprehensive surveillance agreements do not, in the aggregate, represent more than twenty-two and a half percent (22.5%) of the weight of the index;

(H) The current index value is widely disseminated at least once every fifteen (15) seconds by one or more major market data vendors during the time options on the index are traded on NOM;

(I) NOM reasonably believes it has adequate system capacity to support the trading of options on the index, based on a calculation of NOM's current Independent System Capacity Advisor (ISCA) allocation and the number of new messages per second expected to be generated by options on such index; and

(10) NOM has written surveillance procedures in place with respect to surveillance of trading of options on the index.

(2) The following maintenance listing standards shall apply to each class of index options originally listed pursuant to paragraph (d).

(A) The conditions set forth in subparagraphs (d)(i) (1), (2), (3), (4), (7) (8), (9) and (10) must continue to be satisfied. The conditions set forth in subparagraphs (d)(i) (5) and (6) must be satisfied only as of the first day of January and July in each year;

(B) The total number of component securities in the index may not increase or decrease by more than thirty-five percent (35%) from the number of component securities in the index at the time of its initial listing.

In the event a class of index options listed on NOM fails to satisfy the maintenance listing standards set forth herein, NOM shall not open for trading any additional series of options of that class unless the continued listing of that class of index options has been approved by the Commission under Section 19(b)(2) of the Exchange Act.

(e) MSCI EAFE Index

(1) NOM may trade options on the MSCI EAFE Index if each of the following conditions is satisfied:

(A) The index is broad-based, as defined in Options 4A, Section 2(j);

(B) Options on the index are designated as P.M.-settled index options;

(C) The index is capitalization-weighted, price-weighted, modified capitalization-weighted or equal dollar-weighted;

(D) The index consists of 500 or more component securities;

(E) All of the component securities of the index will have a market capitalization of greater than \$100 million;

(F) No single component security accounts for more than fifteen percent (15%) of the weight of the index, and the five highest weighted component securities in the index do not, in the aggregate, account for more than fifty percent (50%) of the weight of the MSCI EAFE Index;

(G) Non-U.S. component securities (stocks or ADRs) that are not subject to comprehensive surveillance agreements do not, in the aggregate, represent more than twenty percent (20%) of the weight of the index;

(H) The current index value is widely disseminated at least once every fifteen (15) seconds by one or more major market data vendors during the time options on the index are traded on NOM;

(I) NOM reasonably believes it has adequate system capacity to support the trading of options on the index, based on a calculation of the NOM's current Independent System Capacity Advisor (ISCA) allocation and the number of new messages per second expected to be generated by options on such index; and

(J) NOM has written surveillance procedures in place with respect to surveillance of trading of options on the index.

(2) The following maintenance listing standards shall apply to each class of index options originally listed pursuant to paragraph (e).

(A) The conditions set forth in subparagraphs (e)(i) (1), (2), (3), (4), (7) (8), (9) and (10) must continue to be satisfied. The conditions set forth in subparagraphs (e)(i) (5) and (6) must be satisfied only as of the first day of January and July in each year;

(B) The total number of component securities in the index may not increase or decrease by more than thirty-five percent (35%) from the number of component securities in the index at the time of its initial listing.

In the event a class of index options listed on NOM fails to satisfy the maintenance listing standards set forth herein, NOM shall not open for trading any additional series of

options of that class unless the continued listing of that class of index options has been approved by the Commission under Section 19(b)(2) of the Exchange Act.]

\* \* \* \* \*

### **Section 6. Position Limits for Broad-Based Index Options**

(a) Options Participants shall comply with the following applicable rules:

(1) rules of the Chicago Board Options Exchange Incorporated ("CBOE") with respect to position limits for broad-based index options if the broad-based index options are traded on CBOE and NOM;

(2) rules of Nasdaq PHLX LLC ("PHLX") with respect to position limits for [the following broad-based index options: MSCI EM and MSCI EAFE or] any PHLX proprietary product;

\* \* \* \* \*

### **Section 11. Trading Sessions**

(a) Days and Hours of Business. Except as otherwise provided in this Rule or under unusual conditions as may be determined by Nasdaq Regulation, transactions in index options may be effected on NOM between the hours of 9:30 a.m. and 4:15 p.m. Eastern time. With respect to options on foreign indexes, Nasdaq Regulation shall determine the days and hours of business[, except that transactions in options on the MSCI EAFE Index and MSCI EM Index may be effected on NOM between the hours of 9:30 a.m. and 4:15 p.m. Eastern time]. [With respect to the MSCI EAFE Index, transactions may be effected on NOM until 11:00 a.m. Eastern Time on the business day of expiration, or, in the case of an option contract expiring on a day that is not a business day, on the last business day before its expiration date.]

\* \* \* \* \*

### **Section 12. Terms of Index Options Contracts**

(a) General.

(1) Meaning of Premium Bids and Offers. Bids and offers shall be expressed in terms of dollars and cents per unit of the index.

(2) Exercise Prices. NOM shall determine fixed-point intervals of exercise prices for call and put options.

(3) Expiration Months. Index options contracts may expire at three (3) month intervals or in consecutive months. NOM may list up to six (6) expiration months at any one time, but will not list index options that expire more than twelve (12) months out.

(4) "European-Style Exercise." The following European-style index options, some of which may be A.M.-settled as provided in paragraph (a)(5) or P.M.-settled as provided in paragraph (a)(6), are approved for trading on NOM:

(A) Nasdaq 100 Index.

[(B) Mini Nasdaq 100 Index.]

[(C) B] PHLX Oil Service Sector <sup>SM</sup>.

[(D) C] PHLX Housing Sector <sup>TM</sup>.

[(E) MSCI EM Index.]

[(F) MSCI EAFE Index.]

(5) A.M.-Settled Index Options. The last day of trading for A.M.-settled index options shall be the business day prior to the business day of expiration, or, in the case of an option contract expiring on a day that is not a business day, the second business day preceding the expiration date. The current index value at the expiration of an A.M.-settled index option shall be determined, for all purposes under these Rules and the Rules of the Clearing Corporation, on the business day of expiration, or, in the case of an option contract expiring on a day that is not a business day, on the last business day before its expiration date, by reference to the reported level of such index as derived from first reported sale (opening) prices of the underlying securities on such day, except that:

(A) In the event that the primary market for an underlying security does not open for trading on that day, the price of that security shall be determined, for the purposes of calculating the current index value at expiration, as set forth in Section 11(g) of this Options 4A, unless the current index value at expiration is fixed in accordance with the Rules and By-Laws of the Clearing Corporation; and

(B) In the event that the primary market for an underlying security is open for trading on that day, but that particular security does not open for trading on that day, the price of that security, for the purposes of calculating the current index value at expiration, shall be the last reported sale price of the security. The following A.M.-settled index options are approved for trading on NOM:

(i) Nasdaq 100 Index.

[(ii) Mini Nasdaq 100 Index.]

(ii[i]) PHLX Oil Service Sector <sup>SM</sup>.

(iii[v]) PHLX Semiconductor Sector <sup>SM</sup>.

(iv) PHLX Housing Sector <sup>TM</sup>.

(6) P.M. - Settled Index Options. The last day of trading for P.M.-settled index options shall be the business day of expiration, or, in the case of an option contract expiring on a day that is not a business day, on the last business day before its expiration date. The current index value at expiration of the index is determined by the last reported sale price of each component security. In the event that the primary market for an underlying security does not open for trading on the expiration date, the price of that security shall be the last reported sale price prior to the expiration date. The following P.M.-settled index options are approved for trading on NOM:

[(A) MSCI EM Index.

(B) MSCI EAFE Index.]

*There are currently no P.M.-settled index options approved for trading on NOM.*

\* \* \* \* \*

(c) Procedures for Adding and Deleting Strike Prices. The procedures for adding and deleting strike prices for index options are provided in Options 4, Section 5[6] of these Rules (Series of Options Contracts Open for Trading), as amended by the following:

(1) The interval between strike prices will be no less than \$5.00; provided, that in the case of the following classes of index options, the interval between strike prices will be no less than \$2.50:

(A) Nasdaq 100 Index, if the strike price is less than \$200.

[(B) Mini Nasdaq 100 Index, if the strike price is less than \$200.]

[(C)]B PHLX Oil Service Sector <sup>SM</sup>, if the strike price is less than \$200.

[(D)]C PHLX Semiconductor Sector <sup>SM</sup>, if the strike price is less than \$200.

[(E)]D PHLX Housing Sector <sup>TM</sup>, if the strike price is less than \$200.

[(F) MSCI EM Index, if the strike price is less than \$200.]

[(G) MSCI EAFE Index, if the strike price is less than \$200.]

\* \* \* \* \*

## Section 14. Disclaimers

\* \* \* \* \*

## [(c) MSCI Disclaimers

(A) With respect to the MSCI EM Index, the contracts are not sponsored, endorsed, sold or promoted by MSCI Inc., any affiliate of MSCI or any other party involved in, or related to, making or compiling any Indexes. The contracts have not been passed on by MSCI, any of its affiliates or any other party involved in, or related to, making or compiling any Indexes as to their legality or suitability with respect to any person or entity. MSCI, its affiliates and any other party involved in, or related to, making or compiling the MSCI EM Index do not guarantee the originality, accuracy and/or completeness of the MSCI EM Index or any data included therein. Neither MSCI, any of its affiliates nor any other party involved in, or related to, making or compiling the MSCI EM Index makes any express or implied warranties, and expressly disclaims all warranties of merchantability and fitness for a particular purpose or use with respect to the contract, the MSCI EM Index or any data included therein. Without limiting any of the foregoing, in no event shall MSCI, any of its affiliates or any other party involved in, or related to, making or compiling the MSCI EM Index have any liability for any direct, special, punitive, indirect, or consequential damages (including lost profits), even if notified of the possibility of such damages, claims, losses or expenses relating to any futures or options contracts or caused by any errors or delays in calculating or disseminating the MSCI EM Index. Neither MSCI, any of its affiliates nor any other party involved in, or related to, making or compiling the MSCI EM Index has any obligation to take the needs of the issuers of the contracts, the owners of the contracts or NOM into consideration in determining, composing or calculating the Indexes. Neither MSCI, its affiliates nor any other party involved in, or related to, making or compiling the MSCI EM Index is responsible for or have participated in the determination of the timing of, prices at, or quantities of the contracts to be issued or in the determination or calculation of the equation by which the contracts are redeemable.

(B) With respect to the MSCI EAFE Index, the contracts are not sponsored, endorsed, sold or promoted by MSCI Inc. ("MSCI"), any affiliate of MSCI or any other party involved in, or related to, making or compiling any Indexes. The contracts have not been passed on by MSCI, any of its affiliates or any other party involved in, or related to, making or compiling any Indexes as to their legality or suitability with respect to any person or entity. MSCI, its affiliates and any other party involved in, or related to, making or compiling the MSCI EAFE Index do not guarantee the originality, accuracy and/or completeness of the MSCI EAFE Index or any data included therein. Neither MSCI, any of its affiliates nor any other party involved in, or related to, making or compiling the MSCI EAFE Index makes any express or implied warranties, and expressly disclaims all warranties of merchantability and fitness for a particular purpose or use with respect to the contract, the MSCI EAFE Index or any data included therein. Without limiting any of the foregoing, in no event shall MSCI, any of its affiliates or any other party involved in, or related to, making or compiling the MSCI EAFE Index have any liability for any direct, special, punitive, indirect, or consequential damages

(including lost profits), even if notified of the possibility of such damages, claims, losses or expenses relating to any futures or options contracts or caused by any errors or delays in calculating or disseminating the MSCI EAFE Index. Neither MSCI, any of its affiliates nor any other party involved in, or related to, making or compiling the MSCI EAFE Index has any obligation to take the needs of the issuers of the contracts, the owners of the contracts or NOM into consideration in determining, composing or calculating the Indexes. Neither MSCI, its affiliates nor any other party involved in, or related to, making or compiling the MSCI EAFE Index is responsible for or have participated in the determination of the timing of, prices at, or quantities of the contracts to be issued or in the determination or calculation of the equation by which the contracts are redeemable.]

\* \* \* \* \*

**Section 17. Reserved**

**Section 18. Reserved**

**Section 19. Reserved**

**Section 20. Reserved**

**Section 21. Reserved**

**Options 4B Reserved**

**Options 5 Order Protection and Locked and Crossed Markets**

\* \* \* \* \*

**Section 2. Order Protection**

(a) *Avoidance of Trade-Throughs.* Except as provided in paragraph[s] (b) [and (c)] below, Members shall not effect Trade-Throughs.

\* \* \* \* \*

**Section 4. Order Routing**

(a) No change.

(i) and (ii)

(iii) The following order types are available:

(A) **DNR Order.** A DNR Order will never be routed outside of the Exchange regardless of the prices displayed by away markets. A DNR Order may execute on the Exchange at a price equal to or better than, but not inferior to, the best away market price but, if that best away market remains, the DNR Order will

remain in the Exchange book and be displayed at a price one minimum price variation (“MPV”) away from that ABBO. Any incoming order interacting with such a resting DNR Order will execute at the ABBO price, unless (1) the ABBO is improved to a price which crosses the DNR Order’s already displayed price, in which case the incoming order will execute at the previous ABBO price as the away market crossed a displayed price; or (2) the ABBO is improved to a price which locks the DNR Order’s displayed price, in which case the incoming order will execute at the DNR Order’s displayed price. Should the best away market move to an inferior price level, the DNR Order will automatically re-price from its one MPV inferior to the original [away best bid/offer price] ABBO [to] and display one MPV away from the new [away best bid/offer price] ABBO or its original limit price.

**(B) SEEK Order.** SEEK is a routing option pursuant to which an order will first check the System for available contracts for execution, and then is sent to other available market centers for potential execution.

\* \* \* \* \*

**(4)** If during the Route Timer, the ABBO markets move such that the SEEK Order is no longer marketable against the ABBO, it may: (i) trade at the next Exchange BBO price (or prices) if the SEEK Order price is locking or crossing that price (or prices), and/or (ii) be entered into the Order Book at its limit price (or one MPV inferior to its limit price for Price Improving Orders) if not locking or crossing the Exchange BBO. A SEEK Order will be included in the displayed Exchange BBO, unless the SEEK Order locks or crosses the ABBO, in which case it will be entered into the Order Book at the ABBO price and displayed one MPV inferior to the ABBO. If there exists a locked ABBO when the SEEK Order is entered onto the Order Book, the SEEK Order will be entered at the ABBO price and displayed one MPV inferior to the ABBO[at the locked ABBO price]. If during the Route Timer any new interest arrives opposite the SEEK Order that is marketable against the SEEK Order, such interest will trade against the SEEK Order at the ABBO price unless the ABBO is improved to a price which crosses the SEEK Order's already displayed price, in which case the incoming order will execute at the previous ABBO price as the away market crossed a displayed price. [When checking the Order Book, the System will seek to execute at the price at which it would send the order to an away market.] Eligible unexecuted orders will continue to be routed as described in paragraph (B)(3).

\* \* \* \* \*

**(C) SRCH Order.** SRCH Order is a routing option pursuant to which an order will first check the System for available contracts for execution, and then is sent to other available market centers for potential execution.

\* \* \* \* \*

(4) If during the Route Timer, the ABBO markets move such that the SRCH Order is no longer marketable against the ABBO, it may: (i) trade at the next Exchange BBO price (or prices) if the SRCH Order price is locking or crossing that price (or prices), and/or (ii) be entered into the Order Book at its limit price (or one MPV inferior to its limit price for Price Improving Orders) if not locking or crossing the Exchange BBO. A SRCH Order will be included in the displayed Exchange BBO, unless the SRCH Order locks or crosses the ABBO, in which case it will be entered into the Order Book at the ABBO price and displayed one MPV inferior to the ABBO. If there exists a locked ABBO when the SRCH Order will be entered into the Order Book, the SRCH Order will be entered at the ABBO price and displayed one MPV inferior to the ABBO. [If there exists a locked ABBO when the SRCH Order is entered onto the Order Book, the SRCH Order will display at the locked ABBO price.] If during the Route Timer any new interest arrives opposite the SRCH Order that is marketable against the SRCH Order, such interest will trade against the SRCH Order at the ABBO price, unless the ABBO is improved to a price which crosses the SRCH Order's already displayed price, in which case the incoming order will execute at the previous ABBO price as the away market crossed a displayed price. [When checking the Order Book, the System will seek to execute at the price at which it would send the order to an away market.] Eligible unexecuted orders will continue to be routed as described in paragraph (C)(3).

\* \* \* \*

## **Options 6 Options Trade Administration**

\* \* \* \* \*

### **Section 8. Reserved**

### **Section 9. Reserved**

### **Section 10. Reserved**

### **Section 11. Reserved**

### **Section 12. Reserved**

### **Section 13. Reserved**

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## **Options 6C [Exercises and Deliveries]Margins**

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### **Section 7. Reserved**

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**Options 7 Pricing Schedule**

\* \* \* \* \*

The term "**Customer**" or ("C") applies to any transaction that is identified by a Participant for clearing in the Customer range at The Options Clearing Corporation ("OCC") which is not for the account of broker or dealer or for the account of a "Professional" (as that term is defined in Options 1, Section 1(a)([46]47).

\* \* \* \* \*

The term "**Professional**" or ("P") means any person or entity that (i) is not a broker or dealer in securities, and (ii) places more than 390 orders in listed options per day on average during a calendar month for its own beneficial account(s) pursuant to Options 1, Section 1(a)([46]48). All Professional orders shall be appropriately marked by Participants.

\* \* \* \* \*

**Section 2 Nasdaq Options Market—Fees and Rebates**

\* \* \* \* \*

**[(4) Mini Options Pricing**

	<b>Customer</b>	<b>Professional, Firm, Broker/Dealer, Non-NOM Market Maker</b>	<b>NOM Market Maker</b>
Rebate to Add Liquidity	\$0.030	\$0.000	\$0.015
Fee to Remove Liquidity]	\$0.049	\$0.049	\$0.049

**[(5]4(a)** For purposes of determining equity tier calculations under this section, any day that the market is not open for the entire trading day will be excluded from such calculation.

\* \* \* \* \*

**Options 9 Business Conduct**

\* \* \* \* \*

**Section 24. Reserved**

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